CHAPTER-III

ECONOMIC SECTOR

(PUBLIC SECTOR ENTERPRISES)

CHAPTER III – ECONOMIC SECTOR (PUBLIC SECTOR ENTERPRISES)

3.1 Functioning of Public Sector Enterprises

3.1.1 Introduction

As of 31 March 2020, State of Meghalaya had 18 SPSEs (16 Government Companies and two Statutory Corporations) as detailed in the table below:

Table 3.1.1: Total number of SPSEs as on 31 March 2020

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Companies[36]	15	1	16
Statutory Corporations	2	Nil	2
Total	**17**	**1**	**18**

None of the Government companies were listed on the stock exchange which means that the shares of the SPSEs cannot be traded in the stock exchange. The Meghalaya Electronics Development Corporation, which was incorporated in the year 1986 is under liquidation since June 2011.

During the year 2019-20, one company *i.e.* Shillong Smart City Limited, incorporated on the 22 January 2019 for which entrustment of the supplementary audit was given to this office on 24 December 2019 was yet to submit its first account as on 30 September 2020.

3.1.2 Investment in SPSEs

3.1.2.1 State Government's investment in SPSEs

The State's investment in its SPSEs was by way of share capital/loans and special financial support by way of revenue grants.

As on 31 March 2020, the investment of the State Government (capital and long-term loans) in 18 SPSEs was ₹ 2,874.44 crore[37] as per details given in the table below:

Table 3.1.2: Details of State's investment in SPSEs **(₹ in crore)**

Year	Equity Capital	Long term Loans	Total
2019-20	2668.50	205.94	**2874.44**
2015-16	2338.29	44.14	**2382.43**

Of the total investment as on 31 March 2020, 92.84 *per cent* was towards capital investment, 7.16 *per cent* in long-term loans as against 98.15 *per cent* (capital) and 1.85 *per cent* (long-term loans) as on 31 March 2016**. Chart 3.1.1** below presents the trend of State Government investment in SPSEs during last five years (2015-16 to 2019-20).

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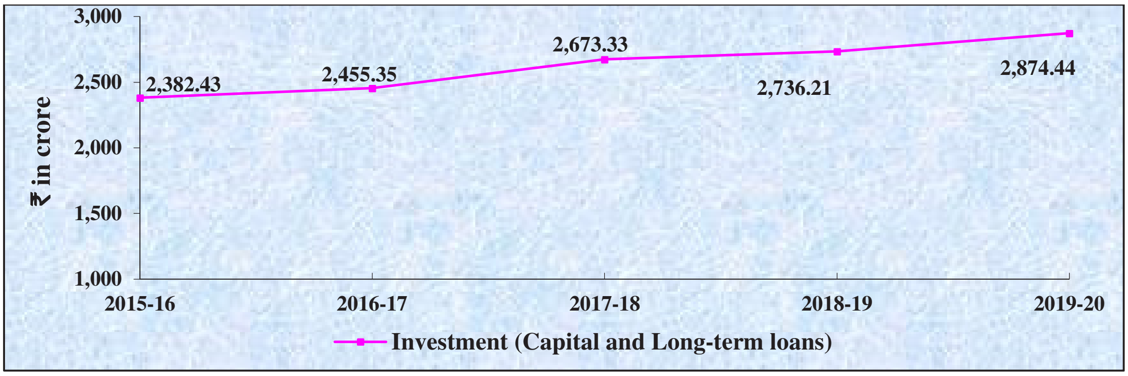
[36] Government Companies includes other companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

[37] Investment figures are provisional and as per the information provided by the SPSEs as none of the 18 SPSEs had finalised accounts for 2019-20 as of 30th September 2020.

Chart 3.1.1: State's total investment in SPSEs



The State Government's investment in SPSEs during last five years grew by 20.65 *per cent* from ₹ 2,382.43 crore in 2015-16 to ₹ 2,874.44 crore in 2019-20.

During 2019-20, out of 15 working SPSEs where State Government had made direct investment, 12 SPSEs incurred losses, only three[38] SPSEs earned profit (₹ 2.83 crore) as per their latest finalised accounts. None of the three profit making SPSEs had declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

The State Government's investment (historical value) in SPSEs had eroded by 14.28 *per cent* in 2019-20, and the losses of seven[39] SPSEs (accumulated losses of ₹ 2,159.69 crore) had completely eroded the State's investment in their paid-up capital (₹ 1,147.33 crore), as per their latest finalised accounts.

3.1.2.2 State Government Investment in Power sector PSEs

The details of investment (equity and long term loans) in the four Power sector SPSEs as on 31 March 2020 is given in the table below:

Table 3.1.3: Investment in Power sector SPSEs as on 31 March 2020

Name of SPSE	Investment (₹ in crore)								
	Equity			Long-Term Loans			Total		Grand Total
	GoM	Others[40]	Total	GoM	Others[41]	Total	GoM	Others	
MeECL[42]	2,198.48	-	2,198.48	-	280.62	280.62	2,198.48	280.62	2,479.10
MePGCL[43]	-	918.77	918.77	159.14	874.18	1,033.32	159.14	1,792.95	1,952.09
MePDCL[44]	-	850.22	850.22	5.32	502.74	508.06	5.32	1,352.96	1,358.28
MePTCL[45]	-	425.59	425.59	41.48	31.06	72.54	41.48	456.65	498.13
Total	**2,198.48**	**2,194.58**	**4,393.06**	**205.94**	**1,688.60**	**1,894.54**	**2,404.42**	**3,883.18**	**6,287.60**

Source: *Information furnished by the Companies.*

38 excluding one SPSE (serial no. 14 of ***Appendix 3.1.1)*** functioning on '*no profit no loss*' basis and one SPSE has yet to submit its first accounts.
39 Sl. No. 4, 6, 7, 10, 12, 13 & 16 of ***Appendix 3.1.1***.
40 Investment of MeECL in its three subsidiary companies (MePGCL, MePDCL and MePTCL).
41 Includes banks and other financial Institutions *etc.*
42 Meghalaya Energy Corporation Limited.
43 Meghalaya Power Generation Corporation Limited.
44 Meghalaya Power Distribution Corporation Limited.
45 Meghalaya Power Transmission Corporation Limited.

As can be seen from the table above, the total investment ₹ 6,287.60 crore in Power sector SPSEs as on 31 March 2020, was made up of 69.87 *per cent* (₹ 4,393.06 crore) equity and 30.13 *per cent* (₹ 1,894.54 crore) long-term loans. The State Government's investment (equity and Loan) in power sector was 38.24 *per cent* (₹ 2,404.42 crore), of which their long-term loans from State Government was 10.87 *per* cent (₹ 205.94 crore) and from other financial institutions was to the tune of 89.16 *per cent* (₹ 1,688.60 crore).

3.1.2.3 Total Sector-wise investment in SPSEs

This para analyses the sector wise investment in SPSEs, over a period of five years (2015-16 to 2019-20). Total investment (equity and long term loans) of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, *etc.*) in SPSEs under various important sectors at the end of 31 March 2016 and 31 March 2020 has been given in the table below.

Table 3.1.4: Sector-wise details of total investments in SPSEs **(₹ in crore)**

Name of Sector	Government/Other Companies				Statutory Corporations				Total Investment			
	2015-16	In % age	2019-20	In % age	2015-16	In % age	2019-20	In % age	2015-16	In % age	2019-20	In % age
Power	4298.38	93.58	6287.60	94.37	-	-	-	-	4298.38	91.65	6287.60	92.92
Manufacturing	165.69	3.60	199.83	2.99	-	-	-	-	165.69	3.53	199.83	2.95
Infrastructure	108.69	2.37	159.69	2.40	-	-	-	-	108.69	2.32	159.69	2.36
Service	7.96	0.17	7.96	0.12	93.14	96.52	100.44	96.76	101.10	2.16	108.40	1.60
Agriculture & Allied	3.61	0.08	2.45	0.04	-	-	-	-	3.61	0.08	2.45	0.04
Miscellaneous	9.03	0.20	5.21	0.08	3.36	3.48	3.36	3.24	12.39	0.26	8.57	0.13
Total	**4593.36**		**6662.74**		**96.50**		**103.80**		**4689.86**		**6766.54**	

The comparative figures of 2015-16 and 2019-20 show that the bulk of Investment (equity and long term loans) was in power sector SPSEs, which ranged from 91.65 *per cent* (2015-16) and 92.92 *per cent* (2019-20). Further, during 2019-20 combined investment of State Government and Other Stakeholders in Power sector was ₹ 6,287.60 crore, in Manufacturing sector was ₹ 199.83 crore and in Infrastructure sector was ₹ 159.69 crore). The investment under power sector was mainly on account of the equity investment (₹ 492.71 crore) and long terms borrowings (₹ 1,496.51 crore) in four[46] power sector companies. However, increase in investment under Manufacturing and Infrastructure sector was only on account of equity investment. The investment in service sector SPSEs which were mere 2.16 *per cent* in 2015-16, further declined to 1.60 *per cent* in 2019-20. This is an area of concern as the service sector is the main driver of GSDP in the state (55.11 *per cent* in 2019-20). Government needs to find ways of attracting higher investment in this sector to boost economic growth.

3.1.3 Special support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and

[46] Sl. No. 8, 9, 10 and 11 of ***Appendix 3.1.1***.

grants/subsidies in respect of SPSEs for three years ended 2019-20 are given in the table below:

Table 3.1.5: Details of budgetary support to SPSEs (₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1.	Equity Capital outgo from budget	4	90.47	4	31.19	3	135.53
2.	Loans given from budget	3	1.38	3	31.69	1	2.70
3.	Grants/Subsidy from budget (including Capital Grants)	8 2	(G)109.53 (S) 6.00	10 2	(G)222.02 (S)0.29	6 2	(G)104.48 (S)20.82
4.	**Total Outgo[47] (1+2+3)**	**13**	**207.38**	**13**	**285.19**	**9**	**263.53**
5.	Guarantees issued during the year	Nil	Nil	1	230.00	1	630
6.	Guarantee Commitment (Cumulative)	3	1,087.78	3	1,096.78	4	1,689.82

Source: As furnished by Companies/Corporations. **(G): Grants; (S): Subsidies.**

As can be noticed from the table above, during the three year (2017-20) the budgetary support provided by the State Government to SPSEs were highest during the 2018-19, this was mainly due to grants (₹ 174.71 crore) provided to one SPSE namely Meghalaya Basin Development Agency for execution of externally aided projects. However, the budgetary support provided by State Government to SPSEs increased from ₹ 207.38 crore in 2017-18 to ₹ 263.53 crore in 2019-20, mainly due to budgetary support to four[48] power sector SPSEs amounting to ₹ 231.97 crore (equity ₹ 118.18 crore, loan ₹ 2.70 crore and grants/subsidies ₹ 111.09 crore).

As on 31 March 2020, the Government of Meghalaya has guaranteed ₹ 1,689.82 crore in respect four[49] SPSEs to availed loan from various institutions (Bank, Financial Institutions and others). During 2019-20, the Government of Meghalaya has issued new guarantees of ₹ 630 crore to Meghalaya Energy Corporation Limited for restructuring of high interest loans for its subsidiary companies *i.e.*, Meghalaya Power Generation Corporation Limited, Meghalaya Power Transmission Corporation Limited and Meghalaya Power Distribution Corporation Limited.

3.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that

[47] Actual number of SPSEs, which received equity, loans, grants/subsidies from the State Government.

[48] Meghalaya Energy Corporation Limited, Meghalaya Power Generation Corporation Limited, Meghalaya Power Transmission Corporation Limited and Meghalaya Power Distribution Corporation Limited.

[49] Meghalaya Government Construction Corporation Limited (₹ 1 crore), Meghalaya Energy Corporation Limited (₹ 630 crore), Meghalaya Power Generation Corporation Limited (₹ 665.08 crore) and Meghalaya Power Distribution Corporation Limited (₹ 393.74 crore).

commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

3.1.4.1 Statutory Audit/Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations in Meghalaya, CAG is the sole auditor for Meghalaya Transport Corporation. In respect of the other Corporation (*viz.* Meghalaya State Warehousing Corporation), Chartered Accountants conduct the audit and the CAG conducts the supplementary audit.

3.1.4.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Government appoints the Chief Executives and Directors on the Board of these SPSEs.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.5 Arrears in finalisation of accounts

The financial statements of the companies are required to be finalised within six months after the end of the financial year *i.e.* by September end in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Timely finalisation of accounts is important for the State Government to assess the financial health of the SPSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

Table 3.1.6 below provides the details of finalisation of annual accounts of SPSEs as on 30 September 2020.

Table 3.1.6: Position relating to finalisation of accounts of working SPSEs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1.	Number of Working SPSEs	16	16	16	16	17
2.	Number of accounts finalised during the year	35	13	30	16	20
3.	Number of accounts in arrears	43[50]	46	32	32	29
4.	Number of Working SPSEs with arrears in accounts	15	16	16	16	17
5.	Extent of arrears (numbers in years)	1 to 14	1 to 11	1 to 7	1 to 5	1 to 4

GOC: Government/Other Companies; SC: Statutory Corporations.

As can be seen from the table above, total numbers of pending accounts have come down from 43 in 2015-16 to 29 as on 30 September 2020. Out of the total arrears of 29 accounts, Meghalaya Transport Corporation and Forest Development Corporation of Meghalaya Limited have maximum accounts in arrears for four years each. Shillong Smart City Limited, incorporated on the 22 January 2019 had not submitted its first accounts as of 30 September 2020.

The Accountant General (Audit), Meghalaya has regularly pursued the matter with the State Government for liquidating the arrears of accounts of SPSEs.

3.1.6 Investment by State Government in SPSEs whose accounts are in arrears

The State Government invested ₹ 183.23 crore in six SPSEs {equity: ₹ 151.26 crore (three SPSEs) and long term loans: ₹ 31.97 crore (three SPSEs)} during the years for which the accounts of these SPSEs had not been finalised as detailed in the table below.

Table 3.1.7: Investment by State Government in SPSEs having accounts in arrears

(₹ in crore)

Sl. No.	Name of SPSE	Accounts finalised upto	Accounts pending finalisation	Investment by State Government during the period of accounts in arrears	
				Equity	Loans
1.	Meghalaya Industrial Development Corporation Limited	2017-18	2018-19 to 2019-20	16.35	-
2.	Meghalaya Energy Corporation Limited	2017-18	2018-19 to 2019-20	127.61	-
3.	Meghalaya Power Generation Corporation Limited	2017-18	2018-19 to 2019-20	-	30.39
4.	Meghalaya Power Distribution Corporation Limited	2017-18	2018-19 to 2019-20	-	1.22
5.	Meghalaya Power Transmission Corporation Limited	2017-18	2018-19 to 2019-20	-	0.36
6.	Meghalaya Transport Corporation	2015-16	2016-17 to 2019-20	7.30	-
	Total			**151.26**	**31.97**

50 Including two accounts of Meghalaya Infrastructure Development and Finance Corporation Limited incorporated during 2015-16.

In the absence of accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of SPSEs. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

3.1.7 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Appendix 3.1.1**. Table below provides the comparative details of working SPSEs turnover and State GDP for a period of five years ending 2019-20.

Table 3.1.8: Details of working SPSEs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover[51]	935.69	1,108.66	1,136.88	1,121.40	1,203.88
State GDP[52]	25,117.36	27,438.62	29,508.31	33,480.64	36,571.81
Percentage of Turnover to State GDP	3.73	4.04	3.85	3.35	3.29

From the above table, it can be seen that contribution of SPSEs to the State GDP ranged from 3.26 *per cent* (2018-19) to 4.04 *per cent* (2016-17) during the period.

The SPSEs' turnover registered an overall growth of ₹ 268.19 crore (28.66 *per cent*) during the last five years from ₹ 935.69 crore (2015-16) to ₹ 1203.88 crore (2019-20). There was an overall increase of ₹ 292.77 crore in the turnover of four power sector companies[53] from ₹ 809.49 crore (2015-16) to ₹ 1109.26 crore (2019-20).

3.1.7.1 Financial Performance

Key parameters of SPSEs financial performance as per their latest finalised accounts as on 30 September of the respective year are given in the table below.

Table 3.1.9: Key Parameters of SPSEs **(₹ in crore)**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt	1,231.99	1,418.51	1,756.87	1,768.72	1,921.98
Turnover[54]	935.69	1,108.66	1,136.90	1,121,40	1,203.88
Debt/ Turnover Ratio[55] (DTR)	1.32:1	1.28:1	1.55:1	1.58:1	1.59:1
Interest Payments	137.13	139.90	154.94	166.87	251.66
Accumulated losses	1,113.47	1,533.80	2,182.97	2,229.77	2,747.35

51 Turnover of working SPSEs as per the latest finalised accounts as on 30 September of respective year.

52 Source: Ministry of Statistics & Programme Implementation, Government of India.

53 Meghalaya Energy Corporation Limited, Meghalaya Power Generation Corporation Limited, Meghalaya Power Distribution Corporation Limited and Meghalaya Power Transmission Corporation Limited.

54 Turnover of working SPSEs as per the latest finalised accounts as on 30 September of the respective year.

55 Arrived at 'total debt of all SPSEs divided by total turnover of all SPSEs' as per their latest finalised accounts.

(A) Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to successfully manage their debt servicing and repayments.

(B) SPSE Debt

During the period of five years, the SPSEs debt increased by ₹ 689.99 crore (56.01 *per cent*) from ₹ 1,231.99 crore (2015-16) to ₹ 1,921.98 crore (2019-20). This had correspondingly increased the interest expenditure of SPSEs from ₹ 137.13 crore (2015-16) to ₹ 251.66 crore (2019-20), which was one of the factors contributing towards increase in the accumulated losses of SPSEs during the five years.

As seen from **Table 3.1.9** above, there was overall deterioration in the DTR in last five years from 1.32:1 (2015-16) to 1.59:1 (2019-20), mainly due to overall growth in SPSE-debt (56.01 *per cent*) during last five years from ₹ 1,231.99 crore (2015-16) to ₹ 1,921.98 crore (2019-20).

3.1.7.2 Erosion of capital due to losses

The paid-up capital and accumulated losses of 16[56] working SPSEs as per their latest finalised accounts as on 30 September 2020 were ₹ 4,605.73 crore and ₹ 2,747.35 crore respectively **(Appendix 3.1.1)**.

The Return on Equity (RoE) in respect of 9 out of 16 working SPSEs was (-) 6.83 *per cent* as per their latest finalised accounts. The accumulated losses (₹ 2,159.69 crore) of remaining seven[57] working SPSEs had completely eroded their paid up capital (₹ 1,147.33 crore) as per their latest finalised accounts. Of these nine SPSEs, the primary erosion of paid-up capital was in respect of three SPSEs as detailed in the table below:

Table 3.1.10: SPSEs with primary erosion of paid-up capital **(₹ in crore)**

Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated losses
Meghalaya Power Distribution Corporation Limited	2017-18	844.24	1778.59
Mawmluh Cherra Cement Limited	2018-19	197.51	234.79
Meghalaya Transport Corporation	2015-16	93.05	106.69

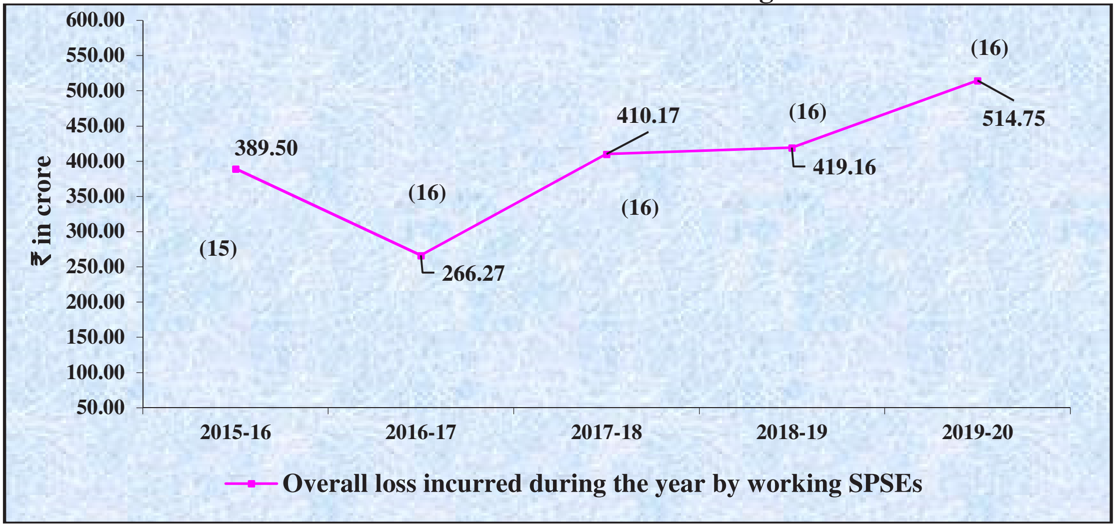
Source: As per latest finalised accounts of the SPSEs.

The Accumulated losses of these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

56 Excluding one Government Company (Shillong Smart City Limited) which is yet to submit its first accounts.
57 Sl. No. 4, 6, 7, 10, 12, 13 and 16 of ***Appendix 3.1.1***.

The overall position of losses incurred by the working SPSEs during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective year has been depicted below in **Chart 3.1.2**:

Chart 3.1.2: Overall losses of working SPSEs[58]



(Figures in brackets show the number of working SPSEs in respective years).

From the Chart above, it can be observed that overall losses of working SPSEs during last five years had shown an increasing trend (except during 2016-17). The high losses of the working SPSEs during 2018-19 (₹ 419.16 crore) and 2019-20 (₹ 514.75 crore) were contributed by the power sector companies to the extent of 88.07 *per cent* (₹ 369.19 crore) and 92.97 *per cent* (₹ 478.54 crore) respectively.

During 2019-20, out of 16 working SPSEs, three SPSEs earned profits of ₹ 2.83 crore while 12 SPSEs incurred losses of ₹ 517.58 crore. The remaining one SPSE (Meghalaya Basin Management Agency) was functioning on 'no profit no loss' basis. The details of major contributors to overall losses of working SPSEs as per their latest finalised accounts are given in the table below:

Table 3.1.11: Major contributors to profits and losses of working SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Meghalaya Power Distribution Corporation Limited	2017-18	(-) 286.55
Meghalaya Power Generation Corporation Limited	2017-18	(-) 163.54
Mawmluh Cherra Cements Limited	2018-19	(-) 25.22
Meghalaya Energy Corporation Limited	2017-18	(-) 14.61
Meghalaya Power Transmission Corporation Limited	2017-18	(-) 13.84
Forest Development Corporation of Meghalaya Limited	2015-16	(+) 1.52
Meghalaya Tourism Development Corporation Limited	2018-19	(+) 1.18

3.1.8 Performance of power sector SPSEs

The power sector SPSEs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross State Domestic Product (GSDP). As

58 As per the latest finalised accounts as on 30 September of the respective year.

mentioned under ***Paragraph 3.1.7***, SPSE-turnover to GSDP during 2019-20 stood at 3.29 *per cent*; of which, major portion to the extent of 3.03 *per cent* (₹ 1,109.26 crore) was contributed by the power sector SPSEs.

(I) High losses of power sector SPSEs

The position of aggregate losses incurred by four power sector SPSEs during the past three years as per their latest finalised accounts is given in the table below:

Table 3.1.12: Details of aggregate losses of power sector SPSEs

Year	2016-17	2017-18	2018-19	2019-20
Total No. of power sector SPSEs	4	4	4	4
Number of loss making SPSEs	3	3	3	4
Number of profit earning SPSEs[59]	1	1	1	0
Net overall losses in power sector(*₹ in crore*)	(-) 234.92	(-) 369.72	(-) 369.19	(-) 478.54
Accumulated losses (*₹ in crore*)	(-) 1,226.91	(-) 1,812.90	(-) 1,836.03	(-) 2,314.57

(II) Key parameters

Some of the key parameters of the operational efficiency of four power sector SPSEs as per their latest finalised accounts as on 30 September 2020 are given in the table below:

Table 3.1.13: Key parameters of the operations of power sector SPSEs during 2019-20

(₹ in crore)

Sl. No.	Name of the Company	Latest finalised accounts	Paid-up capital	Net Loss for the year	Accumu-lated losses	Net worth[60]
1.	Meghalaya Power Distribution Corporation Limited	2017-18	844.24	(-) 286.55	(-) 1,778.59	(-) 934.25
2.	Meghalaya Power Generation Corporation Limited	2017-18	798.91	(-) 163.54	(-) 363.70	(+) 435.21
3.	Meghalaya Energy Corporation Limited	2017-18	2,070.87	(-) 14.61	(-) 152.09	(+) 1,918.78
4.	Meghalaya Power Transmission Corporation Limited	2017-18	423.82	(-) 13.84	(-) 20.19	(+) 403.63
	Total		**4,137.84**	**(-) 478.54**	**(-) 2,314.57**	

It can be seen from the **Tables 3.1.12** and **3.1.13** above that during last four years (2016-17 to 2019-20), the overall losses of power sector SPSEs have increased by more than two folds from ₹ 234.92 crore (2016-17) to ₹ 478.54 crore (2019-20). Further, during 2019-20, the net worth of one SPSE (MePDCL) was negative at (-) ₹ 934.25 crore due to complete erosion of its equity capital by the accumulated losses. The net worth of MePDCL turned negative for the first time during 2016-17 when it's paid-up capital (₹ 801.20 crore) was completely eroded by the accumulated losses (₹ 961.42 crore) as per it's latest finalised accounts (2014-15) as on 30 September 2017. During October 2017 to September 2020, MePDCL had finalised three annual accounts

[59] During 2016-17 to 2018-19, Meghalaya Power Transmission Corporation Limited was the only power sector SPUE, which registered profit of ₹ 7.17 crore (2016-17) and ₹ 8.15 crore (2017-18 & 2018-19) as per its latest finalised accounts.

[60] Net Worth means the sum total of the 'paid-up capital' and 'free reserves and surplus' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

(2015-16 to 2017-18). However, the net worth of the Company remained negative during all these years.

This gradual process of incurring losses by the power sector SPSEs is a drain on the State's economy and resources. Despite constant deterioration in the overall performance of four power sector SPSEs, the State Government continued to provide significant budgetary support to these SPSEs. Analysis of records of power sector SPSEs revealed that the State Government provided budgetary support aggregating ₹ 430.04 crore to four power sector SPSEs during 2017-18 (₹ 137.26 crore), 2018-19 (₹ 60.81 crore) and 2019-20 (₹ 231.97 crore) by way of equity (₹ 164.98 crore), loans (₹ 35.77 crore) and grants/subsidy (₹ 229.29 crore). This included budgetary support of ₹ 157.09 crore provided to MePDCL during 2017-18 (₹ 94.26 crore), 2018-19 (₹ 12.22 crore) and 2019-20 (₹ 50.61 crore) by way of loans (₹ 1.73 crore) and grants/subsidy (₹ 155.36 crore).

To enable SPSEs to obtain financial assistance from Banks and Financial Institutions, State Government provides guarantee subject to the prescribed limits. The guaranteed amount in respect of three SPSEs for loans raised from various institutions (Bank, Financial Institutions and others) has constantly increased over the years being ₹ 1,086.78 crore (2017-18), ₹ 1,095.78 crore (2018-19) and ₹ 1,688.82 crore in (2019-20) respectively. Sudden increase in 2019-20, was due to issue of new guarantees by Government of Meghalaya of ₹ 630 crore to Meghalaya Energy Corporation Limited for restructuring of high interest loans for its three subsidiary companies. These guarantees may become liabilities of the State Government in case of default by the borrower for whom the Guarantee has been extended by the State Government as all of them are loss making Power sector SPSEs having huge accumulated losses as discussed above.

3.1.9 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the RORR on Government Investment in the State SPSEs, the investment of State Government in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less the disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) of the SPSEs by the sum of the PV of Government investment.

During 2019-20, as per their latest finalised accounts out of 15[61] working SPSEs where State Government had made direct investment, 12 SPSEs[62] incurred loss and only three SPSEs[63] earned profit. On the basis of return on historical value, the State Government

[61] including one SPSE (serial no. 14 of ***Appendix 3.1.1)*** functioning on '*no profit no loss*' basis and one Government Company (Shillong Smart City Limited) which is yet to submit its first accounts.

[62] Sl. Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13 and 16 of ***Appendix 3.1.1***.

[63] Sl. Nos 1, 12 and 17 of ***Appendix 3.1.1***.

investment had eroded by 14.28 *per cent* during 2019-20. As per the RORR where the PV of investment is considered, the State Government investment eroded by 9.45 *per cent* as shown in **Appendix-3.1.2**. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

3.1.10 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2019 to September 2020, 14 working companies had forwarded 18 audited accounts to the Accountant General (Audit), Meghalaya (AG). Of these, 15 accounts of 12 Companies were selected for supplementary audit while three accounts of two Companies[64] were issued 'non-review certificates'. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG are given in the table below:

Table 3.1.14: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.13	4	4.47	1	0.53
2.	Increase in loss	7	61.31	5	42.06	10	342.92
3.	Non-disclosure of material facts	12	332.52	13	402.99	5	84.59
4.	Errors of classification	8	570.28	7	593.60	1	0.59

Source: As per latest finalised annual accounts of SPSEs.

During the year, the statutory auditors had given qualified certificates for all 18 accounts of 14 companies. In addition, CAG had also issued qualified certificates on 15 accounts of 12 companies selected for supplementary audit. The compliance of companies with the Accounting Standards (AS) remained inadequate as there were 83 instances of non-compliance with AS relating to 15 accounts of 11 companies.

During the year 2019-20, one Statutory Corporation (Meghalaya Transport Corporation) forwarded two years accounts for which Accountant General (Audit), Meghalaya is the sole auditor and both accounts were selected for audit. Another statutory corporation, namely, Meghalaya State Warehousing Corporation did not submit any accounts for audit during 2019-20.

3.1.10.1 Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the SPSEs are as under:

[64] Meghalaya Infrastructure Development and Finance Corporation Limited and Meghalaya Handloom & Handicrafts Development Corporation Limited.

Table 3.1.15: Gist of Significant comments on the accounts of the SPSEs

Sl. No.	Name of the Company	Year of Account	Comments
1.	Meghalaya Energy Corporation Limited	2017-18	**Non accounting of inventories** The company has not accounted the inventories (₹ 5.53 crore) available with Material Management Division as per Physical Verification Report as on 31 March 2018. This has resulted in understatement of 'Inventories' with corresponding overstatement of 'Retained Earnings - Other Equity (debit balance)' to that extent
2.			**Booking subsidiary companies expenditure from its accounts** The company booked the consultancy charges amounting to ₹ 1.26 crore paid on behalf of the subsidiary companies. This expenditure pertains to subsidiary companies (Meghalaya Power Generation Corporation Limited, Meghalaya Power Transmission Corporation Limited and Meghalaya Power Distribution Corporation Limited) which should have been booked from their respective companies. This has resulted in overstatement of 'Other Expenses' and 'loss for the year' to that extent.
3.	Meghalaya Power Generation Corporation Limited	2017-18	**Company does not have the party wise details of liabilities** The company included ₹ 4.99 crore, being the liabilities for supply of material (capital) lying unadjusted since 2013-14. The company did not have the party-wise details to whom the amount was payable as well the details of the scheme works on which the said materials was utilised.
4.			**Company has not accounted revenue for the year** The company has not accounted ₹ 1.02 crore of the agency charges (7.50 *per cent* of the total project cost) received by the holding company (Meghalaya Energy Corporation Limited) from the Education Department, Government of Meghalaya on behalf of the Company against construction of school under Rashtriya Madhyamik Siksha Abhiyan Scheme. This has correspondingly resulted in overstatement of 'loss for the year' and understatement of 'Other Current Assets – Receivables from Meghalaya Energy Corporation Limited' to that extent.
5.	Meghalaya Power Distribution Corporation Limited	2017-18	**Non accounting of expenditure** The company did not account ₹ 10.08 crore depreciation for the period from 2008-09 to 2016-17 on the capital expenditure (₹ 26.32 crore) incurred (November 2008) towards Building and Lines and Cables HV under APDRP Scheme but capitalised during 2017-18. This has correspondingly resulted in understatement of 'depreciation for the year' by ₹ 10.08 crore with corresponding understatement of 'loss for the year' to the same extent.
6.			**Non Provisioning of doubtful recovery** The Company has not created provision amounting to ₹ 31.79 crore against 4561 consumer whose power supply was disconnected during the period from February 2002 to March 2015 which has become time barred as per the Electricity Act. The non-provision of the same resulted in overstatement of Trade Receivables with corresponding understatement of Loss to the same extent.
7.	Meghalaya Power Transmission Corporation Limited	2017-18	**Non accounting of expenditure** Company has not included ₹ 51.81 lakh being the Annual Maintenance Contract Charges payable to Watchmen guarding, Lines Maintenance and SCADA/EMS Systems at SLDC. Non accounting of the same has resulted in understatement of 'Other Expenses' & understatement of 'Loss for the year' to the same extent.
8.	Meghalaya Industrial Development Corporation Limited	2017-18	**Wrong adjustment of advances paid to the Contractor** The company accounts was understated by ₹ 0.63 crore, due to improper adjustment of the advances paid (November 2017) to the contractor (M/s MD Construction) for construction of business incubation centre at Bakasapura against the 'current liabilities' relating to various projects. The Company should have shown both the items separately under 'current assets' and 'current liabilities'. This has correspondingly resulted in understatement of 'current liabilities' to the same extent.
9.			**Non provisions of interest liability** The Company received (March 2015) first instalment of ₹ 9.30 crore towards grant under ASIDE Scheme for creation of infrastructure for four projects and kept the same unutilised till March 2018. As per the sanction order, the Scheme fund was to be utilised till March 2016 and in case the fund is not utilised within the prescribed time, interest at the rate of 10 *per cent* per annum was chargeable on unspent scheme fund. Contrary to the Scheme conditions, the Company have not provided for the interest liability and have neither disclosed the reason for non-provisioning for the same.

Sl. No.	Name of the Company	Year of Account	Comments
10.	Meghalaya Transport Corporation	2015-16	**Short provisioning against penal interest receivable from tenant** House Rent Receivable of ₹ 0.25 crore was understated due to non-accounting of Penal interest receivable from one tenant (Hotel ELGIN) for default in payment of next dues (₹ 0.81 crore) as on 31st March 2016. This resulted in understatement of 'Non-operating revenue' and overstatement of 'Loss for the year' by ₹ 0.25 crore each.
11.			**Company does not have the party wise details of Sundry Debtors** Sundry Debtors amount aggregating to ₹ 7.68 crore, for which the corporation could not produce supporting documents. The corporation also did not make any correspondence during the year to confirm the existence of these balances. Hence, the authenticity of these figures could not be verified in audit.
12.	Meghalaya Bamboo Chips Limited	2018-19	**Statutory Auditor's Report wrongly disclosed that company has a regular programme of physical verification of its fixed assets** The Auditor's Report stated that the Company has a regular programme of physical verification of its fixed assets. Also in their report, it was stated that the title deeds of immovable properties are held in the name of the company. However, scrutiny of available records revealed that there was no such regular programme of physical verification of fixed assets. Also the landed property was not held by the company.

COMPLIANCE AUDIT PARAGRAPHS

COMMERCE & INDUSTRIES DEPARTMENT

MEGHALAYA INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

3.2 Irregular payment of additional retirement benefits

Payment of Additional Retirement Benefit and encashment of Commuted Leave on superannuation in addition to the Retirement Gratuity and Encashment of Earned Leave during 2015-16 to 2019-20 resulted in irregular expenditure of ₹ 3.52 crore.

The Salary and post retirements benefits of employees of MIDC are regulated under the service rules of MIDC, namely '**Meghalaya Industrial Development Corporation Ltd., Employees' (Terms and Conditions of Service) Rules, 1986**. As per rule-26 of the Rules *ibid* '**Gratuity**' not exceeding ₹ 10.00 lakh[65] was payable to all eligible employees as per the provisions of the 'Payment of Gratuity Act, 1972'. Further, **Encashment of Earned Leave**, is provided under rule - 11.03 of the MIDC (Terms and Conditions of Service) Rules, 1986.

During scrutiny (November 2020) of records of MIDC, Audit noticed that in addition to Retirement Gratuity and encashment of Earned Leave, the Company had paid Additional Retirement Benefit (ARB) and Encashment of Commuted leave (ECL) to its retired employees. During the period from 2015-16 to 2019-20, 18 employees of the Company had been superannuated from services and the Company had made a total payment of ₹ 7.07 crore towards retirement benefits as detailed below:

Table 3.2.1: Details of payment made towards retirement benefits during 2015-20

(Amount in ₹)

Sl. No.	Particulars	Amount
1.	Retirement Gratuity	2,20,29,151
2.	Additional Retirement Benefit	2,20,29,151
3.	Encashment of Earned Leave	1,34,65,048
4.	Encashment of Commuted Leave	1,31,62,252
Total		**7,06,85,602**

As can be seen from the table above, during 2016-20, the Company had made payment of both Retirement gratuity (₹ 2.20 crore) and ARB (₹ 2.20 crore), and ₹ 1.32 crore and ₹ 1.35 crore towards encashment of commuted leave and encashment of earned leave respectively. The employee wise detail is given at **Appendix 3.2.1.** Audit noted that the MIDC Service Rules did not provide for payment of ARB as well as ECL to its superannuating employees. Thus, payment of ARB (₹ 2.20 crore) and ECL (₹ 1.32 crore) over and above the Retirement Gratuity and Encashment of Earned Leave resulted in irregular expenditure of ₹ 3.52 crore.

65 The amount has been enhanced to ₹ 20 lakh by the Board of Directors in its 212nd meeting (June 2018).

The Managing Director (MD) of MIDC stated (August 2021) that MIDC is a registered Private Limited Company and not to be misconstrued as a Government Department. The Government of Meghalaya is only a share holder in the said Company and the Board of Directors is the supreme body of the said Company and the decision of giving ARB and ECL on superannuation of its employees was taken by the Board of the Company in its meeting held on 29th June 2007. The MD further added that the Company does not depend on the Government for salary & financial benefits on superannuation of its employees and hence payment of ARB and the Encashment of Commuted Leave to its retired employees is not irregular. On further enquiry regarding the basis of these payments being made, the MD stated (October 2021) that, payment for the two benefits were made *suo moto* and not based on request received from the employees.

The reply of the MIDC is not acceptable because (i) The statement of MIDC that it is a private Ltd. Company and not to be misconstrued as a Government Department is immaterial as GoM is 100 *per cent* shareholder of the MIDC, and as per section 2 (45) of the Companies Act, 2013, 'any company in which not less than fifty-one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government' is a Government Company. Further, the MIDC comes under the administrative control of the Commerce & Industries Department and Board of Directors of the Company comprises of Government Directors nominated from various Departments (Commerce & Industry/Finance/Planning, *etc.*) by the State Government. As such, the consent of the State Government for payment of ARB and ECL should have been obtained by the Board of Directors of MIDC. (ii) Payment of additional retirement benefit on top of gratuity and encashment of commuted leave, on top of Earned leave not only amounts to double payment, it is irregular as these are not provided in the MIDC Rules. Moreover, the MIDC has adopted the pay structure of 5th Pay Commission of the State Government under which these payments are not provided for. (iii) MIDC's contention that the Company does not depend on Government for salary & financial benefits on superannuation of its employees is also untenable because GoM's Capital investments of ₹ 157.94 crore as on 31 March 2020 are being utilised for payment of employee benefits since the MIDC has not earned any profit since 2009-10. Total revenue generated from operation during previous five years was mere ₹ 4.52 crore as shown below:

Table 3.2.2: Details of Income and Expenditure during 2015-20

(₹ in lakh)

Year	Income			Expenditure		
	Operation	Other[66]	Total	Employee cost	Other	Total
2015-16	**57.99**	614.26	672.25	**681.35**	43.04	724.39
2016-17	**60.19**	423.45	483.64	**682.16**	47.69	729.85
2017-18	**91.12**	334.09	425.21	**785.64**	58.39	844.03
2018-19	**207.02**	346.53	553.55	**638.29**	51.92	690.21
2019-20	**35.90**	733.47	769.37	**827.46**	61.16	888.62
Total	**452.22**	**2451.80**	**2904.02**	**3614.90**	**262.20**	**3877.10**

66 Includes income from Bank interest and repayment of Staff's loan.

It is seen from the table above that, the total income of the Company was not sufficient even to meet the employee cost during 2015-16 to 2019-20. It is therefore clear that substantial outgo on account of irregular payment additional post-retirement benefits has contributed to the erosion of the Capital Investment (₹ 53.04 crore[67]) of the State Government in MIDC.

In regard to encashment of commuted leave, there is no such provision made in MIDC (Terms and Conditions of Service) Rules, 1986. Besides, however, *commutation of half-pay leave into full pay leave is permitted to Government Employees while they are in service and only when* the employee requests for the same and not *suo moto*. Thus, allowing encashment of commuted leave at the time of superannuation is irregular.

Thus, payment of Additional Retirement Benefit (ARB) and Encashment of Commuted Leave (ECL) by the MIDC to its superannuating employees based on the injudicious decision of the Board of Directors of MIDC in contravention to the prescribed rules was not only illegal but also resulted in irregular expenditure of ₹ 3.52 crore.

The matter was reported to the State Government (July 2021); reply is still awaited (November 2021).

Recommendations:

1. ***The State Government may initiate action to fix responsibility/accountability for failure/lapses which resulted in such irregular payments and may advise the MIDC to stop the payment of Additional Retirement Benefit and Encashment of Commuted Leave to its employee with immediate effect.***
2. ***Process may be initiated to recover irregular excess payments made to employees already superannuated.***

[67] Accumulated losses as reflected in the Annual Accounts of MIDC for the year 2019-20.

MINING AND GEOLOGY DEPARTMENT

MEGHALAYA MINERAL DEVELOPMENT CORPORATION LIMITED

3.3 Undue dependency of MMDC on the Grants-in-aid of the State Government for its existence

MMDC has not earned any revenue from operations after it stopped its commercial activities in 2012-13. However, the Mining and Geology Department continued to provide Grant-in-aid (GIA) to MMDC for its existence.

The Meghalaya Mineral Development Corporation Limited (MMDC) is a State Government Company incorporated (31 March 1981) under the Companies Act, 1956. The primary objective (core activities) of MMDC is to explore mine, develop, process, trade in mineral and mineral products and to acquire mining rights by obtaining licenses/leases from any State Government and to promote, subsidise or otherwise assist any company(ies) or any other concern within or outside the State for the purpose of prospecting/mining of minerals by leasing or sub-leasing. The business of the Company is being managed by the Board of Directors (BoD) as per powers conferred in the Memorandum of Association (MoA) of the Company. As per the notification dated May 2020, the Company had seven BoDs including Director & Member Secretary who is also the Managing Director to exercises control over the day to day activities of Company's administrative and financial matters.

The Commercial operations of MMDC commenced in 1989 with canalisation of export of coal to Bangladesh which was stopped after decentralisation of coal trade in 1993. Thereafter, MMDC entered into MOUs/agreements for setting up various Joint Venture Companies (JVs) for different purposes but none of the JVs were successful (**Appendix 3.3.1**). All commercial activities were stopped w.e.f. March 2012 and MMDC had not earned revenue from operations since 2012-13.

On scrutiny (March 2021) of records of MMDC, Audit observed that since 2011-12, the Company had been fully dependent on the Grant-in-aid (GIA) for making payment of salary and other emoluments to its employees[68] and the Chairman and Vice-Chairman.

The Year-wise receipt of funds and expenditure of MMDC during 2015-16 to 2019-20 was as shown in the table below:

[68] 16 persons (including the Managing Director) were in service (October 2020).

Table 3.3.1: Year-wise receipt of funds and expenditure of MMDC during 2015-16 to 2019-20

(₹ in lakh)

Year	Receipt				Expenditure			Excess/ Deficit over expenditure
	GIA from GoM	Revenue from operation	Other source[69]	Total	Salary & perks	Misc[70]	Total	
2015-16	130.59	0.00	25.45	156.04	97.04	74.58	171.62	-15.58
2016-17	278.75	0.00	5.72	284.47	111.85	141.60	253.45	31.02
2017-18	269.98	0.00	1.90	271.88	160.42	146.73	307.15	-35.27
2018-19	182.04	0.00	13.49	195.53	135.52	37.84	173.36	22.17
2019-20	140.33	0.00	3.98	144.31	120.01	4.22	124.23	20.08
Total	**1001.69**	**0.00**	**50.54**	**1052.23**	**624.84**	**404.97**	**1029.81**	**22.42**

Source: Annual Accounts and Records of the MMDC.

As can be seen from the table above, though the Company had stopped its commercial operations since March 2012, it continued to incur expenditure on administration and salary of staffs. During the last five years, 60.67 *per cent* i.e. ₹ 6.25 crore out of the total expenditure of ₹ 10.30 crore was incurred towards payment of salary to the staffs (₹ 5.51 crore) and perks and facilities to the Chairman and Vice-chairman of MMDC (₹ 0.74 crore). Whereas, revenue from operation of the company during the same period was nil. Despite of the fact mentioned above Government of Meghalaya has not initiated any steps to revive or liquidated the Company, instead it continues to pump financial assistance from State's annual budget. This, resulted in draining of the State coffer to the tune of ₹ 10.02 crore during the period from 2015-16 to 2019-20.

The Company while accepting the Audit observation stated (October 2021) that, they are actively working to revive the Company and recently (January 2021) have entered a lease agreement for land at prime location to allot seven acres out of twelve acres to private parties for lease rent of ₹ 80.49 lakh per annum. Further, other Joint ventures are in clearance stage.

Audit is of the view that, leasing of land for rent is not a core activity for which the Company has been formed. Further, income of expected lease rent mentioned above is not even sufficient to meet staff salary. Thus, budgetary support for continuation of the Company which has stopped its commercial operations since March 2012 is a drain on public exchequer and needs to be reviewed.

Recommendation:

1. ***The Department may review the operations of MMDC with a view to either restructure the Company to make it profitable, or wind it up if not found viable.***

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[69] Bank interest (₹ 9.50 lakh), Income from Joint Ventures (₹ 39.17 lakh); Interest on Advances to staffs (₹ 1.08 lakh) and Misc. (₹ 0.79 lakh).

[70] It includes expenditure on (i) payment towards consultancy services (₹ 350.40 lakh) and (ii) Other office expenses (₹ 54.57 lakh).

3.4 Infructuous expenditure

Failure of the MMDC/State Government to take action on the Reports prepared by the consultant resulted in infructuous expenditure of ₹ 3.50 crore and creating additional liability of ₹ 0.35 crore incurred towards engagement of the consultancy firm.

M/s Globally Managed Services India Private Limited (GMS)[71] offered (June 2014) Meghalaya Mineral Development Corporation Limited (MMDC) to provide consulting and advisory services in the mining domain for Meghalaya State and MMDC on the basis of informal correspondence (emails). As MMDC was unable to bear the financial implication the proposal submitted by GMS was referred (August 2014) to Government of Meghalaya (GoM). The GoM directed (June 2015) MMDC to issue Expression of Interest (EOI)/advertisement for appointment of consultant with regard to the Implementation of the Meghalaya Mines and Minerals Policy – 2012. Accordingly, MMDC issued (June 2015) EOI of which four bidders participated and subsequently GMS was selected as successful bidder. Memorandum of Agreement (MOA) was entered between the MMDC and the GMS on the 24 September 2015 to be effective for a period of 3 (three) years i.e. upto 23 September, 2018.

As per MOA, GMS was appointed as a consultant to provide technical assistance and advisory services to the MMDC/Directorate of Mineral Resources (DMR)/State Government for consolidating the requirements of the various authorities for regulation and development of mining activities in the State and in implementation of the Meghalaya Mines and Mineral Policy (MMMP) 2012.

Scrutiny (March 2021) of records of the MMDC revealed that (i) the MOA was terminated on 29 June 2018, and (ii) an amount of ₹ 3.50 crore out of ₹ 3.85 crore preferred by the GMS, had been paid during June 2016 (₹ 0.60 crore); June 2017, (₹ 1.49 crore) and July 2018 (₹ 1.41 crore). The balance amount of ₹ 0.35 crore is yet to be paid and remains as liability (March 2021). The expenditure was met out of State budgetary support as Grant in Aid received specifically for this purpose.

In this regard Audit noted that the GMS had submitted various Reports pertaining to schemes and guidelines for mining to the MMDC as detailed in **Appendix-3.4.1**.

Audit also noticed, that there was nothing on the record to show that MMDC had reviewed these Reports nor had made any recommendation to the Government based on these reports. These Reports were simply forwarded to the DMR and Mining and Geology Department, GoM as and when received from the GMS. No action was taken by DMR on these Reports. Thus, these Reports remained as a draft and were not utilised by the Government for promulgation of consolidated policies regarding mining and management of mineral resources nor has the MMMP, 2012 been amended.

71 A Mumbai based Private Limited.

On this being pointed out by Audit, the Managing Director of MMDC stated (November 2021) that due to unavailability of technical staff all the Reports submitted by GMS were forwarded to DMR for their views and comments, however, no response was forthcoming from DMR. *The reply of MMDC was endorsed by the GoM (February 2022).*

The reply of MMDC indicates that there was no prior plan or strategy to utilise the consultant service as the MMDC has admitted that they did not have the technical competence to utilise the reports given by the consultant. Further, MMDC's reply that the reports were forwarded to DMR is untenable since DMR was not signatory to MOA (24 September 2015).

Thus, it appears that not only did the proposal for the consultancy services originate from MMDC, even the services provided remained a mere paper exercise. In the absence of any monitoring and review by the State Government, the objective for which the consultancy firm was hired remained a mere statement of intention, rendering the entire expenditure of ₹ 3.50 crore infructuous and creating additional liability of ₹ 0.35 crore for MMDC.

Recommendation:

1. ***The Government may institute an enquiry and fix responsibility/ accountability for the failure to take any benefit from Consultancy Service of GMS.***

TRANSPORT DEPARTMENT

MEGHALAYA TRANSPORT CORPORATION

3.5 Avoidable expenditure

Delays in remittance of Employees Provident Fund contribution to the Employees Provident Fund Organisation resulted in avoidable expenditure of ₹ 2.55 crore towards payment of interest and damages.

Section 6 of 'the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act) makes it mandatory for an employer to contribute employer's contribution at the rate of 12 *per cent* of the basic wages, dearness allowance and retaining allowance, if any, for the time being payable, towards provident fund in respect of each of the employees whether employed by him directly or through a contractor. Further, as per clause 38 of the Employees' Provident Funds Scheme, 1952 (EPF Scheme), the employer is required to deposit the employer's contribution along with employee's contribution within 15 days of the close of every month. The Act and EPF Scheme has treated non-deposit of provident fund dues as a punishable offence under Section 14 and Clause 7Q respectively. Further, the employer may also be liable to pay penalties in the form of interest and damages for default in payment of any contribution as stated below:

- simple interest at the rate of 12 *per cent* per annum or at such higher rate as may be specified in the scheme on any amount due under this Act from the date on which the amount has become due till the date of its actual payment; and
- penalty damages ranging between 5 and 25 *per cent* per annum of the arrears at the rates given below:

Table 3.5.1: Rate of damages specified under clause 32A of the EPF scheme 1952

(in *per cent*)

Sl. No.	Period of default	Rate of damages w.e.f 26 September 2008 (% of arrears per annum)
1.	Less than two months	5
2.	Two months and above but less than four months	10
3.	Four months and above but less than six months	15
4.	Six months and above	25

Scrutiny (June 2019) of records of the Managing Director of the Meghalaya Transport Corporation (MTC) relating to contributions and remittances of Employees Provident Funds (EPF) during the period from 2011-12 to 2019-20, revealed that the MTC had been persistently irregular in remitting employees' as well as employer's contributions to the Employees Provident Fund Organisation (EPFO). The delay in remittance of the EPF ranged from 40 days to 2036 days (**Appendix 3.5.1**). The delay in remittance of the funds to the EFPO has attracted interest and damages under the Act and Scheme *ibid* and as a result, the MTC had paid ₹ 2.55 crore during September 2014 to February 2020 to the EPFO being interest and damages (**Appendix 3.5.1**).

The MTC while confirming payment of the penalty, attributed (July 2021/November 2021) the reasons for the delay in payment of the funds to the EFPO to constraint of funds. The EPF dues are statutory liability and payment of which cannot be withheld on ground of funds constraint. Moreover, records also indicated that huge budgetary support ₹ 61.79 crore[72] from the GoM in the form of Grant-in-Aid for salary was received by the MTC. Thus, despite budgetary support from the GoM for salary expenses, MTC failed to remit the statutory EPF contributions on due dates in compliance with the provisions of the Act and Scheme which resulted in avoidable extra expenditure of ₹ 2.55 crore.

Recommendation:

1. ***The Company needs to deposit its share alongwith the employee's contribution to Employees Provident Fund Organisation immediately after recovery of the same from the salaries of the employees to avoid payment of penalty.***

[72] **₹ 61.79 crore** [₹ 6.51 crore (2011-12), ₹ 6.75 crore (2012-13), ₹ 4.03 crore (2013-14), ₹ 6.78 crore (2014-15), ₹ 6.92 crore (2015-16), ₹ 7.50 crore (2016-17), ₹ 5.80 crore (2017-18), ₹ 7.50 crore (2018-19) and ₹ 10.00 crore (2019-20)]. *Information provided by the entity*.