

CHAPTER III : ECONOMIC SECTOR

3.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with the findings on audit of the State Government units under Economic Sector.

The names of the major State Government departments and the net budget provisions and expenditure of the State Government under Economic Sector during the year 2012-13 are given in the table below:

Table 3.1.1

(₹ in crore)

Sl. No.	Name of Department	Budget provisions (Original and Supplementary)	Expenditure
1.	Public Works	623.12	581.62
2.	Agriculture	606.51	326.45
3.	Planning	462.93	105.49
4.	Community & Rural Development	308.75	248.90
5.	Power (Electricity)	296.97	188.79
6.	Forest	159.68	79.58
7.	Agriculture, Animal Husbandry, Veterinary, Industries, Sericulture & Weaving, Mining & Geology	211.61	103.99
8.	Soil & Water Conservation	203.11	80.66
9.	Animal Husbandry & Veterinary	104.56	91.64
10.	Industries	102.85	92.48
11.	Mining & Geology	99.27	97.80
12.	Border Areas Development	85.49	85.76
13.	Fisheries	73.95	71.35
14.	Co-operation	44.83	21.54
	Total	3383.63	2176.05

Source: Budget Estimates, Appropriation Acts and Appropriation Accounts

Besides the above, the Central Government had transferred a sizeable amount of funds (approximately ₹ 346.22 crore) directly to the Implementing agencies under the Economic Sector to different agencies of the State during 2012-13. The details are given below:

Table 3.1.2

(₹ in crore)

Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Mahatma Gandhi National Rural Employment Guarantee Act	District Rural Development Agencies (DRDAs)	226.11
Integrated Watershed Management Programme	Meghalaya State Watershed and Wasteland Development Agency, Shillong	37.92
Pradhan Mantri Gram Sadak Yojana	State Rural Road Development Agency	50.00
Others	Various agencies	32.18
	Total	346.22

Source: Central Plan Scheme Monitoring System of CGA website

3.1.1 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns. The audits were conducted during 2012-13 involving expenditure of ₹ 759.45 crore (including expenditure pertaining to previous years audited during the year) of the State Government under Economic Sector. The chapter contains two performance audits on 'Roads & Bridges funded by Non Lapsable Central Pool of Resources and North Eastern Council' and 'Tourism Development Activities' and three Compliance Audit paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

The major observations under Economic Sector detected in audit during the year 2012-13 are discussed in the succeeding paragraphs.

PUBLIC WORKS DEPARTMENT

3.2 Roads & Bridges funded by Non Lapsable Central Pool of Resources and North Eastern Council

Highlights

One of the objectives of the Non-Lapsable Central Pool of Resources (NLCPR) and the North Eastern Council (NEC) was to develop infrastructure, especially construction of Roads and Bridges (R&B). Though the assets created by the NLCPR and the NEC funds have helped the State to bridge the infrastructural gap to some extent, certain aspects like poor planning, ineffective financial management, tardy implementation and lack of proper monitoring and supervision adversely affected the implementation of these projects.

The State Planning Department neither submitted the priority lists in time nor was proper analysis of infrastructural gaps conducted.

(Paragraph 3.2.7.1)

Huge amount of funds lying unutilised with State Finance Department indicates that the PWD did not have effective arrangement to absorb the allotted funds under NLCPR and NEC funded R&B projects.

(Paragraph 3.2.8)

PWD incurred an extra expenditure amounting to ₹ 2.08 crore towards inadmissible items. Certain items of work were executed in excess of the sanctioned provision which resulted in excess expenditure by an amount of ₹ 5.89 crore.

(Paragraphs 3.2.9.5 & 3.2.9.8)

Allocation of same works to more than one contractor led to an avoidable expenditure to the tune of ₹ 1.59 crore. Injudicious decision of the PWD in selecting the stone quarry led to an avoidable expenditure of ₹ 97.90 lakh on haulage.

(Paragraphs 3.2.9.7 & 3.2.10.1)

Funds amounting to ₹ 1.38 crore were diverted from NLCPR and NEC funded R&B projects to other works which fell under Special Plan Assistance and other NEC projects.

(Paragraph 3.2.9.6)

3.2.1 Introduction

The Government of India created a Non-Lapsable Central Pool of Resources (NLCPR) in the Union Budget for the year 1998-99 with a broad objective to ensure speedy development of infrastructure in North Eastern Region (NER) of which Roads and Bridges is of utmost importance specially in case of Meghalaya since the only mode of transportation in the State is roads and is, therefore, the catalyst of all economic and social activities.

The North Eastern Council (NEC) which came into existence in 1972 with the objective to develop infrastructure, especially construction of Roads and Bridges (R&B) in NER, is the regional planning body responsible for scrutinising the R&B projects proposed by the State Government for obtaining approval.

This Performance Audit covers the NLCPR and the NEC funded R&B projects during 2008-09 to 2012-13 in Meghalaya.

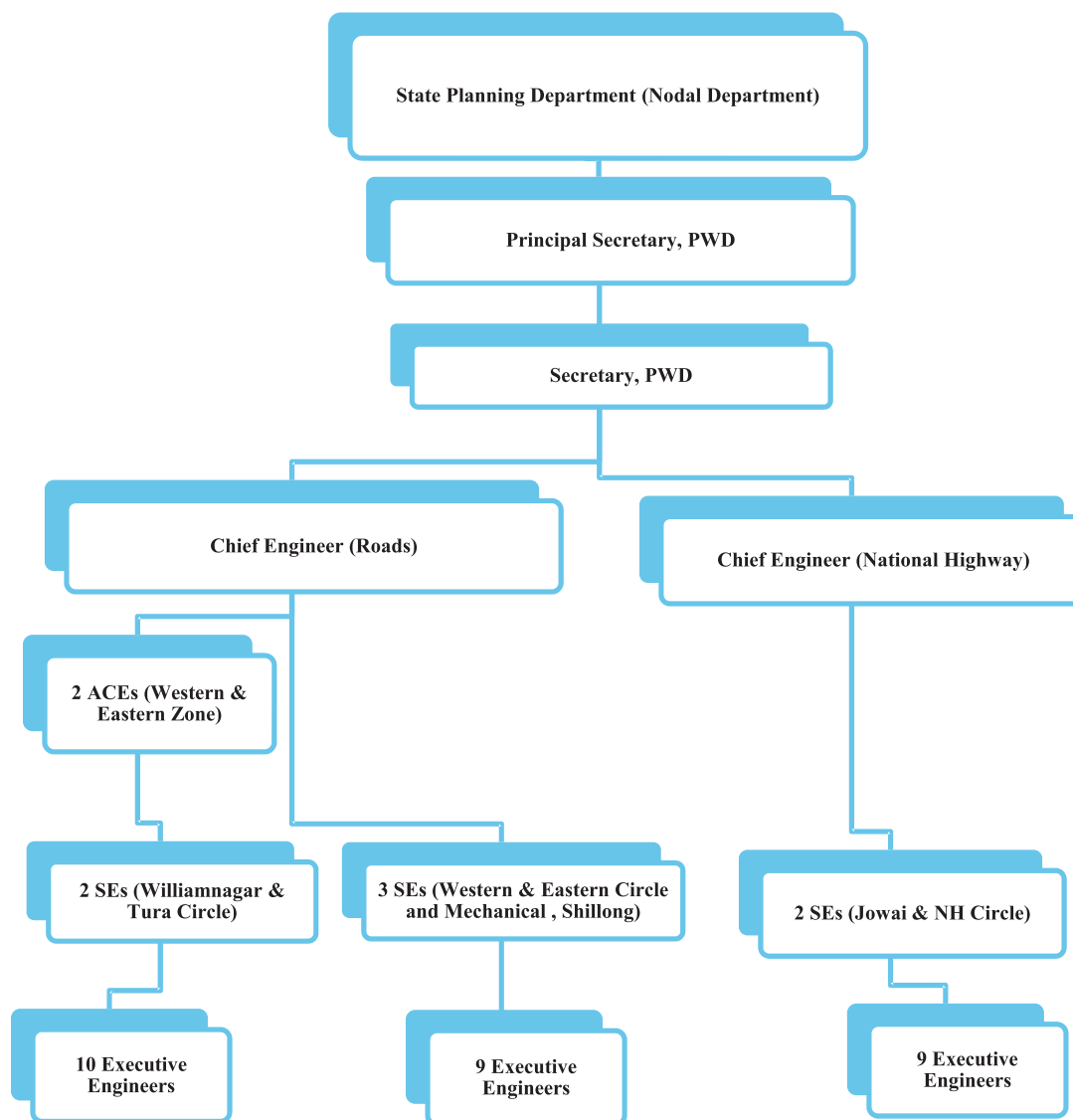
Prior to 2008, a total road length of 1090.568 km had been sanctioned by NLCPR & NEC in Meghalaya which were mostly upgradation/ improvement of existing road. Of this, 672.165 km had been covered up to 2008. Thereafter, during 2008-13, 346 km road length had been sanctioned while the total road length constructed during this period was 260.448 km. Hence, the total incomplete road length at the end of March 2013 was 503.955 km.

3.2.2 Operational Set up

The State Planning Department is the Nodal Department for implementation of NLCPR & NEC funded projects and all R&B projects were executed by State Public Works Department (PWD). The operational set-up for implementation of NLCPR and NEC funded R&B projects is shown below:

Operational Set up of the NLCPR and the NEC funded R&B Projects in Meghalaya

Chart 3.1



ACEs – Additional Chief Engineers, PWD
SEs – Superintending Engineers, PWD

3.2.3 Scope of Audit

Performance review of NLCPR and NEC funded R&B covering the period 2008-09 to 2012-13 was conducted (April-July 2013) through test-check of the records of the CE, PWD (R) and Executive Engineers of 12 divisions¹. Out of 31 NLCPR and 16 NEC funded R&B projects (**Appendix 3.2.1**) under execution during 2008-13, 10 NLCPR and five NEC funded projects (**Appendix 3.2.2**) were selected for detailed check on the basis of probability proportionate to size without replacement method.

3.2.4 Audit Objectives

The objectives of the Performance Audit of the NLCPR and the NEC funded R&B projects were to assess whether:

- the projects were planned appropriately and adequate infrastructural gap analysis was done;
- adequate funds were released in a timely manner and utilised for the given purpose;
- projects were executed efficiently and economically to achieve intended objectives;
- adequate and effective monitoring and evaluation was done; and
- the department took action on the recommendations made by the Public Accounts Committee.

3.2.5 Audit Criteria

The findings were benchmarked against the criteria drawn from the following sources:

- NLCPR Guidelines;
- Detailed Project Reports (DPRs);
- Conditions and norms of release of fund;
- Performance indicators relevant to the NLCPR & the NEC funded R&B projects; and
- Prescribed monitoring mechanism in place.

3.2.6 Audit Methodology

Audit started with an entry conference which was held in May 2013, wherein the audit objectives, criteria and methodology were discussed with the Secretary, PWD, Chief Engineer, Roads [CE (R)], CE, National Highways, officials of Finance and Planning Departments, Government of Meghalaya (GoM) and an official of the NEC. Further, before arriving at audit conclusions, various items like adequacy of funds, utilisation of funds, adherence to project guidelines, execution of various projects, *etc.* were analysed.

¹ Projects were selected using Probability Proportional to Size without Replacement (PPSWOR) method.

Audit findings were discussed with officials of the PWD as well as Finance and Planning Departments and NEC in an exit conference (28th November 2013) and the replies of the Government/Department have been incorporated in the report at appropriate places.

Acknowledgement

Audit acknowledges the co-operation extended by the officials of the PWD to Audit personnel in carrying out this assignment.

Audit Findings

3.2.7 Planning

Audit Objective 1: To assess whether the projects were planned appropriately and adequate infrastructural gap analysis was done.

3.2.7.1 *Delay in submission of priority list and non-analysis of infrastructural gaps*

Paragraph 4.1 of the NLCPR guidelines stipulates that after analysing the infrastructural gaps, each State would propose 'priority list' (an annual profile of projects) latest by 30 November for the next financial year through its nodal department.

Scrutiny of the records revealed that there was considerable delay in submission of priority list by State Planning Department ranging from 22 to 387 days as detailed in the following table.

Table 3.2.1

Year	Submission of Priority list to MoDoNER		
	Stipulated Date	Actual Date	Delay
2008-09	30.11.2007	25.6.2008	208 days
2009-10	30.11.2008	11.8.2009	254 days
2010-11	30.11.2009	26.7.2010	238 days
2011-12	30.11.2010	22.12.2011	387 days
2012-13	30.11.2011	22.12.2011	22 days

Source: Information furnished by State Planning Department, GoM

Paragraph 4.1(i)(c) of the NLCPR guidelines also stipulates that the priority list contains 'gap analysis' of the sectors and justification of the list of projects in fulfilling the gaps.

Further, Paragraph 4.1(v) (a) of the NLCPR guidelines stipulates that the Detailed Project Reports (DPRs) of the retained projects should be submitted to the MoDoNER within two months of retention of projects. It was, however, noticed that in nine out of ten selected NLCPR projects, there was delay in submission of the DPRs by the State Government ranging from three months to three years eight months. Details are shown in Table 3.2.2 below:

Table 3.2.2

Name of Project	Submission of DPRs of retained projects to MoDoNER		
	Month of retention of project	Actual month of sending DPR	Delay
Reconstruction of Bridges on Kherapara to Deku bazar road (Br. No. 2/5, 5/3 & 10/2)	August 2005	November 2008	3 years 1 month
(a) Construction of RCC Bridge over River Daru on Ampati – Purakashia Road. (2 nd Km) to Ampati Village in Meghalaya	July 2004	March 2005	6 months
Improvement including Metalling & Blacktopping of Mukhaialong – Lumshyrmith road (0 to 19 Km)	August 2005	June 2007	1 year 8 months
Improvement, Metalling & Blacktopping of a road from NH-51 to Rongsigre (4.725 Km)	July 2006	June 2007	9 months
Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping	August 2005	September 2007	1 year 11 months
Improvement including Metalling & Blacktopping of Mawkyrwat – Rangblang Road (12 th to 19 th Km)	August 2005	February 2007	1 year 4 months
Widening to double lane standard including Metalling & Blacktopping of Dkhiah – Sutnga – Saipung – Moulsei – Haflong road (Portion 1 st to 8 th , 17 th & 18 th Km)	February 2010	March 2010	No delay
Improvement, Widening, Strengthening including Metalling & Blacktopping of a road from 9 th Mile of NH-37 Guwahati-Shillong Road to Killing Pilangkata (7 th – 21.50 Km)	October 2008	March 2009	3 months
Construction of Remaining portion of Mawsahew – Nongsteng – Umblai – Mawphu road from 6 th to 13 th km	July 2004	May 2008	3 years 8 months
Construction including Metalling & Blacktopping of Lumshnong – Umlong Road (0 – 8 Km)	June 2005	April 2007	1 year 8 months

Audit also observed that no infrastructural gap analysis was carried out in the State.

The State Planning Department stated (September 2013) that in case of NLCPR, infrastructural gap analysis was done at the level of the Chief Minister before recommending the priority lists. No documentary evidence, however, was produced to Audit.

3.2.8 Financial Management

Audit Objectives 2: To assess whether adequate funds were released in a timely manner and utilised for the given purpose.

The cost of the NLCPR and the NEC funded R&B projects is to be borne by the MoDoNER/ NEC and State Government in the ratio of 90:10. The details of funds (2008-09 to 2012-13) are given below in Tables 3.2.3 & Table 3.2.4:

Table 3.2.3

(₹ in lakh)

NLCPR funded R&B projects								
Year	Opening Balance with State Finance Department	Fund released by MoDoNER	Total fund available	Funds released by State Finance Department to PWD		Total funds released by State Finance Department to PWD	Expenditure incurred	Balance Central Share lying with State Finance Department (per cent) [Column 4 – Column 5]
				Central Share	State Share			
1	2	3	4	5	6	7	8	9
2008-09	874.39	2093.63	2968.02	2838.36	282.07	3120.43	2914.89	129.66 (4)
2009-10	129.66	2934.27	3063.93	2533.93	470.34	3004.27	2957.58	530.00 (17)
2010-11	530.00	3506.55	4036.55	2897.37	200.07	3097.44	3103.96	1139.18 (28)
2011-12	1139.18	2750.67	3889.85	2496.17	361.52	2857.69	2839.68	1393.68 (36)
2012-13	1393.68	1519.48	2913.16	1954.75	280.44	2235.19	2231.65	958.41 (33)
Total		12804.60	16871.51			14315.02	14047.76	

Source: Information furnished by CE(R), PWD

During 2008-13, Audit observed that the total NLCPR fund available with the State Government was ₹ 168.72 crore of which an amount of ₹ 143.15 crore was released to the implementing Divisions. The total central share lying with the State Finance Department at the end of each year ranged between 4 per cent and 36 per cent.

Table 3.2.4

(₹ in lakh)

NEC funded R&B projects						
Year	Opening Balance with State Finance Department	Fund released by the NEC	Total fund available (inclusive of 10 per cent State Share)	Funds released by State Finance Department to PWD	Expenditure incurred	Total Unspent Balance (per cent) [Column 4 -6]
1	2	3	4	5	6	7
2008-09	1556.00	2900.00	4778.22	3738.42	3713.88	1064.34 (22)
2009-10	1064.34	3686.14	5160.05	2618.52	2611.68	2548.37 (49)
2010-11	2548.37	5504.10	8664.04	3846.80	3846.35	4817.69 (56)
2011-12	4817.69	3500.00	8706.58	5736.81	5736.01	2970.57 (34)
2012-13	2970.57	5000.00	8526.13	7567.62	7566.41	959.72 (11)
Total		20590.24	35835.02	23508.17	23474.33	

Source : Information furnished by CE (R), PWD

As can be seen from the above table that the total NEC fund available with the State Government was ₹ 358.35 crore of which an amount of ₹ 235.08 crore was released to the implementing Divisions. The unutilised funds with the State Government at the end of each year ranged between 11 per cent and 56 per cent.

It was noticed during Audit that in each year, total funds released by the MoDoNER and the NEC to the State Finance Department were not fully released to the concerned divisions subsequently. On being pointed in Audit, the CE (R) stated (August 2013) that the reason for less release of both NLCPR and NEC funds to the PWD by the State Finance Department was due to less demand of funds placed by the PWD. In a

nutshell, lack of institutional capacity of the PWD resulted in failure to absorb the funds which was bound to have an impact on timely execution of the project.

3.2.9 Project Implementation

Audit Objective 3: To assess whether projects were executed efficiently and economically to achieve intended objectives.

3.2.9.1 Issue of final work orders

As per the administrative approval accorded by the MoDoNER and the NEC, GoM was to ensure that the works should be awarded within 3 months from the date of sanction.

Audit, however, noticed that out of 15 selected projects, only in one case there was no delay in awarding the work. Delays ranging from one to three months were observed in five cases while delays ranged from three to six months in seven cases. In the remaining two cases delay was seven and eight months respectively.

Delay in issue of final work orders resulted in delay in commencement of work which would at times have a cascading effect on the completion of works in time as discussed in the succeeding paragraphs. Reasons for such delay, though called for (January 2014) had not been furnished.

3.2.9.2 Delay in completion of ongoing projects

Out of 15 selected R&B projects, eight had been completed while seven R&B projects were still ongoing (March 2013). Audit observed that out of seven ongoing R&B projects, four were due for completion by March 2013 but were still in progress till the date of audit (July 2013). The details of delay in four ongoing R&B projects are shown in Table 3.2.5 below:

Table 3.2.5

Sl No	Name of Project	Name of Implementing Divisions	Stipulated ² date of completion	Physical Progress as on March 2013 (Per cent)	Financial Progress as on March 2013 (Per cent)	Delay as on 31.3.2013
NLCPR funded R&B projects						
1	Reconstruction of Bridges on Kherapara to Deku bazar road (Br. No. 2/5, 5/3 & 10/2)	Tura NH cum Central Division	January 2013	70	40	2 months
2	Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6 th to 13 th Km	Sohra Division	October 2010	40	37	2 years 5 months

² The target date of completion of NLCPR projects were taken from the respective administrative approvals whereas target dates of completion of NEC projects were not indicated in administrative approvals, hence, taken from final work orders.

SI No	Name of Project	Name of Implementing Divisions	Stipulated ² date of completion	Physical Progress as on March 2013 (Per cent)	Financial Progress as on March 2013 (Per cent)	Delay as on 31.3.2013
NEC funded R&B projects						
3	Upgradation of Agia - Medhipara - Phulbari - Tura Road (0 - 73 Km)	Tura NEC Division	February 2013	63	61	1 month
4	Upgradation of Mankachar - Mahendraganj Road (6.30 - 29.261 Km)	Barengapara Division	February 2012	69	53	1 year 1 month

As can be seen from the above table-

- In case of serial number one and three, even though the target date of completion had already lapsed, the actual physical progress was only 70 *per cent* and 63 *per cent* respectively.

The respective EEs attributed (July 2013) the delay to prolonged rainy season and law and order problem. Reply is not acceptable as rain is an annual phenomenon that would have been considered while framing the time frame for completion of the projects.

- In case of serial number two, though the target date of completion had already lapsed by two years five months, the actual physical progress was only 40 *per cent*.

In reply, the EE stated (May 2013) that it was due to damage of a portion of the road caused by land slide (July 2012). The reply is not acceptable as the work should have been completed by August 2010 as per the administrative approval, much before the land slide occurred.

- In case of serial number four, the target date of completion had already lapsed by 1 year 1 month whereas the actual physical progress was only 69 *per cent*.

Scrutiny of records revealed that the reason for delay was due to non-acquisition of land. Thus, the decision of PWD to obtain approval and sanction of the project prior to acquisition of land indicated lack of proper planning.

3.2.9.3 Delay in five completed projects

Out of eight completed R&B projects, three were completed in time while five R&B projects were completed after a delay ranging from one to five years. The details of delay in five completed projects are shown in Table 3.2.6 below:

Table 3.2.6

Sl No	Name of Project	Name of Implementing Divisions	Stipulated ³ date of completion	Actual date of completion	Delay
NLCPR funded R&B projects					
1.	Construction of RCC Bridge over River Daru on Ampati - Purakashia Road (2 nd Km) to Ampati Village in Meghalaya	Ampati Division	December 2007	March 2013	5 years 3 months
2.	Improvement, Metalling & Blacktopping of a road from NH-51 to Rongsigre (4.725 Km)	Tura North Division	December 2009	December 2011	2 years 1 month
3.	Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping	Williamnagar Division	March 2011	September 2012	1 year 6 months
4.	Improvement including Metalling & Blacktopping of Mawkyrwat - Rangblang Road (12 th to 19 th Km)	Mawkyrwat Division	September 2010	March 2012	1 year 6 months
NEC funded R&B projects					
5.	Construction of Agia - Medhipara - Phulbari - Tura Road (73 - 133 Km)	Tura NEC Division	July 2008	March 2012	3 years 8 months

Source : Administrative Approvals, Quarterly Progress Reports, Completion Reports

- In case of serial number one, scrutiny of records revealed that as per administrative approval accorded in December 2005, the target date of completion was December 2007. The final work order was issued on August 2006. But after completing 65 *per cent* of the work, the contractor expired (July 2010). Subsequently, only in January 2012, after a lapse of one year six months from the date of demise of the contractor, the PWD decided to take up the work departmentally. The work was completed in March 2013 *i.e.* after a lapse of five years three months from the stipulated target date. Thus, delay in issue of final work order as well as slow progress of work and finally delayed decision of the PWD to take up the work departmentally led to delay in completion of the project.
- In case of serial number two and four, it was noticed that the delay in completion of the project was more than two years and one year respectively. In reply to audit query, the EE stated (June/ July 2013) that delay was due to rainy season, encountering huge rocks and unavailability of chips. Reply on the ground of rainy season is not tenable as rain is an annual phenomenon which should have been anticipated while considering the time frame. The other reasons such as encountering hard rocks and availability of chips indicated lack of proper survey and poor planning by the PWD.
- In case of serial number three, the delay in completion of the project was one year six months. Reply of the EE is awaited, though asked for.

³ The target date of completion of NLCPR projects were taken from the respective administrative approvals whereas target dates of completion of NEC projects were not indicated in administrative approvals, hence, taken from final work orders.

- In case of serial number five, the delay in completion of the project was more than three years. The EE stated (July 2013) that delay was due to sudden demise (July 2010) of a contractor. The reply is not tenable since the progress of the project was very dismal and not at all satisfactory even prior to the demise of the contractor as evident from the report of CE (R) (April 2009). In spite of this, the PWD did not initiate any action against the contractor for delay in completion of project.

During exit conference, the CE (PWD) stated that the delay in completion of projects was due to less working season compared to other region. The reply was an afterthought to cover up the lapse because working season is a well known phenomenon and could have been considered while stipulating the date of completion of the projects.

3.2.9.4 Irregular Expenditure on staff component

Para 4.1 of the NLCPR guidelines stipulates that no staff component - either work charge or regular – shall be created by the project implementing authorities from NLCPR funds. All such requirements should be met from the redeployment of surplus manpower within the PWD. Similarly, in case of NEC, all the R&B projects were sanctioned without keeping any provision for the staff component.

Audit noticed that three out of 15 selected R&B projects incurred a total expenditure of ₹ 39.43 lakh towards staff component like work charge and muster roll wages and agency charges which was in contravention to the prescribed norms. Details are shown in Table 3.2.7.

Table 3.2.7

(₹ in lakh)

Sl No	Name of project	Funded by	Concerned Division	Item	Amount
NLCPR funded R&B projects					
1	Reconstruction of Bridges on Kherapara to Deku bazar road (Br. No. 2/5, 5/3 & 10/2)	NLCPR	Tura NH cum Central	Muster Roll Wages	13.66
				Work Charge	3.44
2	Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6 th to 13 th km	NLCPR	Sohra	Work Charge	4.25
				Agency Charge	4.82
NEC funded R&B projects					
3	Upgradation of Agia - Medhipara - Phulbari - Tura Road (0 - 73 Km)	NEC	Tura NEC	Muster Roll Wages	13.26
	Total				39.43

Source: Divisional Day Books, Vouchers

During exit conference, the CE (PWD) stated that the reasons for expenditure towards staff component will follow after examination. Repair was necessary to ensure flow of traffic even during construction of road. The reply is not acceptable because such action was contrary to NLCPR guidelines.

3.2.9.5 Inadmissible expenditure towards repair and maintenance

As per the sanctioned estimates of all the 15 selected R&B projects, there was no provision towards repair and maintenance works.

Audit, however, noticed that in six out of 15 selected projects, ₹ 2.08 crore was expended towards repair and maintenance for which there was no provision in the sanctioned estimates. Details are shown in Table 3.2.8 below:

Table 3.2.8

(₹ in lakh)

(X in lakhs)

Diversion of fund towards repair & maintenance					
Sl No	Name of project	Concerned Division	Period during which repair work was done	Items of work	Amount
NLCPR funded R&B projects					
1	Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6 th to 13 th Km	Sohra Division	March 2013	Slip Clearance	17.40
2	Improvement including Metalling & Blacktopping of Mawkyrwat - Rangblang Road (12 th to 19 th Km)	Mawkyrwat Division	June 2008 – June 2011	Slip Clearance	12.55
3	Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping	Williamnagar Division	March 2009	Repair of damaged footpath	5.50
4	Improvement, Widening, Strengthening including Metalling & Blacktopping of a road from 9th Mile of NH-37 Guwahati-Shillong Road to Killing Pilangkata (7 th – 21.50 Km)	Nongpoh Division	September 2012 – December 2012	Palasiding & Clearance of landslips	3.72
NEC funded R&B projects					
5	Upgradation of Mankachar - Mahendraganj Road (6.30 - 29.261 Km)	Barengapara Division	March 2012 – August 2012	Side berm lowering	8.99
6	Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)	Nongpoh Division	September 2011 – September 2012	Repairing of damaged pavement, wing wall, retaining wall etc	65.53
		Nongpoh Division	June 2012 – September 2012	Slip Clearance	3.75
		Mairang Division	June 2011 – March 2013	Slip/ Site Clearance, repair of damaged shoulders, pavement & pot holes	90.37
	Total				207.81

Source : Divisional Day Books, Works Register, Vouchers

In reply to audit query, the EEs of the respective Divisions stated (August 2013) that due to shortage of funds for repair and maintenance works, the same had to be met from the NLCPR and the NEC funds. The CE (R) stated that repair of ongoing projects is necessary to ensure flow of traffic even during construction of road. However, since repair and maintenance was not allowed, the same had to be met from savings.

3.2.9.6 Diversion of fund

As per the administrative approval accorded by MoDoNER, ‘funds should be utilised strictly for the purpose for which they were sanctioned’ and there should not be any diversion of funds (There is no specific guidelines in case of NEC funded R&B projects).

In one of the 15 selected R&B projects, funds amounting to ₹ 1.38 crore were diverted to works which fell under Special Plan Assistance and other NEC projects as shown in table 3.2.9 below:

Table 3.2.9

(₹ in lakh)

Sl. No.	Name of projects from where the amount was diverted	Name of works where the expenditure was incurred	Amount booked	Concerned Division
NEC funded projects				
1	Upgradation of Agia - Medhipara - Phulbari - Tura Road (0 - 73 Km) [Phase II]	Construction of Agia - Medhipara - Phulbari - Tura Road (73 - 133 Km) [Phase I]	47.91	Tura NEC Division
		Works under Special Plan Assistance	44.99	
		Repair of Agia - Medipara - Phulbari - Tura Road (73-133 km)	45.08	
	Total		137.98	

Source : Divisional Works Register, Day Books, Vouchers

The EE stated (July 2013) that due to paucity of funds under the Special Plan Assistance and other NEC projects, the same were met from the NLCPR and the NEC funded R&B projects. The reply was not only contrary to the administrative approval but also adversely affected the projects from which funds were diverted.

During the exit conference, the CE (R) stated that diversions were only temporary measures. He further added that the matter would be looked into and reply would follow.

3.2.9.7 Allocation of same work to more than one contractor

In six out of 15 selected R&B projects, Audit noticed that certain items of work such as earthwork, construction of embankments were got executed by several contractors other than the contractors to whom the work relating to the project was awarded after due process. The same items of work were also executed by the main contractors as a part of the project. Thus, for same item of work, payment was made twice to different contractors. Details are shown in Table 3.2.10.

Table 3.2.10

(₹ in lakh)

Sl. No	Name of project	Items of work	Concerned Division	Amount
NLCPR funded R&B projects				
1.	Improvement including Metalling & Blacktopping of Mukhaialong - Lumshyrmit road (0 to 19 Km)	Earthwork, compacting stone aggregate <i>etc</i>	Jowai NEC Division	11.26
2.	Widening to double lane standard including Metalling & Blacktopping of Dkhiah - Sutnga - Saipung - Moulsei - Haflong road (Portion 1 st to 8 th , 17 th & 18 th Km)	Earthwork, drainage, laying & spreading of stone aggregates GSB, Loading, unloading & haulage	Jowai NEC Division	15.15
3.	Improvement, Metalling & Blacktopping of a road from NH-51 to Rongsigre (4.725 Km)	Construction of embankment with materials obtained from borrow pit	Tura North Division	5.99
4.	Improvement, Widening, Strengthening including Metalling & Blacktopping of a road from 9 th Mile of NH-37 Guwahati-Shillong Road to Killing Pilangkata (7 th – 21.50 Km)	Construction of GSB by providing close graded materials	Nongpoh Division	3.82
NEC funded R&B projects				
5.	Upgradation of Mankachar - Mahendraganj Road (6.30 - 29.261 Km)	Earthwork in excavation and Construction of embankment at 17 th & 19 th km of MM road	Barengapara Division	10.52
6.	Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)	Earthwork, construction of Retaining Wall, Return Wall, stone masonry drain cum footpath.	Mairang Division	112.27
Total				159.01

Source: Divisional Works Register, Day Books, Vouchers

In reply to audit query, the EEs (except EE, Jowai NEC) stated that due to rainfall and site condition, the above repair works became necessary. The reply is not tenable since the onus to complete the work lies with the specific contractors to whom the project was originally awarded. Hence, the amount paid to other contractors stands adjustable from the main contractors' bills.

3.2.9.8 Lack of proper survey, planning etc. led to excess expenditure over the sanctioned provision

In 10 out of 15 selected R&B projects, it was noticed that certain items of work like earthwork, random rubble masonry *etc* were executed in excess of the sanctioned provision which resulted in excess expenditure of ₹ 5.89 crore. The details are shown in Table 3.2.11 below:

Table 3.2.11

(₹ in lakh)

Sl. No	Name of project	Items of work executed in excess of estimated provision	Concerned Division	Original Amount in Estimate	Actual Expenditure	Excess Expenditure
NLCPR funded R&B projects						
1.	Improvement including Metalling & Blacktopping of Mukhaialong - Lumshyrmit road (0 to 19 Km)	Random Rubble masonry 1:3 (Retaining wall)	Jowai NEC Division	153.86	230.57	76.71
2.	Widening to double lane standard including Metalling & Blacktopping of Dkhiah - Sutnga - Saipung - Moulsei - Haflong road (Portion 1 st to 8 th , 17 th & 18 th Km)	Random Rubble masonry 1:3 (Retaining wall)	Jowai NEC Division	257.00	315.51	58.51
3.	Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6 th to 13 th Km	Earthwork	Sohra Division	64.58	86.78	22.20
4.	Improvement including Metalling & Blacktopping of Mawkyrwat - Rangblang Road (12 th to 19 th Km)	Premix Carpeting, Seal coat & tack coat	Mawkyrwat Division	26.18	31.90	5.72
5.	(a) Construction of RCC Bridge over River Daru on Ampati - Purakashia Road. (2 nd Km) to Ampati Village in Meghalaya	Excavation of substructure (3m-6m); Plain RCC in well foundation (i) Bottom Plug M20 Grade (ii) Top Plug M15 Grade Supply, fitting and placing HYSD bar	Ampati Division	13.28	22.95	9.67
6.	Improvement, Metalling & Blacktopping of a road from NH-51 to Rongsigre (4.725 Km)	Earthwork in Construction of embankment.	Tura North Division	13.85	51.13	37.28
7.	Reconstruction of Bridges on Kherapara to Deku bazar road (Br. No. 2/5, 5/3 & 10/2)	Labour for driving by monkey pile driver, supply & fitting of 1st class sal wood, RCC in well foundation.	Tura NH cum Central Division	15.69	21.07	5.38
NEC funded R&B projects						
8.	Construction of Agia - Medhipara - Phulbari - Tura Road (73 - 133 Km)	Prime coat, tack coat, premix carpeting, seal coat	Tura NEC Divisions	65.07	83.27	18.20
9.	Improvement of Jowai - Nartiang - Khanduli Road (6 th to 60 th Km)	Earthwork	Jowai North Division	200.85	241.29	40.44
10.	Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)	Earthwork	Mairang Division	826.12	1140.95	314.83
Total						588.94

Source : DPRs, Running Bills/Vouchers, Deviation Statements

- In case of serial number one and two, the reason for excess was due to increase in length and height of retaining wall. This clearly indicated that proper survey was not conducted.
- In case of serial number three, the EE while admitting the fact stated (July 2013) that excess was due to site condition.
- In case of serial number four, the EE stated that excess was due to extra works on curves of the road. The reply is not tenable since for curves of the road, five *per cent* excess provision was already kept in the sanctioned estimates.
- In case of serial number five, while admitting the fact, the EE stated that excess was due to site condition. For this, he had already prepared a deviation statement which, however, was yet to be approved by the higher authority (July 2013).
- In case of serial number six and seven, the EEs stated that excess was due to change of road alignment and site condition. This indicated that proper survey was not conducted.
- In case of serial number eight, the EE stated that due to oversight, certain items of work like widening and super elevation of road surface were not included in the sanctioned estimate. This is indicative of improper planning.
- In case of serial number nine, the EE stated that increase in volume of earthwork was due to increase in width of road. There were no records to indicate that approval of the competent authority was obtained before widening the road.
- In case of serial number 10, the EE stated that excess was due to huge cutting in uphill side. The reply is not tenable since during physical verification, it was found that excess in earthwork was not due to huge cutting in uphill side but due to widening of road in certain stretches which ranged between 14.2 metres and 16.4 metres instead of 7.5 metres provided in the sanctioned estimate.

It was further observed from some of the completed schemes that by executing excess quantity of certain items, compromise was made with quantity/specification of other items.

3.2.9.9 Expenditure beyond scope of estimate

In three out of 15 selected R&B projects, it was seen that certain items of work like regrading of road, cost of service connection *etc.* were taken up without being included in sanctioned estimates which resulted in excess expenditure of ₹ 59.91 lakh. Details are shown in Table 3.2.12 below:

Table 3.2.12

(₹ in lakh)				
Sl No	Name of project	Items	Concerned Division	Amount
NLCPR funded R&B projects				
1.	Improvement including Metalling & Blacktopping of Mawkyrwat - Rangblang Road (12 th to 19 th Km)	Regrading of Road, construction of slab drain, cutting of blind curve	Mawkyrwat Division	25.01
NEC funded R&B projects				
2.	Upgradation of Mankachar - Mahendraganj Road (6.30 - 29.261 Km)	Cost of Service Connection by MeECL to the office of SDO Mahendraganj	Barengapara Division	7.93
3.	Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)	Repair of Bridge No 57/1	Mairang Division	11.11
		Construction of Traffic Islands & parking place for materials	Mairang Division	15.86
	Total			59.91

Source : DPRs, Running Bills/ Vouchers

- In case of serial number one, the EE stated that due to site requirement, the additional works had to be executed even though it was not covered by the sanctioned estimate.
- In case of serial number two, no specific replies were received, though called for.
- In case of serial number three, the EE stated that repair of the bridge was considered necessary because of its dilapidated condition and considering the fact that this bridge is the only link between West Khasi Hills and Ri Bhoi Districtw. However, since no repair and maintenance fund was received, the same had to be met from NEC fund.

The replies of the EEs were indicative of improper planning by the Department.

3.2.10 Irregularities noticed in individual projects

3.2.10.1 Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)

➤ Avoidable expenditure on haulage

A stone quarry located at 11th km of Mawngap-Mairang-Ranigodown Road was approved for the entire stretch of project 'Improvement & Upgradation of Mairang - Ranigodown - Azra Road (25 - 106 Km)'. The stretch from 92-106 km was to be executed by Nongpoh Division. Scrutiny of the records revealed that another quarry at 5th km of Umling Patharkmah road, which was also an approved quarry was nearer to the stretch of road executed by Nongpoh Division. Had the Department selected the nearer quarry extra expenditure on haulage could have been avoided.

Thus, the injudicious decision of the PWD in selecting the stone quarry led to an avoidable expenditure of ₹ 97.90 lakh on haulage.

In reply to audit query, the EE, Nongpoh Division, stated (August 2013) that payment on haulage made to contractor was as per approved estimated rate. The reply of the EE is not tenable since the EE failed to justify why the PWD did not select the nearer stone quarry.

During exit conference, the CE (PWD) stated that the matter would be looked into.

3.2.10.2 Widening to double lane standard including Metalling & Blacktopping of Dkhiah - Sutnga - Saipung - Moulsei - Haflong road (Portion 1st to 8th, 17th & 18th Km)

➤ ***Incorrect reporting about the complete works***

In November 2010, the MoDoNER sanctioned the NLCPR funded R&B project “Widening to double lane standard including Metalling & Blacktopping of Dkhiah - Sutnga - Saipung - Moulsei - Haflong road (Portion 1st to 8th, 17th & 18th Km)” at an estimated cost of ₹ 15.78 crore.

The project was completed on March 2013 at a total cost of ₹ 15.77⁴ crore. Scrutiny of records of NEC Division, Jowai revealed that the contractor was paid for the full quantity of CC work *etc.* required for the coverage of entire length of 3854 RM whereas the physical verification (December 2013) of the scheme revealed that total length actually executed was 2403 RM. It was also noticed that in the Quarterly Progress Report for the quarter ending March 2013, the quantity executed was shown as 3644 RM.

Thus, this was not only misreporting by the department but also led to excess payment of ₹ 58.63⁵ lakh to the contractor.

3.2 10.3 Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping

➤ ***Arithmetical error leading to approval of deflated estimate***

In March 2008, the MoDoNER sanctioned the NLCPR funded R&B project “Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping ” at an estimated cost of ₹ 15.13 crore. The work was awarded (October 2008) to two contractors namely Shri Jamesly A. Sangma and M/S Marle Construction.

As per the sanctioned estimate, under the item ‘Open Graded Premix Carpeting’ the total area to be covered was 55674.39 square meter (sqm) at the rate of ₹ 118 per sqm. To cover this area, the quantity of stone required was estimated to 1503.21 cubic meter (cum).

Scrutiny of the sanctioned estimate revealed that while computing the amount required for the above item, the quantity of stone required was erroneously taken as area instead

⁴ Total amount paid up to March 2013 is ₹12.62 crore with committed liability of ₹ 3.15 crore.

⁵ ₹1,55,73,629.00 (cost of 3854 Rm) ÷ 3854 Rm = 4040.90 x (3854 Rm – 2403 Rm) 1451 Rm = ₹ 58.63 lakh.

of the actual area of 55674.39 sqm. This led to less projection of the amount than what was actually required to the tune of ₹ 63.92 lakh as shown in the table below:

Table 3.2.13

(Amount in ₹)						
Item	Rate as per SOR	Actual Quantity as per sanctioned estimate (sqm)	Actual Amount (to be included in sanctioned estimate) [2 X 3]	Wrong Quantity computed while working out the amount in sanctioned estimate [cum]	Wrong Amount included in the sanctioned estimate [2 X 5]	Difference in Amount
1	2	3	4	5	6	7
Open Graded Premix Carpeting	118	55674.39	65,69,578	1503.21	1,77,379	63,92,199

Source : DPR, Running/ Final Bills & Vouchers

Even though the estimate was passed through different levels for scrutiny before approval, the error was not detected which resulted in approval of lesser amount by ₹ 63.92 lakh.

The EE, Williamnagar Division while admitting the error stated (August 2013) that the deficit amount would be met from the overall savings of the scheme.

➤ *Undue favour to contractors*

The sanctioned estimate contained provision for construction of 33 culverts involving 370 RM of hume pipes. In March 2009, the EE, Williamnagar Division procured the 350 RM hume pipes at a total cost of ₹ 26.46 lakh of which 140 RM was issued to M/S Marle Construction and 180 RM to Shri Jamesly A. Sangma. The remaining 30 RM was lying with the Division till March 2013.

It was seen that an amount of ₹ 10.58 lakh being the cost of 140 RM hume pipes issued to M/S Marle Construction was not deducted from his running account bills. Similarly, out of 180 RM of hume pipes issued to Shri Jamesly A. Sangma, recovery of cost of 20 RM only was effected from the running account bill of the contractor leaving an unrecovered amount of ₹ 12.10 lakh being the cost of 160 RM of hume pipes issued to him.

In reply, the EE, Williamnagar Division, stated (August 2013) that the work was ongoing and all necessary recoveries would be made from the final bill. The reply is not tenable since the EE had already cleared the final bill of one contractor *i.e.* Shri Jamesly A. Sangma. Thus, the action of the EE led to undue favour to the contractors to the tune of ₹ 22.68⁶ lakh.

⁶ ₹ 22.68 lakh is total of ₹ 10.58 lakh to be recovered from M/S Marle Construction and ₹ 12.10 lakh to be recovered from Shri Jamesly A. Sangma.

3.2.10.4 Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6th to 13th Km

➤ Irregular expenditure

In September 2008, the MoDoNER sanctioned the NLCPR funded R&B project “Construction of Remaining portion of Mawsahew - Nongsteng - Umblai - Mawphu road from 6th to 13th Km” at an estimated cost of ₹ 9.54 crore.

Due to landslide (July 2012), a portion of the road was washed away. Consequently, the EE, Sohra Division submitted (March 2013) an additional working estimate⁷ amounting to ₹ 1.05 crore to the higher authority which was awaiting approval till the date of audit (July 2013).

It was however noticed that the EE, Sohra Division spent an amount of ₹ 26.64 lakh in the affected portion without approval of the competent authority.

During exit conference, the CE (PWD) stated that the matter would be investigated and result intimated to Audit. Further development was awaited (January 2014).

3.2.11 Quality Control

DPRs of the projects implemented under NLCPR and NEC stipulates execution of these projects in accordance with the standards prescribed in Specification for Road and Bridge Works published by Indian Road Congress (IRC). As per IRC specifications, all materials should be subjected to an acceptance test prior to their immediate use. Independent testing of cement for every consignment should be done by the contractor at site in the laboratory approved by the Department before use. The contractor should furnish test certificates from the manufacturers/ suppliers of materials along with each batch of material delivered to site. Testing of all materials should be carried out by the Engineer or his representative for which the contractor should make all the necessary arrangements and bear the entire cost.

Test check of all the 15 selected R&B projects revealed the following:

- in all the 15 selected R&B projects, acceptance test of materials prior to their usage was not found on record;
- in nine R&B projects, site laboratories were not set up;
- in all the 15 R&B projects, test certificates of cement and bitumen arranged by the contractors were not found on record;
- in 5⁸ R&B projects, quality test of stone metals was not done.

⁷ A working estimate is prepared when there is a deviation from the provisions of the original sanctioned estimate in specifications which may arise as per site condition. However, the expenditure for the working estimate should be within the overall sanction or administrative approval.

⁸ (i) Improvement including Metalling & Blacktopping of Mukhaialong - Lumshyrmit road (0 to 19 Km) (ii) Improvement, Metalling & Blacktopping of a road from NH-51 to Rongsigre (4.725 Km) (iii) Widening to double lane standard including Metalling & Blacktopping of Dkhiah - Sutnga - Saipung - Moulsei - Haflong road (Portion 1st to 8th, 17th & 18th Km) (iv) Construction including Metalling & Black topping of Lumshnong - Umlong Road (0 - 8 Km) and (v) Widening of road into double lane in Williamnagar town (8.00 Km) including Metalling & Blacktopping.

Thus, the PWD failed to ensure the quality of roads and bridges constructed out of the NLCPR and the NEC funds. Consequently, the quality of the NLCPR and NEC projects executed in the State remained uncertain.

3.2.12 Monitoring and Evaluation

Audit Objective 4: To assess whether adequate and effective monitoring and evaluation was done.

Monitoring and evaluation is a critical exercise to correlate the construction works with the expenditure incurred and to ensure that the objectives of the projects were achieved in time. It was, however, noticed that monitoring was done mainly through quarterly progress reports submitted by the Executing Divisions and no other measures were initiated by the State Planning Department and PWD. Failure of the State Planning Department and the PWD to streamline and monitor was evident from the fact that inspection of NLCPR as well as NEC funded R&B projects by the State Planning Department were neither carried out nor was any evaluation/impact studies conducted. Moreover, unlike the NLCPR, the NEC does not have any guidelines stipulating the required monitoring mechanism.

During exit conference, the CE (PWD) admitted the fact and stated that separate monitoring and evaluation cell should be set up by the PWD.

3.2.13 Follow up action of the State Government on the audit observations pointed out by the CAG of India in the previous audit reports

Audit objective 5: To assess whether the Department took action on the recommendations made by the Public Accounts Committee.

A performance review on “Implementation of North Eastern Council Funded Roads and Bridges” featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, Government of Meghalaya. Another performance review on “Non Lapsable Central Pool of Resources” featured in the Report for the year ended 31 March 2009 which *inter alia* included Roads and Bridges sector. Both the Performance Reviews have not been taken up for detailed examination by the Public Accounts Committee (PAC) even though the reports were placed before the Legislative Assembly on 19 April 2007 and 19 March 2010 respectively.

To ensure accountability of the executive on the issues contained in various Audit Reports, PAC of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu* explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature.

Till date (August 2013) *suo motu* explanatory notes to the concerned paras have not been received. As such, acceptance or otherwise of recommendations included in these paras could not be ascertained.

3.2.14 Conclusion

Though construction of roads & bridges funded by the NLCPR and the NEC has brought about some improvement in the overall connectivity in the State, yet many shortcomings and deficiencies were noticed in the implementation of the projects. There were cases of diversion of NLCPR and NEC funds, inadmissible expenditure towards repair and maintenance, excess expenditure over sanctioned provision, expenditure beyond scope of estimate, allocation of same works to more than one contractor, avoidable expenditure, undue favour to contractor *etc.* Thus, the overall impact of the NLCPR and the NEC funded R&B projects in the State was not satisfactory. Projects implemented were also not evaluated to ascertain the extent of achievement of the intended objectives.

3.2.15 Recommendations

- State Planning Department should submit the priority lists in time after proper analysis of infrastructural gaps. PWD should thoroughly scrutinise every DPR before forwarding it to the sanctioning authorities;
- The PWD should strengthen its financial management system to ensure that NLCPR and NEC funds available are absorbed in a timely manner and funds should not lie unutilised.
- Execution of works needs to be undertaken after proper planning and feasibility analysis. The State Government should analyse reasons for delayed and incomplete projects so as to remove bottlenecks and ensure timely and efficient execution of the projects.
- Executing divisions should strictly adhere to the provisions of the sanctioned estimates to avoid extra expenditure. PWD should ensure that all recoveries are to be effected and penalties to be levied, if any, to ensue that no undue benefit to the contractors.
- There should be a proper mechanism to ensure the quality of roads constructed out of the NLCPR and the NEC funds.
- State Planning Department and PWD should strengthen the monitoring mechanism and accountability should be fixed for ineffective implementation of the projects in a time bound manner to serve the intended objective of the NLCPR and the NEC funded R&B projects.

The matter was reported to the Government in November 2013; reply had not been received (February 2014).

TOURISM DEPARTMENT

3.3 Tourism Development Activities in Meghalaya

Highlights

Meghalaya is blessed with picturesque landscape of rolling hills, meandering rivers, cascading waterfalls, lush forests, diverse flora and fauna and unique culture and tradition. All these factors present a great potential for development of tourism in Meghalaya. Tourism Department is responsible for the development of tourism sector in the State. The State accounts for 0.08 per cent of all India tourist arrivals and 19.92 per cent of the total tourist arrivals in the neighbouring State of Assam while it was marginally higher by 9 per cent compared to Sikkim. Major audit findings of performance audit were as follows:

The Tourism Department could not effectively implement the Tourism Policy 2001. The Department had also not prepared Master Plan for integrated tourism development, training needs analysis and formulation of marketing strategy/plan as envisaged in the Tourism Policy of 2011.

(Paragraph 3.3.6)

The tourism sector was not adequately funded by the State Government and even the utilisation was also lower than the budget allocations. Further, there were huge unspent balances of Central Financial Assistance ranging between ₹ 29.66 crore and ₹ 63.22 crore during 2008-09 to 2012-13.

(Paragraph 3.3.7)

There were undue delays ranging from 30 to 75 months in completion of centrally sponsored projects which led to the State being denied the opportunity to obtain new sanctions for 12 projects amounting to ₹ 67.82 crore. In respect of State sponsored projects, no time schedule for completion of the projects was set by the State Government. However, in all these projects, the contractors failed to complete the work within the time specified as per the work orders.

(Paragraph 3.3.8.1)

Due to delay in release of NEC funds by the State Government, there was avoidable extra cost of ₹ 1.28 crore in respect of the project for improvement of Marngar Lake in Ri-Bhoi District into a tourist spot.

(Paragraph 3.3.8.3)

The capacity building programmes undertaken by the Department were not fully effective.

(Paragraph 3.3.9)

The Department had not established adequate internal control mechanisms for effective functioning of the various offices under its control.

(Paragraph 3.3.12)

3.3.1 Introduction

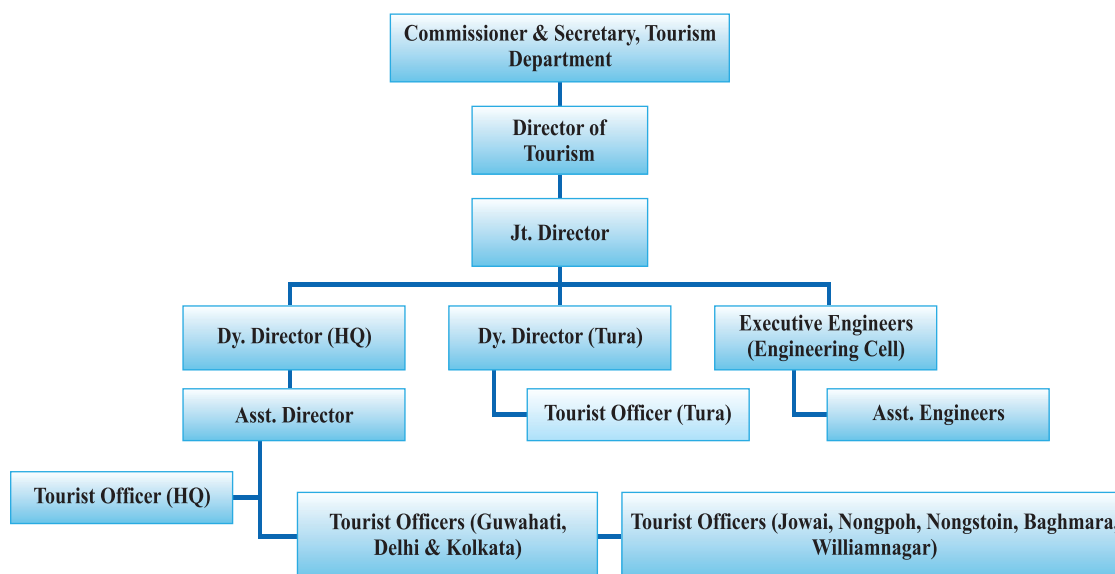
The State of Meghalaya is blessed with picturesque landscape of rolling hills, meandering rivers, cascading waterfalls, lush forests, diverse flora and fauna and unique culture and tradition. All these factors present a great potential for development of tourism in the State and generating employment opportunities and considerably contributing towards the State Gross Domestic Product (GDP).

Tourism in North East India in general had suffered on account of years of insurgency and the resulting security concerns. Though Meghalaya was the least affected by insurgency, being landlocked, the consequences of the security scenario in North East India as a whole were also felt in the State. For growth of tourism in the State, the GoI, and the State Government have been funding several tourism projects for creation of infrastructure, brand promotion and human resource development.

3.3.2 Organisational Set up

The Tourism Department of the Government of Meghalaya is the nodal agency responsible for development of tourism sector in the State. It is headed by the Commissioner and Secretary, assisted by the Under Secretary. The Directorate of Tourism, created in 1972, functions under the Tourism Department and was notified as the implementing agency of the Meghalaya Tourism Policy 2001.

The activities of the Directorate were to develop tourist infrastructure, publicise and market tourism products, promote tourism activities, facilitate the stakeholders in tourism, provide capacity building and skill development, operate created infrastructure, tourist transport facilities, *etc.* The organisational chart of the Tourism Department is given below.



3.3.3 Audit Objectives

The performance audit was conducted with a view to assess whether:

- State Tourism Policies and Plans were formulated in line with National Tourism Policy and implemented effectively.
- Funds at the disposal of the State Government were utilised in an economic, efficient and effective manner.
- Implementation of infrastructure development projects funded under various schemes was in conformity with the prescribed codal procedures and whether they were efficiently managed.
- Programmes undertaken by the Department in human resource development for the tourism sector in the State were effective.
- Tourism promotional activities undertaken in the State for the growth of tourism sector delivered the desired results.
- Any mechanisms were in place for co-ordination and collaboration with other State and central departments such as Public Works Department, Forest and Environment, Police, Urban Affairs, *etc.*, for development of the tourism sector in the State and how effectively they functioned.
- The monitoring and regulatory mechanisms were in place and were effective.

3.3.4 Scope of Audit, Sampling and Audit Methodology

Performance Audit of tourism development activities in the State for the period 2008-09 to 2012-13 was conducted during April-August 2013.

During the review period, the Directorate executed a total of 298 projects funded by Government of India (GoI), Government of Meghalaya (GoM), North Eastern Council (NEC) and National Bank for Agriculture and Rural Development (NABARD). Audit categorised the projects into different heads such as Infrastructure Development, Brand Promotion and Marketing and Capacity Building. Out of these categories, 100 *per cent* of projects valuing above ₹ 1 crore, 50 *per cent* of projects valuing between ₹ 0.50 crore to ₹ 1 crore and 10 *per cent* of projects valuing below ₹ 0.50 crore were selected for examination by Audit.

Audit findings were benchmarked against the criteria derived from following sources:

- National Tourism Policy, State Tourism Policies and Plans;
- Meghalaya Financial Rules;
- Guidelines issued by the Ministry of Tourism, GoI/ State Government;
- Prescribed monitoring mechanisms.

The performance audit commenced with an entry conference held on 23 April 2013 with the officials from the Tourism Department and Meghalaya Tourism Development Corporation Limited (MTDCL) wherein the audit objectives, scope,

methodology and criteria were explained and their agreement obtained. The audit evidence was collected through issue of questionnaires, examination of records, analysis of data collected, discussion with the concerned authorities at various levels and joint physical verification. An online survey of tourist's satisfaction was also conducted and their views incorporated. The draft audit findings of Performance Audit were discussed in the exit conference held on 15 January 2014 and the feedback provided thereon have suitably been incorporated.

3.3.5 Acknowledgement

Audit acknowledges the cooperation extended by the officers and staff of Tourism Department, MTDC and other Departments in carrying out this assignment.

Audit Findings

3.3.6 Tourism Policy and Plans

Objective 1: Whether State Tourism Policies and Plans were formulated in line with National Tourism Policy and implemented effectively.

3.3.6.1 State Tourism Policy 2001

The GoM notified its first Tourism Policy in February 2001 with the main objective of creating sustainable jobs for the local youth of the State, generation of substantial revenue for the State exchequer through encouragement of domestic tourism and bringing about socio-economic benefits to the community and to the State. The Policy envisaged providing subsidies to tourism units on investment, maintenance, publicity, power generation, interest, *etc.*, besides exemption of sales tax, stamp duty and luxury tax and support for paying guest accommodations. Audit however, observed that this Policy was not implemented by the State. The Department stated (January 2014) that effective steps for implementation of the Policy could not be taken because of low allocation of State Funds for Tourism. The reply is not acceptable as the department had huge accumulation of unutilised funds as brought out in paragraph 3.3.7.2 *supra*.

3.3.6.2 State Tourism Policy 2011

The State Government revised the Tourism Policy in February 2011, nine years after the notification of the National Tourism Policy 2002 by the GoI. While the National Tourism Policy 2002 laid down the current tourism scenario in the country, its prospects and development goals, the State Policy 2011 only stated in general the objectives and strategies for promoting tourism in the State, without specifying the present scenario vis-à-vis the achievements, strength, weaknesses, opportunities, threats and targets for future growth projection. Notwithstanding, the Department prepared a two to five years Action Plan in July 2011 for implementation of the revised Policy. However, it was unable to produce the status of its implementation to Audit.

It was further observed that no action was taken by the Department to prepare Master Plan for integrated tourism development, training needs analysis and formulation of marketing strategy/plan as envisaged in this Policy.

During exit conference (January 2014), the Principal Secretary (PS) of the Department stated that the Ministry of Tourism (MoT), GoI prepared a Master Plan for the State in April 2010 through their consultants, INTACH, and the start up projects identified were being carried out with tourist centres and wayside amenities being constructed throughout the State. NEC was also actively involved in preparation of Master Plans for the North Eastern Region through Tata Consultancy Services (TCS) and had identified two interstate circuits for which consultants were being appointed by the MoT for implementation.

The Government stated (January 2014) that the 2011 Policy was being augmented through the State Tourism Mission which had been formulated in consultation with tourism stakeholders of the State, with the objectives of increasing the number of tourist accommodation facilities, capacity building of local youth, brand building and convergence. It was, however, observed that though the Department prepared a three to five year Action Plan to implement the INTACH Plan, the target set for completion of 14 infrastructure projects, 50 Home stays and achievement of 10,000 skilled manpower development by 2013 could not be achieved.

3.3.7 Management of financial Resources

Objective 2: Whether the Funds at the disposal of the State Government were utilised in an economic, efficient and effective manner.

3.3.7.1 Budget provision and expenditure

During 2008-09 to 2012-13, the total budget allocation for the Tourism Department and utilisation was as follows:

Table 3.3.1

Year	Budget provision (Original + Supplementary)			Budget Utilisation			Savings			State's budget provision
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total (per cent)	Amount (per cent of tourism over total State)
2008-09	5.27	0.11	5.38	4.29	0.05	4.34	0.99	0.05	1.04 (19.33)	4059.46 (0.13)
2009-10	24.20	3.55	27.75	18.45	3.00	21.45	5.75	0.55	6.30 (22.70)	4715.94 (0.59)
2010-11	12.16	3.72	15.88	8.53	3.36	11.89	3.63	0.36	3.99 (25.13)	5579.02 (0.28)
2011-12	17.24	7.01	24.25	15.42	5.24	20.66	1.82	1.77	3.59 (14.80)	6649.95 (0.36)
2012-13	32.26	0.11	32.37	19.70	0.10	19.80	12.56	0.01	12.57 (38.83)	8459.10 (0.38)
Total	91.13	14.50	105.63	66.39	11.75	78.14	24.75	2.74	27.49 (26.02)	29463.47(0.36)

Source: Appropriation Accounts – Grant No. 57

It was observed that the total budget allocation for the Tourism Department accounted for only 0.13 per cent to 0.59 per cent of the total State Budget (excluding Public

Debt) for the years 2008-13 despite tourism being recognised as a potential key promoter for economic growth of the State as envisaged in the State Tourism Policies. For the purpose of comparison, the State budgetary allocation to Tourism in the North Eastern States of Arunachal and Nagaland were examined. It was observed that the State budgetary allocation in these States ranged between 0.64 *per cent* and 0.81 *per cent* (Arunachal) and 0.43 *per cent* and 0.81 *per cent* (Nagaland) respectively. Thus, the budgetary allocation for Tourism in the State of Meghalaya was on a lower side in comparison to other two North Eastern States. The Department could not even utilise the nominal budget provisions and the under-utilisation ranged between 14.80 *per cent* and 38.83 *per cent* during 2008-09 to 2012-13.

3.3.7.2 Accumulation of un-utilised funds

The Department/Directorate receives funds from the GoI, GoM, NEC and NABARD for implementation of various tourism developmental activities. Huge amount of funds were parked in the current account of the Directorate of Tourism (since August 2009). Besides, there were also huge unspent balances in the savings bank account of Meghalaya Tourism Development Corporation Limited (MTDCL). Audit observed that substantial unspent funds were held throughout the year. The unutilised funds at the end of each year were as follows:

Table 3.3.2

		(₹ in lakh)				
		2008-09	2009-10	2010-11	2011-12	2012-13
Closing Balance	Directorate	NIL	410.89	1999.21	2988.22	3959.11
	MTDCL *	2965.67	2529.07	4063.36	3251.85	2363.02
Total		2965.67	2939.96	6062.57	6240.07	6322.13

* excluding interest. Source: DoT/MTDCL.

As can be seen from the above table, during the period 2008-09 to 2012-13, the unspent balances showed an increasing trend from ₹ 29.66 crore in 2008-09 to ₹ 63.22 crore in 2012-13, an increase of 113 *per cent*. This represents over 53 *per cent*⁹ of the total funds received by the Department during these years. The main reason for huge accumulation of unutilised funds was attributable to delay in completion of projects in time which indicates serious capacity constraint of the Department to execute projects at a desired pace. It is worth mentioning here that the total unutilised amount was more than the State's annual budget provision for tourism. In this backdrop, it is unlikely for the Department to position Meghalaya as a preferred tourist destination by taking advantage of its rich cultural heritage and natural beauty as envisaged in State Tourism Policy 2011 in near future.

Further, the practice of drawing funds and parking with the Directorate's account was a violation of Rule 211 of the Meghalaya Treasury Rules which prohibits drawal of money in anticipation of demand or to prevent lapse of budget grants. The

⁹ Total funds received for projects implemented during 2008-09 to 2012-13 = ₹ 118.62 lakh; Total unutilised funds as on 31st March 2013 = ₹ 63.22 lakh.

Government stated (January 2014) that the amount could not be utilised immediately due to delay in completion of works.

Scrutiny of the records also revealed that during the years 2008-09 to 2012-13, the Department earned interest of ₹ 8.91 crore by making investment of the unspent balances lying in the accounts of MTDCL. As there were no specific instructions /guidelines from the MoT, GoI for its utilisation, the DoT had been utilising these interest for financing various State sponsored projects. As on March 2013, an amount of ₹ 3.79 crore had been utilised by the Department out of which only ₹ 1.69 crore was recouped by it leaving a balance of ₹ 2.10 crore despite separate funds being released by State Government for the projects against which the interest amount were utilised.

During exit conference (January 2014), the Principal Secretary stated that the amounts withdrawn from July 2009 had been recouped and no instructions had been received from the GoI on utilisation of interest earned on CFA funds or otherwise.

The Department should have sought clarification regarding utilisation of interest from MoT, GoI.

3.3.7.3 Central Financial Assistance not claimed

For projects sponsored under Central Financial Assistance (CFA), the MoT initially releases 80 *per cent* of the CFA with a condition that the remaining 20 *per cent* was to be released on reimbursement basis on receipt of Utilisation Certificate for the full amount of CFA. It was, however, observed that the Department had executed the projects by modifying the design by dropping some of the components of the work originally envisaged so that the completion cost of the project remained within the 80 *per cent* of CFA released in the first instalment. This was resorted to as the State Government was unable to complete the project within the stipulated time frame by providing the balance 20 *per cent* initially which the State Government was entitled for re-imbursement after furnishing the Utilisation Certificate for the entire amount spent on the project. Such compromise was resorted to in 20 infrastructure projects test-checked.

For illustration, in case of the project ‘*Circuit Development of Mawryngkneng-Jowai-Khliehriat-Lumshnong-Sonapur-Ratacherra*’ which was sanctioned for ₹ 6.09 crore, ₹ 4.87 crore was released as first instalment. Audit noticed that the work components were re-designed at a lower cost by ₹ 1.21 crore. Few elements of the components dropped are given below:

- The envisaged two storied wayside amenity with five kiosks at Mawryngkneng at a cost of ₹ 84.86 lakh as per the DPR was modified to a single storey wayside amenity with 3 kiosks at a total cost of ₹ 67.89 lakh as per the final estimates and work order.
- Separate two storey Tourist Lodge and two storey wayside amenity envisaged as per the DPR at a cost of ₹ 1.26 crore for Khliehriat component was

modified in the final estimates to a three storey Tourist Lodge-cum Wayside amenity to be completed at an estimated cost of ₹ 1 crore.

- Sitouts, Rainshelter, railing, cobbled footpath and viewpoint at Lumshnong envisaged at an amount of ₹ 43.07 lakh was modified to development of Cave 1, Krem Lummalit and Krem Lambit by making fencing wall, walkway, public toilets, rain shelter and site development at a total of ₹ 34.46 lakh.
- Cottages, dhaba, kiosks, public toilet and site development at Sonapur sanctioned for an amount of ₹ 79.69 lakh was modified as per the final estimates only for site development and construction of wayside amenities for a total of ₹ 63.75 lakh.

In respect of 20 CFA projects examined by Audit (Sl. A.I to A.V of **Appendix 3.3.1**) amount totalling to ₹ 15.63 crore was not claimed by the department as the scope of the project was modified after the receipt of the first instalment, to limit the cost of project to 80 *per cent* of CFA.

The Government stated (January 2014) that since the ultimate objective of a project is to complete and operationalise without cost overruns, efforts were made to complete the project within the sanctioned and released amount. These projects were based on old SORs and till date CFA projects could not be completed within the stipulated time frame for which the remaining 20 *per cent* could not be claimed. It was further stated that for all diversions of CFA, MoT's approval had been sought, but MoT had not replied to any of the approvals sought by the State Government.

Thus, it is clear that due to delay in completion of CFA projects within stipulated time, the remaining 20 *per cent* of CFA could not be claimed.

3.3.8 Infrastructure Development

Objective 3: *Whether implementation of infrastructure development projects funded under various schemes was in conformity with the prescribed procedures and were efficiently managed.*

The Tourism Department had been receiving funds from the following sources for infrastructure development of the tourism sector:

- Ministry of Tourism, GoI (Central Financial Assistance).
- The Finance Commission, GoI.
- The North Eastern Council (NEC), GoI.
- National Bank for Agricultural and Rural Development (NABARD).
- The Government of Meghalaya.

Audit reviewed implementation of 49 out of 137 infrastructure projects (details in **Appendix 3.3.1**) as per the sampling technique adopted and the audit findings are discussed in the following paragraphs.

3.3.8.1 Delay in completion of projects

Out of the total 49 projects reviewed in audit (**Appendix 3.3.1**), 27 projects were funded by the GoI through the MoT (20), Finance Commission (one), NEC (two) and NABARD (four) while 22 projects were funded by the GoM.

Against the 27 centrally funded projects, four were ongoing and scheduled to be completed beyond August 2013. Out of the 23 remaining projects which were to be completed by August 2013:

- One project (Sl. No. D.3 of **Appendix 3.3.1**) executed by PWD was completed within the stipulated date of completion set by the funding agency;
- Six projects¹⁰ were completed with delays ranging from 30 to 75 months. Out of these six projects, five projects¹¹ allotted to the contractors for completion by June 2008 to July 2011, were completed after delays ranging from 11 to 36 months. The other project was under execution departmentally; and
- 16 projects were ongoing with delays ranging from 5 to 44 months.

It was further observed that there were delays in acquiring land for implementation of 14 out of 27 projects despite the State Government ensuring the availability of land at the time of submitting project proposal to the MoT. As a consequence of delayed start-up/completion of the projects and resultant delay in submission of utilisation certificates, the GoI decided (December 2011) not to release funds to the State Government. Consequently, the State Government could not obtain sanctions for fresh CFA projects prioritised for 2011-12 to 2012-13 in respect of 12¹² infrastructure projects amounting to ₹ 67.82 crore.

As against 22 projects funded by the GoM, 10 were completed while 12 were ongoing as of August 2013 without any scheduled date for completion set by the Government. However, it was observed that there were delays against the stipulated time of completion as per the work orders as follows.

- Nine projects¹³ were completed with time overrun of two to 27 months, while no schedule for completion was set for one project¹⁴ which was taken up under deposit by the Public Health Engineering Department.
- Three projects¹⁵ were ongoing with a time overrun of 11 to 28 months while four projects¹⁶ were scheduled to be completed beyond August 2013.
- Work orders were yet to be issued for five projects¹⁷.

¹⁰ Sl. No. A.I.1, A.I.2, A.II.1, A.II.2, A.IV.1 & A.V.1 of **Appendix 3.3.1**

¹¹ Sl. No. A.I.1, A.I.2, A.II.1, A.II.2 & A.V.1 of **Appendix 3.3.1**

¹² (1) Resort at Williamnagar (2) Destination development at Mankachar (3) Wayside amenity at Mahendraganj and nearby areas (4) Destination Heritage Village at Mawmluh (5) Destination development at Sanmer, Upper Shillong, (6) Destination development with heliport at Laitryngew, (7) Destination development with heliport at Laitkynsew (8) Destination development at Lawsohtun – Shillong View Point (9) Destination development at Nongkhnum Island (10) Rural Tourism development at Sohpetbneng (11) Mega tourism destination at Umiam, and (12) Destination development at Langkawet

¹³ Sl. No. E.2, E.3, E.4, E.8, E.9, E.10, E.11, E.12 and E.13 of **Appendix 3.3.1**

¹⁴ Sl. No. E.14 of **Appendix 3.3.1**

¹⁵ Sl. No. E.1, E.6 and E.7 of **Appendix 3.3.1**

¹⁶ Sl. No. E.15, E.16 and E.17 of **Appendix 3.3.1**

¹⁷ Sl. No. E.18, E.19, E.20, E.21 and E.22 of **Appendix 3.3.1**

While admitting the fact, the Government stated (January 2014) that delay in completion of projects was due to non-availability of suitable government/private land at places of tourist interest, remoteness of the locations, short working season and lack of skilled manpower. It was further stated that land availability certificate was given while submitting proposals, because land acquisition process takes minimum one year time due to which no proposals could be submitted to the Ministry within the stipulated time. The reply indicates that wrong information was given to the Ministry with the intention to get the funds.

3.3.8.2 Release of irregular payments for works executed departmentally

As per the provisions of Rule 192 of the MFR, for the works executed departmentally, procurement of materials should be drawn on contingent bills and muster rolls for labour should be maintained.

Scrutiny of records revealed that the Directorate between September 2011 and April 2013 released ₹ 1.16 crore for execution of 16 works by direct procurement and engagement of labour. The funds drawn on running account bills for execution of work were released to the personal accounts of two Executive Engineers of the Engineering Wing of the department. There were no supporting vouchers in respect of material purchased at the time of drawing Running Account Bills.

The release of funds into personal accounts for the works executed departmentally was irregular and violated the provisions of MFR.

During the exit conference (January 2014), the PS of the Department stated that the irregularities pointed out by Audit on the practice of payment being released to personal accounts would be discontinued and necessary corrective actions were being initiated. The Government stated (January 2014) that any interest accrued in the amounts related to personal accounts would be deposited.

3.3.8.3 Delay in release of NEC-sanctioned funds by the State Government to the Department and consequent avoidable cost

The North Eastern Council (NEC), GoI, sanctioned (March 2006) a project for improvement of Marngar Lake in Ri-Bhoi District (Sl. C.1 of **Appendix 3.3.1**) into a tourist spot at a cost ₹ 4.42 crore with the following conditions.

- NEC contribution will be 90 *per cent* of the project cost as grants-in-aid and the balance 10 *per cent* was to be provided by GoM;
- The Tourism Department, GoM will be the implementing agency;
- The project will be completed by 31 March 2009;
- The sanctioned amount shall be released by the State Government to the implementing agency within one month or within the financial year whichever is earlier.

- The subsequent instalments will be released to the State Government only on submission of utilisation certificate for the previously drawn amount.

Scrutiny of the records revealed that

- First instalment of ₹ 29.15 lakh was released by NEC on 30 March 2006, which in turn was released by the State Government to Tourism Department only in November 2007 after a delay of 20 months. The amount was utilised for purchase of land and construction of boundary fencing.
- Second instalment of ₹ 190.65 lakh was released by NEC in September 2009 and released to Tourism Department by the State Government in September 2010 (₹ 100 lakh) and September 2011 (₹ 90.65 lakh) after retaining the funds for 12 to 24 months. Notice Inviting Tenders for execution of work was issued by the Department only in May 2011 after a delay of another eight months from the receipt of the fund of ₹ 100 lakh in September 2010.

As a result of delay in release of funds by the State Government, the Department received the lowest rate at 95 *per cent* above the Schedule of Rates of 2000-01 {PWD (B)} and after scrutiny it had realised that the project could not be implemented at the initial approved cost. This had, therefore, resulted in revision of the project cost to ₹ 3.98 crore in March 2012 by increasing the rates in respect of 18 components (₹ 1.28 crore) and by dropping 10 items¹⁸ of the work valuing ₹ 1.44 crore. The revised cost estimate was approved by NEC in July 2012 with a condition that the work should be completed within two years from the date of issue of revised sanction order.

Further, scrutiny of documents revealed that among the components of works dropped in the revised sanction were (i) Under water aquarium (₹ 21.82 lakh), (ii) Water world/ aquarium (₹ 17.06 lakh), (iii) Water world/over head aquarium (₹ 11.63 lakh) and (iv) Seating terrace near Boat House (₹ 0.95 lakh). These components essentially would have contributed towards enhancing the tourist value of the destination. The increase in cost (₹ 1.28 crore) agreed for 18 items of the work was clearly avoidable had the State Government made the NEC funds available in time with the Department for implementation of the project. Besides, some of the components that would have enhanced the tourist value had to be deleted. This had also resulted in slippage of the project completion to July 2014 as against the original scheduled completion by March 2009.

The Government admitted (January 2014) the fact but did not give reason for the delay in releasing the NEC funds.

¹⁸ (1) Public Toilet - ₹ 10.24 lakh; (2) Underwater Aquarium - ₹ 21.82 lakh; (3) Waterworld/Aquarium - ₹ 17.06 lakh; (4) Waterworld/Overhead Aquarium - ₹ 11.63 lakh; (5) Seating Terrace near Boathouse - ₹ 0.95 lakh; (6) Lake Banks Retaining Wall - ₹ 66.83 lakh; (7) Grill around hedges corner - ₹ 0.32 lakh; (8) Double hume pipe culvert - ₹ 2.89 lakh; (9) Partition between main lake and small lake segment - ₹ 2.50 lakh; and (10) Forest Royalty and Carriage - ₹ 10.42 lakh.

3.3.9 Capacity Building Programmes

Objective 4: Whether the programmes undertaken by the Department in human resource development for the tourism sector in the State were effective.

The State Tourism Policy of 2001 envisaged setting up or assisting in setting up training institutions and suitable systems for ensuring quality control in tourism services. In the revised policy of 2011, the State Government further envisaged undertaking training needs to assess the gap between the knowledge, skills and attitudes of the service providers in the tourism sector and to determine the number and types of workers that require knowledge and skill development to meet the sector's objectives.

The Government stated (January 2014) that training need analysis was not done as the National Skills Development Corporation (NSDC) had already conducted a detailed study on the skills gap district wise and category wise.

Audit reviewed the implementation of six¹⁹ out of 13 capacity building projects. Major audit findings in respect of three projects are discussed below.

3.3.9.1 Delay in setting up of Food Craft Institute, Tura

With a view to foster and facilitate professional education and training specific to tourism, travel and hospitality industry, MoT sanctioned ₹ 4.75 crore in March 2009 for setting up Food Craft Institute, (FCI) Tura and released an amount of ₹ 2 crore as first instalment. It was stipulated that the project should be completed by September 2010 and the Institute, when operational, would conduct five diploma courses²⁰ with the intake of 40 trainees in each course.

Audit observed that Tourism Department had given an undertaking (February 2009) to the MoT regarding availability/possession of land for the proposed institute. However, there was a change in location of the Institute and an alternative site belonging to the Tourism Department was identified (March 2010) which was finally handed over to FCI only during January 2011. The work order for construction of building was issued in May 2011 with the scheduled date of completion by May 2013 and as of August 2013, the work was yet to be completed. Thus, there had been an overall delay of three years from the original stipulated date of completion (September 2010) despite the Government assurance of making the land available for the project.

It was also observed that though FCI during October 2009 took over Orchid Lodge, Tura (a property of the Tourism Department) as a temporary venue of the Institute, it

¹⁹ (1) Setting up of Food Craft Institute, Tura; (2) Job Oriented Skill Dev. Courses under IBDLP; (3) Job Oriented Capacity Building Courses in Hospitality under IBDLP; (4) Camping and Adventure (5) Capacity Building for Service Providers in Tourism Sector; (6) Familiarisation Tour for International Tour Operators

²⁰ One & half year Trade Diploma in (i) Food Production, (ii) Food & Beverage Services (iii) Bakery & Confectionery, (iv) House Keeping, and (v) Front Office Operation.

conducted only two courses²¹ from the academic year 2013-14 with two teaching faculties as against six sanctioned by the Government in May 2010.

Thus, it can be seen that even after a lapse of three years, the only FCI in the State was yet to deliver the envisaged benefits to the tourism, travel and hospitality industry.

The Government admitted the fact and stated (January 2014) that the delay in completion of the Institute was due to delay in identifying suitable land. Its reply is indicative of the fact that incorrect information regarding availability of land was furnished to MoT.

3.3.9.2 Implementation of training programmes under the Integrated Basin Development Livelihood Programme

Under the Tourism Mission of the Integrated Basin Development Livelihood Programme (IBDLP), the State Government sanctioned (July 2012) two capacity building projects for 13 training courses²² of 3 months' duration at a total cost of ₹ 1.80 crore. The courses were meant to benefit 1630 students within the age group of 18 to 32 as on 1st January 2012 with a minimum qualification of Class VIII passed and having a residential certificate of Meghalaya. The objective of the courses was to facilitate capacity building, skill development and skill upgradation in the hospitality sector. The training courses were implemented by engaging training partners.

Against these project sanctions, the Department issued (July 2013) work orders to the training partners (11 courses) for training of 1500 students within three months at a total cost of ₹ 1.72 crore. It was observed that two courses²³ at a cost of ₹ 37.21 lakh (for 320 students) were included without the Government approval and four courses²⁴ at a cost of ₹ 23.92 lakh (280 students) were not taken up as originally approved. As per the latest available records (April 2013), a total of 663 students were trained under these programmes at a cost of ₹ 75.83 lakh. Audit observed the following:

- As per the reports submitted by the monitoring committee appointed in this regard, attendance sheets were not being maintained by the training institutes which led to Committee being unable to ensure that the selected candidates were actually trained and all the slots were utilised. There were also cases of dissatisfaction as expressed by the trainees in the aspects of duration of training, and also with the performance of the trainers.
- As per agreements with the above training partners, 75 per cent job placement assistance was to be given by the training partners before release of payments.

²¹ One and Half year diploma in food production and Craftsmanship course for food production.

²² (i) Skill development as Electricians, (ii) Skill development as Plumbers, (iii) Skill development as TV Receiver Repairers, (iv) Skill development as Wiremen, (v) Skill development as Welders, (vi) Basic Housekeeping, (vii) Food & Beverage Service, (viii) Basic Front Office (ix) Basic grooming programme for life skills in hospitality and service (x) Upgrading skills of existing service providers, (xi) Guide and Drivers Training Programme, (xii) Entrepreneurship build up programme, and (xiii) Training in Adventure activities, outdoor safety and ethics.

²³ (i) Skill development as Masons and (ii) Food & Beverage Production

²⁴ (i) Skill development as Plumbers, (ii) Skill development as TV Receiver Repairers, (iii) Skill development as Wiremen, and (iv) Skill development as Welders

Out of the 663 participants trained, 158 (24 *per cent*) were already employed and 180 (27 *per cent*) were stated to be self-employed after the training. Of the remaining 325, job placements within State could be arranged only for 52 participants (8 *per cent*) while 161 participants (24 *per cent*) were placed outside the State in places like Guwahati, Ahmadabad, Bangalore and Hyderabad. The remaining 112 participants (17 *per cent*) were not placed.

The Government stated (January 2014) that corrective measures as per the monitoring committee recommendations have been discussed and adopted for improvement at the review meetings with the training partners. It further stated that with the coming up of three star hotels the remaining trained manpower would be absorbed.

3.3.10 Brand Promotion and Marketing of Tourism

Objective 5: Whether tourism promotional activities undertaken in the State for growth of tourism sector delivered the desired results.

The Tourism Policy 2001 envisaged the State Government's role in providing aggressive publicity through all the Metropolitan cities as well as abroad and setting up of Tourist Information Centres. In August 2009, the process of branding Meghalaya was initiated and a brand line "Mesmerizing Meghalaya" was identified. The revised policy of 2011 envisaged creation of a brand image for Meghalaya with an aim to develop a unique brand focusing on selected niches and products in order to attract visitors to the State while differentiating itself, where necessary, from its neighbours. It also envisaged developing an effective marketing strategy/plan after a thorough investigation of the tourism products in Meghalaya and the markets that Meghalaya is targeting. However, the Department was yet to formulate such strategies/plans as envisaged. It was also observed that most of the brand promotion projects (**Appendix 3.3.2**) were undertaken on *ad hoc* basis based on proposals received from the firms/organisations.

The Government stated (January 2014) that branding was difficult as there was a dearth of funds and limited schemes for publicity from MoT. The reply is not convincing because branding is the requirement of the Tourism Policy.

3.3.11 Convergence

Objective 6: Whether any mechanisms were in place for co-ordination and collaboration with other State and Central Department for development of the tourism sector in the State and how effectively they functioned.

The Tourism Policy of 2001 identified tourism as a multi-sector activity and highlighted the need for ensuring inter-governmental linkage and effective inter-departmental co-ordination among tourism related agencies/departments like Tourism, Forest, Arts & Culture, Industries, Public Works Department, *etc.*, to work united for

maintenance, conservation, development and marketing of attractive tourism projects. The Tourism Policy of 2011 also envisaged development of tourism activities around natural resources in conjunction with relevant government departments.

Audit observed that the Department did not converge with other government departments for establishing services relating to water supply, medical facilities, development of small airports, improvement of road network *etc.*, in places of tourist importance. In one case, the GoM identified 15 road projects of tourist importance and submitted a proposal to NABARD for ₹ 57.97 crore to be financed under Rural Infrastructure Development Fund (RIDF) scheme. Though NABARD released ₹ 10.59 crore for four road projects (Sl. No. D of **Appendix 3.3.1**) in January 2010, no efforts had been made by the Department to obtain finance for the remaining road projects. Since the State is land-locked and depends mostly on its road connectivity, implementation of the remaining 11 road projects could have boosted tourism growth in the State.

The Government stated (January 2014) that three projects had been undertaken under convergence, *viz.*, (i) Ghasura park in Ampati – with Horticulture Department (ii) Chandigre Rural Tourism Project – with Horticulture Department and (iii) Rural Tourism Project Kongthong – with Cooperative Department. The reply is not convincing because convergence was limited to only three projects.

3.3.12 Monitoring, Regulation and Impact Assessment

Objective 7: Whether the monitoring and regulatory mechanisms were in place and effective.

3.3.12.1 State Level Monitoring Committee

GoM constituted a State Level Monitoring Committee (SLMC) during September 2009 for inspection and appraisal of tourism infrastructure projects funded by the GoI under Central Financial Assistance. The Committee was headed by the Chief Secretary, GoM and comprise six other members from Planning Department, Finance Department, Tourism Department and Meghalaya Tourism Development Forum (MTDF)²⁵. The committee held 12 meetings from the date of constitution till March 2013.

It was observed from the minutes of the various meetings held that the committee reviewed the progress of work of various projects being implemented and suggested certain actions for addressing the bottlenecks in the course of execution. Despite the project execution being monitored by the SLMC, Audit observed that most of the projects completion was delayed as discussed in Para 3.3.8.1.

²⁵ MTDF is an NGO involved in Tourism activities in the State of Meghalaya.

3.3.12.2 Internal Control Mechanisms

Internal controls provide reasonable assurance to the management that organisational objectives were achieved, financial interests and assets of the organisation were safeguarded, regular feedback and reliable information on the functioning of the organisation were available to the management so as to facilitate mid-course correction and effective interventions could be made when called for. It was however, observed that the internal control mechanisms were lacking at the Directorate of Tourism in respect of the following major issues:

- The Directorate did not maintain register of revenue collections and dues recoverable from leased-out properties.
- Project-wise break-up of the unutilised amount of ₹ 39.59 crore (as on March 2013) parked with the Directorate was not available.
- Works Abstract and Register of Works (RoW) as required by the MFR 356 and 362 were not maintained.
- There was no record of monthly returns furnished by the Tourist Officers who were assigned the task of submitting monthly reports of Tour Operators, identification of cluster village development, sensitisation programme on incentive scheme, latest information of Hotels/Guest Houses/Home stays and payment of rent on leased properties.
- There was no Asset Register maintained at the directorate for ascertaining the details of total assets available. No periodical physical verification was also carried out to ensure their availability or otherwise.
- The Directorate was lacking in proper monitoring of infrastructure projects being implemented by the different contractors, leading to inordinate delay in completion. Moreover, measurements before payment of interim bills were not carried out. The MoT had also called for (January 2011) strengthening of the Engineering Wing to speed up execution of the projects.
- It was also observed that the Department did not prepare and submit Annual Performance Report of the Tourism sector for review by the Government.

During exit conference (January 2014), the PS stated that the Department had started preparing a Result Framework Document as part of Annual Performance Report.

3.3.12.3 Regulation

The Department of Tourism issued guidelines during August 2009 for recognition of Tour Operators to encourage quality, standard and service so as to promote tourism in the State. This was followed by the State Tourism Policy 2011 which aims to establish standards for tour operators. As per the guidelines, provisional recognition was to be granted for one year during which the applicants should fulfil certain laid down criteria.

It was however, observed that though six²⁶ tour operators were granted provisional recognition for one year during May/September 2011, the tour operators did not approach the Directorate for renewal of the recognition on its expiry. This indicated that the standardisation of tour operators remained ineffective.

The Government stated (January 2014) that GoI guidelines for registration of tour operators laid down the minimum criteria which had been adopted by the State and after relaxation of the guidelines, provisional recognition had been given to six tour operators.

3.3.12.4 Impact Assessment

The number of tourists visiting Meghalaya in the past five years as per the data of the Tourism Department, GoM was as follows:

Table 3.3.4

Number of Tourists	Year					Percentage increase in 2012 over 2008
	2008	2009	2010	2011	2012	
Domestic ²⁷	5,49,954	5,91,398	6,52,756	6,67,504	6,80,254	24
Foreign	4,919	4,522	4,177	4,803	5,313	8
Total	5,54,873	5,95,920	6,56,933	6,72,307	6,85,567	24

Source: Directorate of Tourism

The above tourist arrival data compiled by the Directorate was based on inputs collected from various hotels in the State besides visitors to Elephant Falls, Nohsngithiang Falls and Tourist Information Centres. It was also observed that the people from Meghalaya staying at the hotels and visiting the tourist spots were also included as domestic tourists in the above table.

The NEC also raised doubts (September 2011) on the above data as the people staying in the hotels might not be all tourists. NEC also offered (September 2011) to support through direct funding for a study in this regard through North Eastern Development Finance Corporation (NEDFi) or any other suitable agency. The MoT had also identified a consultancy firm in September 2013 to conduct a survey on domestic tourism statistics in the State as there was no uniformity of methodology in the collection of domestic tourism statistics by various States/UTs.

Thus, in the absence of proper mechanism to obtain reliable tourist arrival data, the tourist scenario projected by the Tourism Department remained unsubstantiated.

The Government stated (January 2014) that inclusion of local people as tourists was proper as they fit the profile of The World Tourism Organisation which defines tourists as people “travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.”

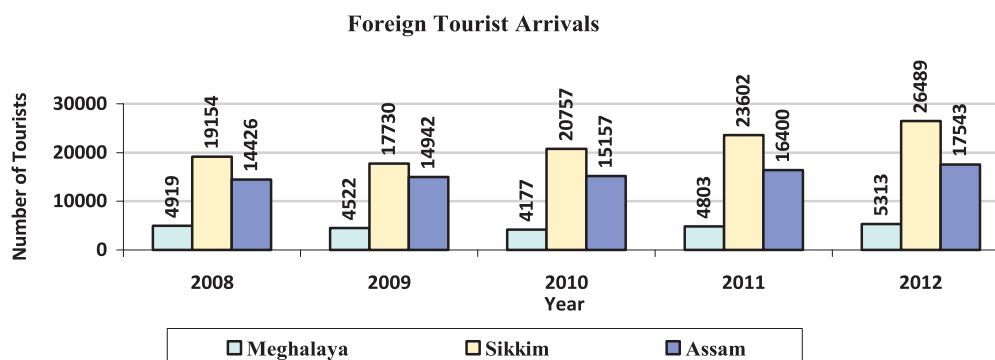
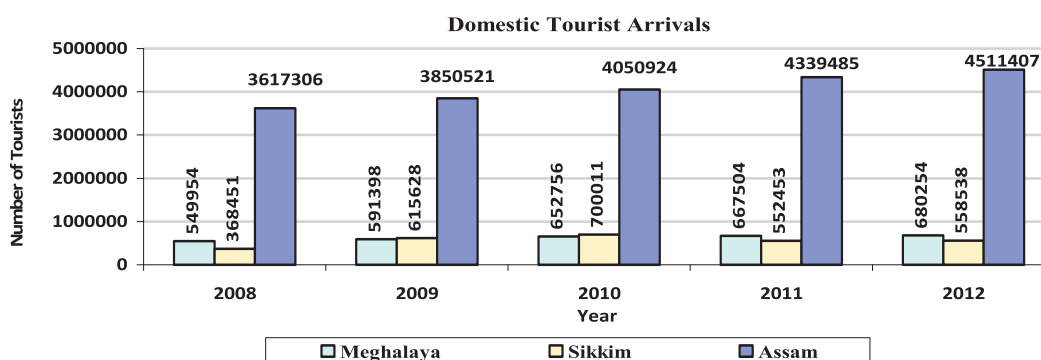
²⁶ Seven Huts Tours & Travels, VAPD Tours & Travels, Clara Tours, Van Rap Tour & Travels, Nakliar Tours and XSV Adventure.

²⁷ Includes people from Meghalaya staying in Hotels and visiting tourist spots (2008 : 1,62,292; 2009 : 1,69,342; 2010 : 1,77,542; 2011 : 2,15,591; 2012 : 1,31,157)

They also contribute to the State GDP, and hence, classification cannot be limited to tourist alone as far as tourist statistics is concerned. During the Exit Conference (January 2014), the Department also shared the Audit concern that tourist data from the hotels may not give a true picture of tourism arrivals in the State owing to high Luxury Tax levied in the State. It was further added that MoT had hired consultants to conduct survey on tourism for improving the system of collection of tourist data and that NEDFi was in the process of selecting a consultant to conduct a study on the tourism sector contribution to the State GDP.

Since there are no clear guidelines from MoT and the fact that consultants were appointed to streamline the methodology in collection of domestic tourism statistics, inclusion of local people from within the State as tourists is still debatable, and does not reflect the true tourism scenario of the State.

However, the available tourism data was also benchmarked with the similar data of Assam, Sikkim and all India status as per details in **Appendix 3.3.3**. It can be observed that Meghalaya accounts for only 0.08 *per cent* of all India tourist arrivals and 19.92 *per cent* of the total tourist arrivals in Assam while it was marginally higher by 9 *per cent* compared to Sikkim. Graphical comparison between Assam, Sikkim and Meghalaya is given below:



It was further observed that the Tourism Department did not have any data on the contribution of the tourism sector to the State GDP and to the total employment generated in the State. Moreover, in October 2012, the Directorate of Tourism requested the Rajiv Gandhi Indian Institute of Management (RGIIM), Shillong to conduct a study on the “contribution to GDP of the tourism stake holders at various tourist destinations in the State”. Though RGIIM submitted an outline of the study in November 2012, the final report, though due in February 2013, was not submitted (August 2013).

The Government stated (January 2014) that the service sector (including tourism and trade) contributes 11.3 *per cent* to the State GDP, the RGIIM would be submitting the report as the matter had been taken up with them.

Feedback on the quality of services available for tourist visiting the State is important to carry out retrospective analysis and forward looking corrective measures. It was observed that the Department of Tourism did not conduct any exercise to assess the feedback of tourists visiting the State. Hence, the Department was not in a position to understand whether the implemented projects actually benefitted the people of the State as envisaged in the Tourism Policy.

Keeping this in view, Audit conducted an online survey on the experience of tourists in the State of Meghalaya. This survey was hosted in Audit’s official website and publicised through press releases and advertisements in local newspaper. Responses from 65 tourists (mainly from Tamil Nadu (38) and Jammu & Kashmir (13), while other respondents were from Kerala, Andhra Pradesh, Assam, Tripura, *etc.*) were received which are summarised below:

- Most of the respondents (53) visited Meghalaya only once and spent one to three nights in Meghalaya (40). The places visited by the 65 tourists were Umiam, Shillong, Cherrapunjee, Smit, Jowai and Tura.
- Of the 27 participating tourists who had visited other Hill Stations, Meghalaya was rated²⁸ “better” by 16 tourists, “At Par” by 7 and “Worse” by only 4.
- With regard to tourist satisfaction²⁹, 10 were “Very Satisfied”, 13 were “Satisfied”, 23 were “Somewhat Satisfied”, 4 were “Unsatisfied” and 15 were “Very unsatisfied”.
- Of the total 65 tourists, 54 were willing to recommend their friends and family to visit the State while 11 were not.

The tourism growth of Meghalaya in comparison to that of Assam, Sikkim and all India is shown in **Appendix 3.3.3**. It can be seen that the rate of tourist growth for Meghalaya was only 24 *per cent* compared to 84 *per cent* at the all India level during

²⁸ On the basis of infrastructure, accommodation, availability of facilities such as rest rooms, restaurants, souvenirs, *etc* at tourist spots and Maintenance of tourist spots.

²⁹ tourist friendliness of the local people, availability of tour operators/guides, quality of services rendered by tour operator/guides, ready availability of information about tourist destinations in the state, availability of facilities such as rest rooms, restaurants, *etc.*, at tourist spots and availability of accommodation for tourists.

the period 2008 to 2012. Moreover, Meghalaya had the lowest growth rate of foreign tourists visiting the State at only 8 *per cent* compared to 22 *per cent* of Assam, 38 *per cent* of Sikkim and 47 *per cent* at all India level. The fact that needs to be focused is the rate of growth during successive years is registering a decline, which indicates that the number of tourist visiting the State has stagnated.

The Department in its reply stated that overall Meghalaya had fared well in the survey with over 60 *per cent* marks and the tourist statistics indicate that Meghalaya is in second position next to Assam which should be appreciated considering all the drawbacks of connectivity *etc.*, in the State. The growth rate at 25 *per cent* is satisfactory considering the carrying capacity in terms of road, water, electricity, and waste management *etc.*, of the State.

However, the annual growth rate declined from 10.24 *per cent* in 2010 to 2.34 *per cent* during 2011 and further down to 1.97 *per cent* in 2012.

3.3.13 Conclusion

Performance audit on Tourism Development activities in the State revealed certain shortcomings and lapses in planning, execution of projects and financial management. Master plan for integrated tourism development, training need analysis and formulation of marketing strategy/plan as envisaged in the Tourism Policy 2011 of the State was not prepared and thus, the tourism activities in the State were being executed/implemented in an unplanned manner. While the budget allotment for development of tourist infrastructure in the State was meagre, the said allotment also could not be utilised by the Tourism Department fully. Huge amount of Central Financial Assistance received for implementation of various tourism development activities remained unutilised. Implementation of various projects for the development of tourist infrastructure in the State was affected by significant delays in completion of these projects mainly due to delay in making the land available for execution of the projects. Six out of 20 CFA projects test-checked in audit were completed after delays ranging from over two to six years resulting in denial of the opportunity to obtain new sanctions for 12 projects for ₹ 67.82 crore. State sponsored projects were also not completed by the contractors within the time specified in the work orders. Further, there was delay in release of funds received from the NEC by the State Government, which led to avoidable extra expenditure of ₹ 1.28 crore in respect of one project. Impact evaluation was not attempted to gauge the extent of development of infrastructure and reducing the gap.

3.3.14 Recommendations

- The department may formulate an integrated long-term action plan for development and growth of tourism sector in the State. Formulation of an effective marketing strategy/plan and undertaking brand promotion activities as per the plan.

- **The department should ensure effective utilisation of funds through timely completion of projects and 100 *per cent* utilisation of CFA funds. The State Government should avoid delay in making the funds available to the department.**
- **Land availability should be ensured by resolving the issues associated in acquiring land from private owners.**
- **The department should discontinue the practice of releasing funds into personal accounts for undertaking departmental works.**
- **The department should explore the possibility of convergence with other Departments for implementation of various tourism-related projects.**
- **The department should take effective measures to streamline the procedures for regulating the service providers.**
- **The department should strengthen monitoring and internal control mechanisms.**
- **The department should expedite the RGIIM and NEDFi study reports on the contribution of tourism to the State GDP.**

COMMUNITY AND RURAL DEVELOPMENT DEPARTMENT

3.4 Unfruitful expenditure incurred on construction of residential and non-residential infrastructure for seven Blocks

The objective, envisaged in June 2000, of creating residential and non-residential infrastructure for seven newly created Community & Rural Development Blocks was yet to be achieved due to the failure of the Department to properly monitor the execution of these works, as a result of which an expenditure of ₹ 9.88 crore incurred so far was unfruitful.

For creating the infrastructure for seven newly created Community & Rural Development (C&RD) Blocks³⁰, Government of India (GoI) released ₹ 16.09 crore to Government of Meghalaya (GoM) under the award of the Eleventh Finance Commission (EFC). The GoM in turn released the funds to the Community & Rural Development Department (C&RDD) as per details given below:

Table 3.4.1

(₹ in lakh)

Financial Year	Amount released by GoM to C&RDD		
	Residential infrastructure	Non-residential infrastructure	Total
2000-01	400.00	400.00	800.00
2003-04	231.98	300.00	531.98
2004-05	13.37	263.80	277.17
Total	645.35	963.80	1609.15

Scrutiny of records of the Director, C&RDD, Shillong in March 2012 revealed that the GoM accorded two Administrative Approvals (AA) of ₹ 4 crore each in March 2001 for the construction of residential and non-residential buildings for the seven new C&RD Blocks. However, the works were not taken up for execution immediately. Only in March 2004, after a lapse of three years, the GoM accorded seven revised AAs for ₹ 4.82 crore for construction of residential infrastructure and another seven revised AAs for ₹ 6.32 crore for construction of non-residential infrastructure for the seven C&RD Blocks. It was noticed that the estimates for all the residential and non-residential works based on which the GoM accorded the 14 AAs, did not provide for internal electrification, water supply and sanitation. The above works were tendered and awarded as under:

Table 3.4.2

	Residential infrastructure	Non-residential infrastructure
Work tendered in	September 2004	May 2004
Work awarded to contractors in	May 2005	December 2004 and May 2005
Stipulated date of completion	Within 12 months of award of the work	

³⁰ Laitkroh, Mawthadraishan, Jirang, Saipung, Kharkutta, Gasuapara, Gambegre.

From the above it can be seen that as per the stipulated schedule, both the residential and non-residential infrastructure for the seven C&RD Blocks should have been completed by May 2006. But, as per information furnished by the Officer on Special Duty (OSD) (Technical), Directorate of C&RD in January 2014, the infrastructure remained incomplete even after a lapse of seven to nine years of beyond their scheduled dates of completion. Expenditure of ₹ 4.49 crore on residential infrastructure and ₹ 5.39 crore on non-residential infrastructure was incurred till January 2014. The OSD (Technical) stated (January 2014) that the works were incomplete pending sanction of revised estimates.

Thus, tardy execution of the fourteen works due to the failure of the C&RDD to properly monitor the projects resulted in the expenditure of ₹ 9.88 crore incurred so far remaining unfruitful, besides, the objective of creating infrastructure for the seven newly created C&RD Blocks in the State remained frustrated.

The matter was reported to the Government in November 2013; reply had not been received (February 2014).

SOIL AND WATER CONSERVATION DEPARTMENT

3.5 Irregular appointment of staff

Appointment of 38 persons in Jowai and Baghmara divisional offices of the Soil & Water Conservation Department without observing the directions of the State Government resulted in irregular expenditure of ₹ 1.06 crore.

The Personnel & Administrative Reforms Department (P&ARD), Government of Meghalaya (GoM), stipulated (October 1987³¹) that in exceptional circumstances when a vacancy is to be filled up on *ad-hoc* basis, the appointing authority concerned should first submit a proposal to the cabinet with the views of the P&ARD and take prior approval of the cabinet before proceeding with such recruitment. Further, a District Selection Committee (DSC) constituted by the GoM in every district of the State conducts examinations and/or interviews to recommend suitable candidates for appointment to posts in the district, sub-divisional and subordinate offices which do not come under the purview of the Meghalaya Public Service Commission. The post of Soil & Water Conservation Demonstrator (Jr-I) in the Soil & Water Conservation Department is one such post to which appointments are made based on the recommendation of the DSC.

Test check of records of the Soil & Water Conservation Territorial Division (SWCTD), Jowai in May 2013 and Soil & Water Conservation Cash Crop Division

³¹ Government of Meghalaya, Department of Personnel & Administrative Reforms O.M. No. PER(AR)/ 238/87/2 dated 03 October 1987

(SWCCD), Baghmara in July 2013 revealed that 14 and 05 persons respectively were appointed on *ad-hoc* basis by the Divisional Soil & Water Conservation Officer (DSWCO)/SWCTD, Jowai and DSWCO/SWCCD, Baghmara without following due process and obtaining the prior approval of the cabinet as prescribed in October 1987 by the GoM.

The GoM, Soil & Water Conservation Department in August 2012³² re-designated 90 vacant posts of Power Tiller Demonstrator in six of its divisional offices as Soil & Water Conservation Demonstrator (Jr-I) of which, 25 of the re-designated posts were in the SWCTD, Jowai. The Director, Soil & Water Conservation - who is the appointing authority³³ for direct recruitment to the post of Soil & Water Conservation Demonstrator (Jr-I) - in November 2012 directed that the re-designated posts were to be filled only after "*prior consultation*" with him.

However, it was noticed that 19 persons were appointed by DSWCO, SWCTD, Jowai as Soil & Water Conservation Demonstrator (Jr -I) in December 2012. Following irregularities/violation of the norms occurred while making these appointments:

- the DSC of Jaintia Hills District had not recommended any person for appointment to the 19 posts of Soil & Water Conservation Demonstrators (Jr-I);
- the DSWCO, SWCTD, Jowai and SWCCD, Baghmara were not the appointing authority for the posts ;
- on the appointment order had been issued it was stated that in SWCTD, Jowai "*.....in pursuance to the consultation and instruction of the Director of Soil & Water Conservation Meghalaya, Shillong.....*" – however, there was no evidence from divisional records to corroborate this assertion;
- there were no records with the SWCTD, Jowai to indicate on what basis were the 19 persons selected or whether the vacancies had been publicised in any manner at all;

As of August 2013, an expenditure of ₹ 1.06 crore had been incurred on the pay and allowances of 38 persons appointed irregularly.

The Government stated (September and November 2013) that the DSWCO, SWCTD, Jowai through oversight misinterpreted the instruction of the Director, Soil & Water Conservation about prior consultation with him for recruitment of the vacant posts and that the services of all the 33 ad-hoc appointment made by him had been terminated. The reply is silent about action taken for appointment of five persons on *ad-hoc* basis by the DSWCO/SWCTD, Baghmara.

³² Government of Meghalaya, Soil & Water Conservation Department Notification No. SCD.87/2011/12 dated 23 August 2012

³³ Notified as appointing authority vide Government of Meghalaya, Soil Conservation Department Notification No. SCD.54/93/Pt.I/77 dated 20 November 2003

WATER RESOURCES DEPARTMENT

3.6 Extra expenditure due to allotment of work to a contractor other than the lowest contractor

Arbitrary decision of the Departmental Tender Committee in rejection of tender of a contractor in connection with the Ajagar Flow Irrigation Project resulted in extra expenditure of ₹ 51.57 lakh, besides delay in completion of the project.

The work “Reconstruction and renovation of Ajagar Flow Irrigation Project (FIP)” was sanctioned by the Government of Meghalaya (GoM) in March 2001 at an estimated cost ₹ 1.09 crore (based on Meghalaya Public Works Department Schedule of Rates [SOR] 1996-97) for completion by October 2004. In May 2001, the Executive Engineer (EE), West Garo Hills Irrigation Division (WGHID), Tura issued a Notice Inviting Tenders (NIT) for construction of some components of the work viz., ‘reconstruction/ renovation and improvement of head work including protection work of right side and left side upstream and downstream and improvement of steel sluice gate, river diversion works, etc.’ at an estimated cost of ₹ 79.52 lakh.

In response to above NIT, 10 contractors submitted tenders. The Departmental Tender Committee (DTC) in December 2001 rejected the bids of six contractors on the ground that they had not undertaken construction of major works, including head works, in the past. The tenders of another three contractors, including that of the lowest tenderer (contractor ‘A’), were also rejected by the DTC on the ground that they had major works pending with the Department. The DTC then recommended award of the work to the last remaining tenderer (contractor ‘B’) whose tender was the sixth lowest, but at the rate quoted by the lowest tenderer (₹ 95.43 lakh³⁴). Accordingly, the EE, WGHID issued the preliminary work order to contractor ‘B’ in April 2002.

Further scrutiny of records of the Executive Engineer (EE), West Garo Hills Water Resources Division (WGWRD), Tura revealed that the contractor ‘B’, to whom the work was awarded, had also no record of ever undertaking construction of head work, the ground for which tenders of six other tenderers were rejected by the DTC. The lowest tenderer, whose tender was rejected on the ground of pending major works was also not justified because when his tender was rejected by the DTC in December 2001, only one work was being executed by the contractor scheduled for completion by March 2002.

Aggrieved at not being awarded the work, contractor ‘A’, who offered the lowest rate, filed a writ petition in May 2002 before the Shillong Bench of the Gauhati High Court praying that the work order issued to contractor ‘B’ by the EE, WGHID be set aside and the work be awarded to him. The Court in September 2006 ruled in favour of contractor ‘A’ on the ground that the DTC acted in an arbitrary manner in rejecting

³⁴ 20 per cent above the estimated cost of ₹ 79.52 lakh.

his tender in the absence of any report or materials to show that the progress of the earlier work allotted to the writ petitioner was not found satisfactory. On an appeal filed by the Department, the Gauhati High Court in December 2006 while upholding the decision of the Shillong Bench in setting aside the work order issued by the EE in favour of the appellant, however, ordered to issue a fresh NIT on the basis of which the work should be awarded again.

Consequent to the above decision of the Gauhati High Court, the estimates for the reconstruction and renovation of Ajagar FIP was revised to ₹ 3.74 crore which was sanctioned by the GoM in March 2010. The cost escalation of the project from ₹ 1.09 crore to ₹ 3.74 crore was due to the estimates being prepared based on an updated SOR (2007-08) and changes at the project site after so many years which necessitated changes in the design and other items of work. One component of this work included construction of headwork, sluice gate, embankment protection work, *etc.* at an estimated cost of ₹ 2.70 crore. After inviting tenders (June 2010), this component of work was awarded by the EE, WGWRD, in December 2010 to two contractors as a joint venture at a cost of ₹ 2.54 crore for completion by June 2012. As of March 2013, 60 *per cent* of the work was completed at a cost of ₹ 1.47 crore.

Thus, allotment of the work at first instance to contractor 'B' ignoring the lowest tenderer (contractor 'A') which was termed as arbitrary by the Court of Law, not only delayed the completion of the project, but also resulted in escalation in the cost of the project. In the circumstances, responsibility should be fixed for the lapses.

Incidentally, a mention may be made here that while observing that the post tender negotiations are the main source of corruption, the Central Vigilance Commission, in November 1998, banned the post tender negotiations except in the case of negotiations with the lowest tenderer.

The Government stated (December 2013) that the work was allotted to a contractor who was experienced in the similar type of work and also a local contractor. The reply is not acceptable because the decision of the DTC based on which the work was allotted to the contractor 'B' was termed as arbitrary by the High Court. Besides, the lowest tenderer contractor 'A' was also a local contractor.