

EXECUTIVE SUMMARY

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This Report contains chapters on Social, Economic, General and Economic (PSUs) Sectors comprising three performance audits and nine compliance audit paragraphs which includes compliance audit of the financing activities of Meghalaya Industrial Development Corporation Limited. The findings are based on the audit of certain selected programmes and activities and the financial transactions of the Government and Public Sector Undertakings.

According to the existing arrangements, copies of the compliance audit paragraphs and performance audits were sent to the concerned Secretaries of the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. However, out of three performance audits and nine compliance audit paragraphs in this Report, no replies were received against six compliance audit paragraphs from the State Government till the finalisation of the Report (January 2017).

A synopsis of the important findings contained in this Report is presented below:

SOCIAL SECTOR

Performance Audits

Right of Children to Free and Compulsory Education Act, 2009

The Right of Children to Free and Compulsory Education (RTE) Act, 2009 envisages to achieve elementary education for all children between ages 6-14 years by March 2013. The State had, till the end of March 2016, not fully achieved the desired objective. Considering that the State already had a high enrolment of 96 *per cent* during 2011-12 itself, failure to universalise the elementary education indicated lacklustre performance of the Department in implementing the RTE Act 2009. In the State, Annual Plans were being prepared without having perspective plan and without adopting participatory approach at the village/habitation level. Education for Out of School Children and Children With Special Needs did not receive special care and attention. The State failed to contain the existing dropout rates. Alarming proportion of untrained and unqualified teachers, shortage of teachers in primary schools, lack of basic infrastructure, shortages in uniform grant, non-availability of free textbooks, shortages in grant of transport allowance were the factors which hindered the State in achieving the objective of universalisation of elementary education. The fund allocated to the State was not being utilised efficiently as ₹ 908.46 crore was not released by the GoI/GoM due to under-utilisation of funds. Expenditure of ₹ 483.88 crore on incomplete civil works were lying unfruitful for a period of three to six years. Provision of reserving 25 *per cent* of the strength of the class in unaided schools for children belonging to weaker sections and disadvantaged groups was not being implemented. Monitoring and supervision of the scheme in terms of constitution, composition and meetings of the State Advisory Committee, constitution and

functioning of the State Commission for Protection of Child Rights, inspections and internal audit was not very satisfactory.

(Paragraph 1.2)

National Rural Health Mission

National Rural Health Mission (NRHM) seeks to provide accessible, affordable and quality health care to the rural population. The performance audit was conducted *inter alia* with the objective of assessing the impact of NRHM on improving reproductive and child health in the State.

Performance audit disclosed shortages in availability of required healthcare facilities such as Public Health Centres and Sub Centres, unavailability of essential drugs, lack of infrastructure in the health facilities, equipment lying unutilised *etc.* Required infrastructural facilities *viz.* operation theatres, blood bank facility, water supply, telephone connections, *etc.* were not found available in selected healthcare facilities. In other cases, infrastructure was created but were lying unutilised for want of required personnel to operate them. Shortages in availability of required manpower, especially medical specialists was a serious impediment in the proper delivery of healthcare services. A large number of pregnant women did not show up for antenatal care while a number of them did not receive the full dose of Iron Folic Acid tablets. 47 per cent to 51 per cent of registered pregnant women preferred delivery at home rather than at health facilities. There was shortfall in achievement of immunisation as well as sterilisations. There was shortfall in payment of Janani Suraksha Yojana incentive despite availability of funds. All these indicated that the State Government had failed to connect the scheme with the people who are the stakeholders. The Quality Assurance Committees at various levels did not meet at the prescribed intervals to assess the quality of the services being delivered. Mismatch of data as per Health Management Information System and data as per original records maintained at the healthcare facilities was noticed. Monitoring of the Mission by State Health Mission headed by the Chief Minister was absent while monitoring by State Health Society headed by the Chief Secretary was minimal thus indicating that adequate priority was not being accorded to the health sector in the State. Considering that there is a strong correlation between facilities created and health outcomes (infant mortality rate, maternal mortality ratio and total fertility rate), the deficiencies were responsible in preventing the State from achieving the targets set by GoI.

(Paragraph 1.3)

Compliance Audit Paragraphs

Failure of the Health Engineering Wing to make provision for transformer in its estimate and delay in requesting Meghalaya Power Distribution Corporation Limited for installing transformer for the Mawryngkneng Public Health Centre had not only rendered the expenditure of ₹ 1.00 crore incurred on the construction unfruitful but

the objective to operate from the renovated and extended PHC remained unfulfilled even after three years of the building being completed.

(Paragraph 1.4)

Urban Affairs Department failed to provide housing to 240 urban slum dwellers of Nongpoh even after a lapse of more than five and half years from the targeted date of completion, rendering the expenditure of ₹ 3.73 crore unfruitful. Besides with the project being executed on a land belonging to the contractor, the expenditure is fraught with the risk of becoming wasteful if the department fails to acquire the land from the contractor.

(Paragraph 1.5)

ECONOMIC SECTOR

Compliance Audit Paragraphs

Injudicious decision of the Fisheries Department to allot the civil work of Umsning Fish Seed Farm to Meghalaya Energy Corporation Ltd. (MeECL) and failure to monitor the progress and quality of work during execution, resulted in the project being poorly executed and not functioning even after incurring expenditure of ₹ 2.05 crore. Besides, the objective of the project to produce 50 lakh fish fingerlings per year by 2012-13 also remained unachieved.

(Paragraph 2.2)

Failure to identify the landslide prone areas during preliminary survey itself and decision to construct the Mawsahew-Nongsteng-Umlai-Mawphu road through terrain having unstable soil strata led to the Department incurring wasteful expenditure of ₹ 3.68 crore besides defeating the objective of providing the road link to the five villages with the rest of the State.

(Paragraph 2.3)

GENERAL SECTOR

Compliance Audit Paragraph

Failure of the District Council Affairs Department in ensuring timely release of the 13th Finance Commission grants to the three Autonomous District Councils resulted in avoidable interest payment of ₹ 1.64 crore.

(Paragraph 3.2)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKING)

Performance Audit

Power Generation activities of Meghalaya Power Generation Corporation Limited

The State of Meghalaya has a hydro potential of 3,000 Mega Watt (MW) which is about three *per cent* of the total hydro potential of the country. As of March 2016, the State had total seven hydro power stations (PSs) in operation (total installed capacity: 314.70 MW) which were owned and operated by Meghalaya Power Generation Corporation Limited (Company). Thus, the State could harness only 10.49 *per cent* of its hydro potential so far. As a result, Meghalaya had been a power deficient State since 1990-91 and it had to depend heavily on import of power from outside the State to meet its demand.

The present Performance Audit (PA) covered the power generation activities of the Company for the five years from 2011-12 to 2015-16. The findings of the PA revealed that the implementation of the projects taken up by the Company was beset with lack of planning and deficiencies in survey and investigation, feasibility studies, DPRs, etc. leading to changes in scope and design of the projects after commencement of works thereby causing significant time and cost overrun;

The Company's financial management was plagued by poor liquidity, excessive dependence on borrowings from financial institutions, poor servicing of debts and lack of prudence in releasing payments to contractors which further worsened the financial position of the Company;

Internal control and monitoring of the Company was weak. Delay in finalisation of up-to-date accounts and absence of an effective system to monitor the progress of implementation of projects at the top management level had adversely affected execution of projects and recovery of project costs through tariffs.

(Paragraph 4.2)

Compliance Audit Paragraph

Financing activities of Meghalaya Industrial Development Corporation Limited

The present audit covered the financing activities of Meghalaya Industrial Development Corporation Limited (Company) for the years 2011-12 to 2015-16. The findings of the audit revealed that there was absence of an effective system to verify the creditworthiness of loan applicants before sanction of loans. The Company had been re-scheduling and sanctioning further loans to habitual loan defaulters without justification. Thus, the financing activities of the Company lacked focus and direction leading to poor recovery performance and high incidence of non-performing assets.

(Paragraph 4.3)

Absence of an effective system for periodic physical verification of cash in hand on regular basis led to misappropriation of cash of ₹ 19.98 lakh in Meghalaya Electronics Development Corporation Limited.

(Paragraph 4.4)

There was unauthorised retention of forest royalty amounting ₹ 9.85 crore by the Meghalaya Power Generation Corporation Limited.

(Paragraph 4.5)

Heavy retention of revenue collected by Axis Bank resulted in blockade of fund and consequent loss of interest of ₹ 58.35 lakh to Meghalaya Energy Corporation Limited.

(Paragraph 4.6)

