

OVERVIEW

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This Audit Report has been prepared in four Chapters. Chapters I to III deal with Social Sector, Economic Sector and Economic Sector (State Public Sector Undertakings) respectively. Chapter IV deals with follow up of Audit Reports.

This Report contains six Compliance Audit paragraphs apart from Performance Audit on “**Development of Tourism Activities in the State of Meghalaya**”. The findings are based on the audit of certain selected programmes and activities of the Government departments and Public Sector Undertakings.

According to the existing arrangements, draft audit findings are sent by the Accountant General (Audit) to the concerned Secretaries of the State Government with a request to furnish replies within six weeks. In respect of two compliance audit paragraphs in this report, no response was received from the concerned Secretaries to the State Government.

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

SOCIAL SECTOR

Compliance Audit Paragraph

Health and Family Welfare Department

Expenditure of ₹ 12.35 crore on construction and upgradation of two Primary Health Centres proved idle as these centres were not made operational thereby, defeating the objective to provide curative, preventive, promotive and family welfare services to the targeted population.

(Paragraph 1.2)

ECONOMIC SECTOR

Performance Audit

Performance Audit of ‘Development of Tourism Activities in the State of Meghalaya’

The Performance Audit was taken up to analyse the effectiveness of efforts made by Government of Meghalaya for growth of tourism in the State *viz.*, creation of tourism infrastructure, tourism development to ensure sustainability and conservation of the State’s environment and natural resources brand promotion and human resource development.

The Performance Audit brought out that despite the State being known for its exotic tourist locations and ‘Shillong’ being referred to as ‘Scotland of the East’, the State lost its position as the top tourist destination in North-East. Lack of focused planning and absence of any medium term/ long term action plan for development of tourism activities in the State led to non-achievement of objective enumerated in MTP, 2011

despite the State having a huge potential for eco-tourism, rural tourism, adventure tourism, *etc.*

The implementation of the tourism related projects both of the Department and MTDC was marred by inordinate delays mainly due to poor project management and delays in execution of projects though funds were available. The 37 properties leased by the Department to private parties saw revenue losses in nine properties instead of gains due to failure to enforce provisions of the lease agreements.

The Crowborough Hotel project for providing luxury accommodation to high end tourists under PPP mode continued to be non-operational though it was to be completed by August 2014.

Tourism development activities were undertaken without factoring issues of sustainability and conservation of the State's environment and natural resources.

The MTDC's operated Hotels/ Lodges witnessed decrease in the number of boarders even while the tourist inflow in the State had increased during the review period.

No review of impact assessment for organising the festivals were conducted neither the data of tourist footfalls during festivals were maintained. Advertisement and publicity initiatives were inadequate.

The Department had not provided environment friendly measures of rain water harvesting, solar power in the test checked 18 projects despite policy statement to encourage environment sustainable tourism.

(Paragraph 2.2)

Compliance Audit Paragraphs

Animal Husbandry and Veterinary Department

Failure of the Animal Husbandry & Veterinary Department to make the Livestock Demonstration Farm at Kyrdemkulai functional resulted in unproductive expenditure of ₹ 51.29 lakh, defeating the objective of imparting training to the beneficiaries.

(Paragraph 2.3)

Agriculture & Farmers' Welfare Department

Modernisation and Upgradation of Fruit Processing Unit (FPU), Shillong failed to augment the installed capacity (from 60 Tonnes per Annum to 136 Tonnes per Annum) leading to unproductive expenditure of ₹ 1.12 crore.

(Paragraph 2.4)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

Functioning of Public Sector Undertakings

As on 31 March 2019, the State of Meghalaya had 17 PSUs (16 working and one non-working), which included 15 Government companies and two Statutory Corporation. As on 31 March 2019, the investment of the State Government (capital and long-term

loans) in 17 PSUs was ₹ 2,736.21 crore consisting of 92.57 *per cent* (₹ 2,532.97 crore) towards capital and 7.43 *per cent* (₹ 203.24 crore) towards long-term loans. The combined investment of State and Other Stakeholders as on 31 March 2019 in PSUs under various important sectors stood at ₹ 6667.38 crore. The investment was highest in the Power Sector PSUs (₹ 6,053.64 crore) followed by Manufacturing Sector PSUs (₹ 347.36 crore).

(Paragraphs 3.1.1, 3.1.2.1 and 3.1.2.2)

As per the information furnished by the PSUs, during 2018-19 the State Government has provided budgetary support of ₹ 263.73 crore in the form of capital (₹ 9.73 crore), long-term loans (₹ 31.69 crore) and grants/subsidy (₹ 222.31 crore).

(Paragraph 3.1.4)

As per the information available as on 30 September 2019, 16 working PSUs had arrears of total 32 accounts ranging from one to five years. The highest arrears of five accounts related to Meghalaya Transport Corporation.

(Paragraph 3.1.6)

As per the latest finalised accounts of PSUs as on 30 September 2019, the turnover of 16 working PSUs stood at ₹ 1,121,40 crore. The accumulated losses (₹ 1,839.14 crore) of nine out of 16 working PSUs had completely eroded their paid-up capital (₹ 1,077.58 crore) as per their latest finalised accounts. During 2018-19, out of 16 working PSUs, four PSUs earned profits (₹ 9.61 crore) while 11 PSUs incurred losses (₹ 428.77 crore) and one PSU was functioning on 'no profit no loss' basis. The highest losses (₹ 343.21 crore) were incurred by Meghalaya Power Distribution Corporation Limited.

(Paragraphs 3.1.8.1 and 3.1.8.2)

Compliance Audit Paragraphs

Mawmluh Cherra Cements Limited

The Company's project for modernisation of its cement plant suffered due to faulty Techno Economic Feasibility Report prepared by the Consultant and inefficient planning and project execution. The project was completed with a cost overrun of ₹ 81 crore and time overrun of nine years. Despite major capital investment, the Company could achieve only 22 *per cent* capacity utilisation against projected capacity utilisation of 60 to 75 *per cent*.

(Paragraph 3.2)

Meghalaya Power Distribution Corporation Limited

Failure to initiate timely action for recovery of electricity charges dues have resulted in pending recovery of ₹ 11.93 crore from disconnected consumers, for more than two years. The Company may find it difficult to recover these dues legally.

(Paragraph 3.3)

Meghalaya Government Construction Corporation Limited

Appointment of consultants for architectural services without following the tendering and competitive bidding procedure were in violation of Meghalaya Financial Rules, 1981 and CVC guidelines.

(Paragraph 3.4)

Follow up of Audit observations

As of December 2019, the departments concerned did not submit *suo motu* explanatory notes in respect of six Performance Audits and 25 Compliance Audit Paragraphs out of 22 Performance Audits and 92 Compliance Audit Paragraphs awaiting discussion by Public Accounts Committee relating to Audit Reports from the years 2010-11 to 2017-18.

(Paragraph 4.1)

As of March 2019, 15 departments had not sent the Action Taken Notes on the recommendations Public Accounts Committee relating to the Audit Reports presented to the Legislature between April 1995 and March 2018. Similarly, four departments had not sent Action Taken Notes on the recommendations of Committee on Public Undertakings relating to Audit Reports presented to the State Legislature between April 2008 and March 2018.

(Paragraph 4.3)

Analysis of the position of outstanding paragraphs showed that 3,003 paragraphs relating to the period from 1988-89 to October 2019 were outstanding of which, 1,476 paragraphs were more than four years old.

(Paragraph 4.4)