

# OVERVIEW

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This Report contains chapters on Social, Economic and General Sectors and State Public Sector Undertakings comprising two performance reviews and 13 audit paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government and Public Sector Undertakings.

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 one review and eight 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.

## SOCIAL SECTOR

### *Development of Sports and Youth Activities in Meghalaya*

Sports is essential component of human resource development and helps to inculcate comradeship and a healthy spirit of competition. Excellence in sports enhances the sense of achievement, national pride and patriotism. In Meghalaya, the development of sports activities did not get priority inasmuch as only 0.32 *per cent* to 0.42 *per cent* of the State's budgetary outlay were earmarked for these activities. The State does not have a sports policy or any long term plan for the development of sports. Sports infrastructure like outdoor stadia, swimming pools and indoor stadia, crucial to sports development were lacking in districts. Taking up of projects for sports infrastructure without ensuring availability of land and funds resulted in non-completion of 23 sports infrastructure. Thirteen sports infrastructure were in dilapidated condition due to lack of seriousness in maintenance of these infrastructures. Coaching activities were entirely left to the discretion of the individual coaches and the Director of Sports and Youth Affairs was not monitoring their work in any manner. The National Sports Policy of providing scientific and technical support to sports coaching had not been implemented in the State.

**(Paragraph 1.2)**

Meghalaya Value Added Tax totalling ₹ 34.36 lakh, deducted by the Directorate of Housing from the suppliers' bills, was embezzled by faking the documents showing that the amount was deposited into Government account.

**(Paragraph 1.3)**

Deficiency of internal control and oversight mechanism in the Health Engineering Wing of the Health and Family Welfare Department led to an excess payment of ₹ 34.29 lakh to one contractor and a double payment of ₹ 5.45 lakh to another.

**(Paragraph 1.5)**

Failure to close down two magazines under the Greater Shillong Water Supply Division-II, Mawphlang of the Public Health Engineering Department resulted in an avoidable expenditure of ₹ 1.07 crore on safeguarding a cache of expired explosives.

**(Paragraph 1.6)**

Failure to close down the Meghalaya State Housing Board even nine years after a direction from the Housing Department to come up with a proposal to this effect resulted in an avoidable expenditure of ₹ 6.02 crore.

**(Paragraph 1.4)**

## GENERAL SECTOR

The Meghalaya Legislative Assembly Secretariat incurred excess expenditure of ₹ 1.76 crore due to execution of painting works flouting the provisions of Financial Rules. Besides, excess payment of ₹ 14.35 lakh was made to the Contractor due to admission of erroneous claim.

**(Paragraph 2.2)**

Purchase of carpets by the Meghalaya Legislative Assembly Secretariat at exorbitant rates in violation of prescribed norms and failure to ascertain the reasonableness of rates offered by the suppliers resulted in extra expenditure of ₹ 32.24 lakh. Besides, excess payment of ₹ 13.60 lakh was made to the suppliers.

**(Paragraph 2.3)**

The Meghalaya Legislative Assembly Secretariat issued a work order to construct the Assembly Building at Mawdiangdiang to a firm in contravention of the terms of the tender and made a payment of ₹ 2.14 crore without verifying work carried out.

**(Paragraph 2.4)**

The Meghalaya Legislative Assembly Secretariat and Meghalaya Legislative Assembly Printing Press was incurring an unauthorised expenditure of ₹ 6.74 crore annually due to irregular appointment of 433 persons in excess of their authorised strength.

**(Paragraph 2.5)**

## ECONOMIC SECTOR

### *Functioning of departmental farms and civil work wing*

The Animal Husbandry and Veterinary Department incurred expenditure of ₹ 13.82 crore during 2007-12 on running and maintenance of six farms (₹ 2.95 crore) and two central dairies (₹ 10.87 crore) in excess of the revenue earned. Besides, there was loss of ₹ 13.88 lakh due to unsuccessful hatching of eggs. Six buildings constructed for veterinary dispensaries remained non-functional and five buildings constructed for residential quarters and dairy office remained vacant rendering the expenditure of ₹ 2.52 crore incurred on their construction unproductive.

**(Paragraph 3.2)**

In the absence of clear guidelines, uniformity in the cost, quality and specification of Corrugated Galvanised Iron (CGI) sheets distributed to beneficiaries under the Special Rural Works Programme implemented by the Community and Rural Development Department was not maintained. CGI sheets were procured at differential rates leading to an extra expenditure of ₹ 1.11 crore.

**(Paragraph 3.3)**

Inadequate survey and investigation coupled with a faulty design resulted in an unproductive expenditure of ₹ 58.36 lakh on an incomplete bridge under the Mairang Division of Public Works Department. Besides, materials worth ₹ 13.78 lakh became unusable.

**(Paragraph 3.4)**

## ECONOMIC SECTOR PUBLIC SECTOR UNDERTAKINGS

### *Overview of State Public Sector Undertakings*

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of statutory corporations is governed by their respective legislations. As on 31 March 2012, the State of Meghalaya had 14<sup>1</sup> working Public Sector Undertakings (PSUs) (12 companies and two statutory corporations) and one non-working company, which employed 4609 employees. The working PSUs registered a turnover of ₹ 463.14 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 2.91 *per cent* of State Gross Domestic Product indicating a moderate role played by State PSUs in the economy. However, the working State PSUs incurred an overall loss of ₹ 85.76 crore in the aggregate for 2011-12 as per their latest finalised accounts as on 30 September 2012.

<sup>1</sup> Including erstwhile MeSEB, which ceased to exist w.e.f. 1 April 2010.

### ***Investments in PSUs***

As on 31 March 2012, of the total investment in State PSUs, 99.70 *per cent* was in working PSUs and the remaining 0.30 *per cent* in one non-working PSU. This total investment consisted of 31.19 *per cent* towards capital and 68.81 *per cent* in long-term loans. The investment had increased by 21.66 *per cent* from ₹ 1290.34 crore in 2006-07 to ₹ 1569.81 crore in 2011-12.

### ***Performance of PSUs***

During the year 2011-12, out of 14 working PSUs, two PSUs namely Meghalaya Government Construction Corporation Limited and Meghalaya Industrial Development Corporation Limited earned profit aggregating to ₹ 1.24 crore and remaining twelve PSUs incurred loss of ₹ 87.00 crore. The major losses were incurred by Mawmluh Cherra Cements Limited (₹ 18.71 crore) and Meghalaya State Electricity Board (₹ 56.42 crore). The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 66.51 crore and infructuous investment of ₹ 1.40 crore which were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and minimise losses.

### ***Quality of accounts***

The quality of accounts of PSUs needs improvement. All the 20 accounts finalised by working PSUs during October 2011 to September 2012 received qualified certificates. There were 12 instances of non-compliance with the Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

### ***Arrears in accounts***

Thirteen working PSUs had arrears of 52 accounts as of September 2012. The PSUs need to set targets for the work related to preparation of accounts with special focus on arrears. There was one non-working company as on 31 March 2012. The Company is under liquidation process as all the employees had opted for VRS in December 2006. As no purpose was served by keeping this non-working company in existence, Government needs to expedite the process of closure of this company.

**(Paragraph 4.1)**

## ***Meghalaya Energy Corporation Limited***

### ***Performance Audit on Power Transmission activities***

The performance audit of transmission activities of Meghalaya Energy Corporation Limited (MeECL) for the period 2007-12 was conducted to assess whether aims and objectives of National Electricity Policy/ Plans (NEP) were adhered to and whether the Company was able to provide an efficient, adequate and properly coordinated grid management and transmission of energy.

#### ***Planning and Development***

The Company did not make any long term business plan as per recommendations of the working group of Meghalaya State Planning Board. During 2007-12, the Company could add capacity of 407.50 Mva against the planned addition of 1132.50 Mva. Against the planned addition of 555.65 Ckm to transmission line, the Company could add only 401.55 Ckm (72.27 per cent).

#### ***Project Management of Transmission System***

##### ***Project execution***

Out of six substations taken up for construction during 2007-12, three substations were completed after delays ranging from 8 to 23 months and a cost overrun of ₹ 5.96 crore. Two augmentation works were behind schedule by seven months.

Out of 14 transmission lines taken up for construction during 2007-12, seven were completed after delays ranging from 6 to 25 months and cost overrun of ₹ 1.88 crore.

#### ***Mismatch between Generation/power purchase plan and Transmission facilities***

Delay in completion of Myntdu Leshka Hydro Electric Project (MLHEP) resulted in idling of transmission line from MLHEP to Khliehriat for 22 months. Due to delay in approval and implementation of 132 KV transmission line inter-connecting the 220/132 KV Killing substation with the existing EPIP-I and EPIP-II substations at Byrnihat and also due to delay in construction of 220/132 KV Killing substation for more than four months, the 220 KV D/C Misa line could not be utilised for 11 months during February 2010 to December 2010. The 220/132 KV Killing substation capacity (320 Mva) was also underutilised due to non completion of 132 KV transmission line from 220/132 KV Killing substation to 132/33 KV EPIP-I substation at Byrnihat.

#### ***Performance of transmission system***

The unutilised transmission capacity had increased from 11.15 Mva in 2007-08 to 287.76 Mva in 2011-12. The burden for this underutilised capacity at the end of March 2012 worked out to ₹ 13.32 crore which was passed on to the consumers.

### ***Transmission losses***

Due to incompatibility of equipment, transmission loss data furnished by the Company was inconsistent.

### ***Grid Management***

#### ***Infrastructure for load monitoring***

Ten substations and two generating units were not provided with Remote Terminal Units (RTUs) for recording real time data for efficient Energy Management System.

#### ***Grid discipline by frequency management***

For grid indiscipline, North Eastern Regional Load Despatch Centre (NERLDC) issued 241 violation messages to the Company in 2009-10 which had sharply increased to 335 during 2011-12.

#### ***Backing Down Instructions (BDI)***

BDI issued by the State Load Despatch Centre (SLDC) to the generating stations were verbal and not recorded. In absence of the record of operational instructions given by SLDC, adherence to its instruction could not be examined.

#### ***Disaster Management***

Out of six major generating stations, DG sets for black start for emergency restoration was available only at Myntdu Leshka Hydro Electric Project (MLHEP), Leshka. However, during a major grid failure that occurred on July 2012, MLHEP failed to black start.

#### ***Material Management***

The Company did not follow good management practices like ABC Analysis, fixation of minimum/maximum stock level/reorder level.

#### ***Energy Accounting and Audit***

The Company had proposed (2006-07) energy audit but it was not taken up due to non availability of funds.

#### ***Monitoring by top Management***

The Company did not have proper MIS in place for exercising effective control over its activities by top management.

**(Pararaph 4.2)**

## POWER DEPARTMENT

### *Meghalaya Energy Corporation Limited*

#### *Non-recovery of electricity dues*

Tardy action by the Meghalaya Energy Corporation Limited to recover electricity charges from one consumer resulted in the dues accumulating to ₹ 9.91 crore as of September 2012.

**(Paragraph 4.3)**