

OVERVIEW

This Report contains Civil and Commercial chapters comprising three performance reviews (including one on Chief Controlling Officer based audit) and 15 audit paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government, audit of Government Companies and Statutory Corporations.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. In respect of two reviews and 13 audit paragraphs in this Report, no response was received from the concerned Secretaries to the State Government.

A synopsis of the important findings contained in this Report is presented in this overview.

PERFORMANCE REVIEW

Targeted Public Distribution System

Targeted Public Distribution System (TPDS), the main objective of which is to ensure regular supply of essential commodities like rice, wheat, kerosene, *etc.* at reasonable and affordable price particularly to the weaker sections of the society. Review of implementation of the scheme revealed non-finalisation of the list of below poverty line families. The reliability of the Below Poverty Line (BPL)/Antyodaya Anna Yojana (AAY) beneficiaries identified in the rural areas of the State by Community and Rural Development Department in 2002 is questionable as the percentage of number of BPL/AAY families in the State has gone up by almost 10 *per cent*, despite huge amounts of funds spent on various poverty alleviation programmes in the State during last two decades. The beneficiaries were made to pay higher rate for TPDS commodities and were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Vigilance, monitoring and inspection were not up to the desired level as envisaged under PDS (Control) Order. Periodical review/check of beneficiaries list has not been carried out by the Department to weed out the bogus ration cards and also eliminate the ineligible families. The objective of regular supply of essential commodities to the weaker sections of society at reasonable and affordable prices, thus, remained largely unachieved.

(Paragraph 1.1)

AUDIT OF TRANSACTIONS

Excess Payment/Excess and Wasteful Expenditure

Payment of post-matric scholarship by the Education Department without proper scrutiny of applications resulted in excess and inadmissible expenditure of ₹ 2.28 crore.

(Paragraph 2.2)

Purchase of meningococcal meningitis vaccine by the Health and Family Welfare Department at higher rate and without immediate requirement resulted in avoidable extra expenditure of ₹ 3.71 crore and blocking of ₹ 3.43 crore.

(Paragraph 2.4)

Implementation of Urban Traffic Control System project by the Home (Police) Department without proper assessment of its feasibility through proper survey resulted in wasteful expenditure of ₹ 1.97 crore.

(Paragraph 2.6)

The Meghalaya Legislative Assembly Secretariat incurred excess expenditure of ₹ 1.77 crore on items purchased at exorbitant rates and articles worth ₹ 1.16 crore installed in the MLA Hostel were found missing.

(Paragraph 2.7)

The Social Welfare Department procured Ready to Eat noodles at higher rate resulting in an excess expenditure of ₹ 84.08 lakh.

(Paragraph 2.8)

CHIEF CONTROLLING OFFICER BASED AUDIT OF GOVERNMENT DEPARTMENTS

Chief Controlling Officer based Audit of Agriculture Department (Directorate of Agriculture)

The Directorate of Agriculture is responsible for bringing about substantial growth in the State's agricultural sector through the implementation of various state sector and central sector/centrally sponsored schemes. Financial management in the Directorate of Agriculture needs improvement in view of defective budgeting practices followed and violation of financial rules such as retention of huge undisbursed funds in bank accounts, persistent rush of expenditure at the fag end of the financial year and non-clearance of Abstract Contingent bills in time. Although the Directorate was able to bring about a marginal increase in the area under cultivation during the review period, agricultural production declined. Despite implementing a total of 77 schemes during

2005-06 to 2009-10, the area under cultivation in the State had increased by only 0.82 per cent while agricultural production had actually declined by 2.31 per cent over the same period. The Directorate did not have any pesticide/fertilizer/seed testing or quality control facility and a State Pesticide Testing Laboratory for which funds were provided by Government of India in March 2002 was yet to be operationalised. The objectives of the state sector/central sector/centrally sponsored schemes were mostly not achieved.

(Paragraph 3.1)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Performance Review

Meghalaya State Electricity Board

In Meghalaya, generation of power was carried out by Meghalaya State Electricity Board (MeSEB) which was incorporated on 21 January 1976 as a wholly owned State Government enterprise. The MeSEB have six hydro generation stations with the installed capacity of 186.70 MW as on 31 March 2010. Myntdu Leshka Hydrel Project (MLHEP) (2x42MW + 1x42MW) is expected to be commissioned by October 2011. The performance review of the generation activities of MeSEB for the period from 2005-06 to 2009-10 was conducted to assess whether capacity addition programme taken up/ to be taken up to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012, plan of action is in place for optimization of generation from the existing capacity and the execution of projects were managed economically, effectively and efficiently.

Financial Management and Working Result

The accumulated losses of MeSEB increased from ₹ 309.81 crore in 2005-06 to ₹ 449.03 crore (provisional) in 2009-10. This is mainly due to increase in interest and finance charges from ₹ 42.10 crore to ₹ 103.41 crore during 2005-10. Further, the MeSEB sustained loss of ₹ 30.31 crore on account of one time settlement of outstanding government dues. However, the loss of the MeSEB has decreased from ₹ 1.55 per unit (2005-06) to ₹ 0.98 per unit (2009-10) mainly due to four revisions in power tariff during the review period.

Planning

As at the end of 2009-10, the per capita availability in Meghalaya was 178 units whereas based on projected population of the State, the total energy requirement of domestic users would be 3000 MU by 2012 if the objective of the NEP is to be achieved. However, MeSEB could add only 1.5 MW capacity during 2005-10. Even assuming that all the new power projects (167.50 MW) in the State currently under

execution become operational in the next few years, these would result in an additional generation of 880.38 MU. The shortfall in meeting demand ranged from 74.56 *per cent* (2609.63 MU) to 80.69 *per cent* (4090.14 MU) and unmet energy demand was escalating year-on-year and had increased by 56.73 *per cent* in 2009-10 as compared to 2005-06. The State Government as of August 2010, has entered into Memorandums of Agreement (MOA) with private parties to develop 1916 MW of power generation capacity in the State out of which it would be entitled to 12 *per cent* of free power generated by these projects. Given the protracted process leading up to the actual ground-breaking of a new power project (as with the case of the MLHEP), as all projects have not progressed beyond the MOA stage and the absence of any mention of specific completion/commissioning dates of the projects in the MOAs, the benefits to be reaped by the State as well as the resultant anticipated improvement in the power supply position is an open ended question.

Operational Performance

The PLF of MeSEB ranged between 29 *per cent* to 40.87 *per cent* during review period which was less than the CERC norms of 60 *per cent*. It was observed that capacity of 78.34 *per cent* to 89.27 *per cent* remained unutilised during 2005-10. MeSEB did not draw preventive maintenance schedules in advance for its generation stations and these were undertaken on a need basis.

Time Overrun

The conceptualisation of the MHLEP to actual commencement of the project took almost 30 years. The project has undergone two cost revisions and cost of the project has gone up by 102 *per cent* which puts a question mark on the economic viability of the project. Indian Institute of Technology (IIT), Guwahati in its report (January 2008) opined that the tendered quantities of materials were estimated hurriedly by the MeSEB. The projects had been delayed for more than 6 years.

Environmental Issues

MSPCB had certified the water quality of Umiam Reservoir as 'D'. As 185.20 MW, out of the MeSEB's total installed capacity (186.70 MW), is wholly dependent on the water of the reservoir, the situation, if left unchecked, has serious implications on the MeSEB's long term operations and viability.

Monitoring by top management

MeSEB did not have proper MIS in place for exercising effective control over its activities by top management. A rigorous MIS is an essential prerequisite for a successful commercial organization.

Conclusion and recommendations

MeSEB could not keep pace with growing demand of power in the State due to inadequate planning for setting of the new projects as per their requirement. The unit-wise deployment of manpower was not in accordance with the prescribed CEA norms. MeSEB did not plan for preventive repair and maintenance schedule which adversely affected the performance of generation stations. Further, MeSEB failed in vigorous pursuance of its outstanding electricity dues and subsidy claims. The top management did not take corrective measures to enhance the operational performance of the plants. The review contains nine recommendations which include effective planning for capacity addition, enhancing operational performance, rationalising its manpower allocation, minimising forced outages and enhancing the use of its vast hydro and thermal potentials.

Transaction audit observations

Transaction audit observations included in this Chapter highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Issue of bonds by the MeSEB without proper consideration resulted in avoidable liability of interest of ₹ 5.92 crore.

(Paragraph 4.3)

Failure of the MeSEB to take action under Section 56 of the Electricity Act, 2003 against errant government consumers led to unpaid electricity bills accumulating to ₹ 11.25 crore in 23 months up to February 2010.

(Paragraph 4.4)

Even after granting a 'one time settlement' package to a defaulting borrower, the Corporation's lack of concern in protecting its financial interests resulted in non recovery of ₹ 78.28 lakh.

(Paragraph 4.6)

Injudicious decision to undertake repairs of a defective component for second time despite its failure in the first attempt and after having already placed orders to replace the item, resulted in unproductive expenditure of ₹ 18.43 lakh.

(Paragraph 4.7)