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Report of the Comptroller and Auditor General of India

(Civil and Commercial)

For the year ended 31 March 2010 (Report No. 2)

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(Civil and Commercial)

For the year ended 31 March 2010
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GOVERNMENT OF MEGHALAYA

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APPENDICES

PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report deals with the findings of performance reviews and audit of transactions in various departments including the Public Works Department and audit of Government Companies and Statutory Corporations.

3. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2009-10 have also been included wherever necessary.

4. Audit observations on matter arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010 are included in a separate Report on State Government Finances.

5. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

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

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

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

PERFORMANCE REVIEW

Targeted Public Distribution System

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

(Paragraph 1.1)

AUDIT OF TRANSACTIONS

Excess Payment/Excess and Wasteful Expenditure

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

(Paragraph 2.2)

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

(Paragraph 2.4)

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

(Paragraph 2.6)

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

(Paragraph 2.7)

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

(Paragraph 2.8)

CHIEF CONTROLLING OFFICER BASED AUDIT OF GOVERNMENT DEPARTMENTS

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

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

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

(Paragraph 3.1)

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Performance Review

Meghalaya State Electricity Board

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

Financial Management and Working Result

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

Planning

As at the end of 2009-10, the per capita availability in Meghalaya was 178 units whereas based on projected population of the State, the total energy requirement of domestic users would be 3000 MU by 2012 if the objective of the NEP is to be achieved. However, MeSEB could add only 1.5 MW capacity during 2005-10. Even assuming that all the new power projects (167.50 MW) in the State currently under execution become operational in the next few years, these would result in an additional generation of 880.38 MU. The shortfall in meeting demand ranged from 74.56 *per cent* (2609.63 MU) to 80.69 *per cent* (4090.14 MU) and unmet energy demand was escalating year-on-year and had increased by 56.73 *per cent* in 2009-10 as compared to 2005-06. The State Government as of August 2010, has entered into Memorandums of Agreement (MOA) with private parties to develop 1916 MW of power generation capacity in the State out of which it would be entitled to 12 *per cent* of free power generated by these projects. Given the protracted process leading up to the actual ground-breaking of a new power project (as with the case of the MLHEP), as all projects have not progressed beyond the MOA stage and the absence of any mention of specific completion/commissioning dates of the projects in the MOAs, the benefits to be reaped by the State as well as the resultant anticipated improvement in the power supply position is an open ended question.

Operational Performance

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

Time Overrun

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

Environmental Issues

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

Monitoring by top management

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

Conclusion and recommendations

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

Transaction audit observations

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

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

(Paragraph 4.3)

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

(Paragraph 4.4)

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

(Paragraph 4.6)

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

(Paragraph 4.7)

CHAPTER I

PERFORMANCE REVIEW

CHAPTER I – PERFORMANCE REVIEW

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

1.1 Targeted Public Distribution System

The main objective of the Public Distribution System is to ensure regular supply of essential commodities like rice, wheat, kerosene, etc. at reasonable and affordable price particularly to the weaker sections of the society/community. Review of implementation of the scheme revealed non-finalisation of the list of below poverty line families and distribution of foodgrains on the basis of estimates. Evaluation of the implementation of the scheme as a whole was also not done and as such, the impact of the scheme remained unassessed.

Highlights

Delay in finalisation of third expansion of the Antyodaya Anna Yojana beneficiaries resulted in depriving 14,600 poorest of the poor families of the benefit of subsidised foodgrains.

(Paragraph 1.1.10.1)

Compared to the quantity of foodgrains allotted by the Government of India, there was short lifting of foodgrains/commodity by the Department thereby depriving the beneficiaries of the benefit of subsidised foodgrains/commodity.

(Paragraph 1.1.11.1)

In Ri-Bhoi Sub-Division, data regarding milling of 12,022 MT of wheat lifted by the *chakki* mills during 2006-10 was not available. Data regarding distribution of *chakki* atta converted out of wheat lifted by the *chakki* mills of Shillong Sadar (35,671.62 MT) and Ri-Bhoi (12,022 MT) Sub-Divisions was also not available.

(Paragraph 1.1.11.2)

The Department had not maintained uniform retail price for foodgrain as higher rates for rice were charged from BPL and AAY ration card holders.

(Paragraph 1.1.11.3)

1.1.1 Introduction

Public Distribution System (PDS) is a food management strategy of the Government of India (GOI), the main objective of which is to ensure regular supply of essential commodities like rice, wheat, kerosene, *etc.* at reasonable and affordable price particularly to the weaker sections of society.

In order to target the poorer section of the population, GOI streamlined the PDS in June 1997 and introduced the 'Targeted Public Distribution System' (TPDS) scheme. Under the TPDS, special ration cards were to be issued to 'Below Poverty Line' (BPL) families and foodgrains were to be provided to them at specially subsidised prices. States were to formulate and implement foolproof arrangements for identification of the poor and deliver foodgrains to them through FPSs in a transparent and accountable manner. The TPDS also covered the population 'Above Poverty Line' (APL) level.

To reduce hunger among the poorest segments of population and to make TPDS benefits more substantial in terms of both quantity and nutrition for this section of the population, the Antyodaya Anna Yojana (AAY) was launched by the GOI in December 2000. The AAY was being implemented in Meghalaya since November 2001. Under AAY, special ration cards were to be issued and TPDS commodities were to be provided to this section of the population at a further subsidised prices.

TPDS is operated under the joint responsibility of the Central and the State Governments. The Central Government through Food Corporation of India (FCI) is responsible for procurement, storage, transportation and bulk allocation of foodgrains to the State Government. The operational responsibility including allocation within the State, identification of families below poverty line, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPS) rest with the State Government.

In order to maintain supplies and secure availability and distribution of essential commodities in exercise of the power conferred by Section 3 of the Essential Commodities Act, 1955, GOI notified in August 2001, Public Distribution System (Control) Order 2001. The order mainly contains provisions with regard to (i) identification of BPL families; (ii) Ration Cards; (iii) Sale and issue price; (iv) Distribution of foodgrains; (v) Licensing; and (vi) Monitoring.

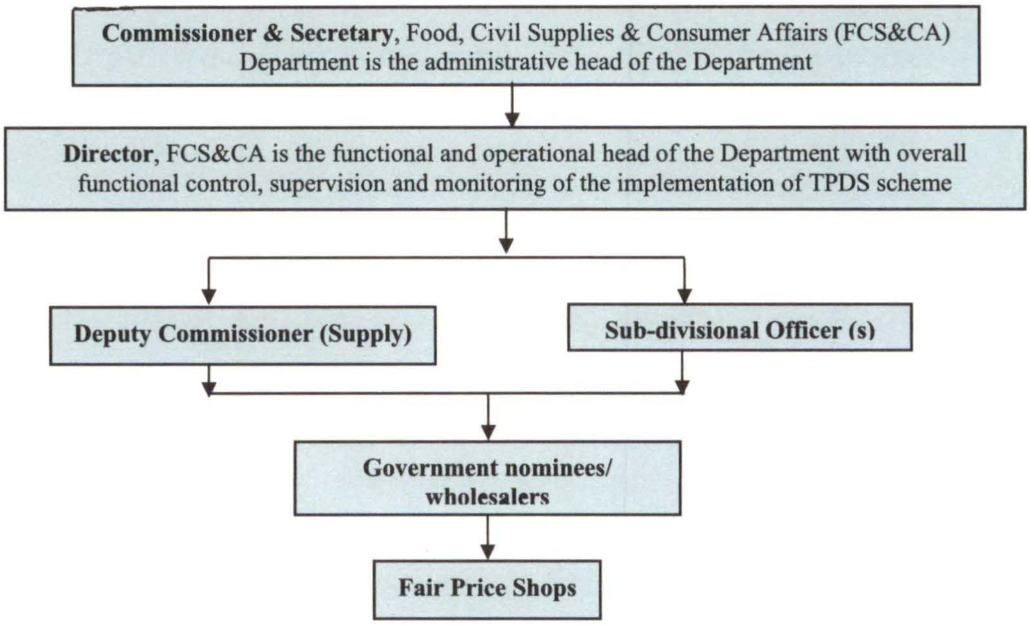
The TPDS in Meghalaya is regulated under the 'Meghalaya Foodgrains (Public Distribution System) Control Order, 2004', which deals with appointment of Nominees/Agents and Retailers and regulation of Purchase, storage and sale of foodgrains by them.

In Meghalaya, TPDS operates through a network of 4,284 (Urban: 655; Rural: 3,629) Fair Price Shops (FPS).

1.1.2 Organisational set up

The Food, Civil Supplies and Consumer Affairs Department (FCS&CA) of the State Government is responsible for implementing the TPDS in Meghalaya. Organisational structure for TPDS and AAY in the State is detailed below:

Chart 1.1



The Deputy Commissioners (Supply) (DC) of the Districts and the Sub-Divisional Officers (Supply) (SDO) in the sub-divisions of FCS&CA Department are responsible for issuing ration cards, appointment of Fair Price Shop dealers, re-allocation of TPDS commodities (allocated for the district/sub-divisions) to the Government nominated wholesale dealers and FPS, monitoring/inspection of lifting and distribution of TPDS commodities to the ration card holders and submission of prescribed periodical reports/returns to the Directorate.

1.1.3 Scope of Audit

A performance review of foodgrains management covering the implementation of TPDS during 2000-06 was included in Paragraph 3.3 of the Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 2006 in respect of Government of Meghalaya. The review was discussed by the Public Accounts Committee (PAC) on 24 August 2010. The recommendations of the PAC, however, have not been presented to the State Legislature (October 2010).

The current performance review on TPDS covered the activities and processes involved in implementation of the TPDS in the State during 2006-07 to 2009-10. Test check was carried out in the offices of the Secretary, FCS&CA Department, Director, FCS&CA, DCs of three[1] Sadar Sub-Divisions out of seven districts, SDOs of three[2] out of eight sub-divisions and 63 out of 4,283 FPSs.

1.1.4 Audit Objectives

The objectives of the performance audit were to examine the:

- efficacy of the system for identification of different category of beneficiaries;
- effectiveness of allocation and distribution of foodgrains by Government to ensure that all people have access to foodgrain in time at prescribed quantity and rates; and,
- adequacy and effectiveness of the monitoring systems.

1.1.5 Audit Criteria

The following audit criteria were adopted for achieving the audit objectives:

- PDS (Control) Order 2001;
- Meghalaya Foodgrains (Public Distribution System) Control Order, 2004;
- GOI guidelines for identification of beneficiaries;
- Scale of issue of foodgrains prescribed by the Government;
- Guidelines/Instructions prescribed for issue of Ration Cards, weeding out bogus ration Cards;
- Prescribed monitoring and evaluation mechanism.

1.1.6 Audit Methodology

The performance audit commenced with an 'entry conference' on 6 May 2010 with the Secretary, FCS&CA Department and other officers of the Department in which the audit objectives, scope of audit, criteria, audit methodology and selection of the units were discussed in detail. For the purpose of the review, districts, sub-divisions, blocks and FPSs were selected on the basis of random sampling. The audit evidences were collected through requisition of records, issue of questionnaires and discussions with the officers/officials at various levels. Audit findings were discussed with the various Departmental functionaries at an 'exit conference' held on 12 November 2010 and their views incorporated in this review at appropriate places.

1.1.7 Acknowledgement

Audit acknowledges the cooperation extended by the various officials of the Department at Shillong and officials of the offices and subordinate establishments of the Department to Audit personnel in carrying out this assignment.

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1 East Khasi Hills, West Garo Hills and Ri-Bhoi Districts

2 Sohra, Dadenggiri and Ampati.

1.1.8 Audit Findings

The important points noticed during the course of the performance audit are discussed in the succeeding paragraphs.

1.1.9 Finance and Expenditure

The authorised wholesalers were to initially bear the expenditure on procurement of TPDS commodities (except AAY rice) and subsequently realise the cost including transportation charges and profit from the FPSs. Expenditure of the State Government on the scheme was restricted to administrative expenses and transportation charges under AAY.

Budget provision and expenditure during 2006-10 were as follows:

Table 1

(Rupees in crore)

Year	Budget provision			Actual expenditure	Savings (Percentage)	Amount surrendered
	Original	Supplementary	Total			
2006-07	5.80	0.73	6.53	6.15	0.38 (6)	0.40
2007-08	7.52	1.66	9.18	6.90	2.28 (25)	0.33
2008-09	6.13	0.86	6.99	6.57	0.42 (6)	0.45
2009-10	8.57	0.78	9.35	8.76	0.59 (6)	0.55
Total	**28.02**	**4.03**	**32.05**	**28.38**	**3.67 (11)**	**1.73**

Source: Appropriation Accounts (Grant No. 32).

The table above shows variation of 6 *per cent* and 25 *per cent* between budget provisions and actual expenditure. During 2006-10, the Department obtained supplementary provisions in excess of actual requirement. Again, during 2007-08, supplementary provision obtained by the Department proved unnecessary because of non-utilisation of even the original provision. Moreover, saving of ₹ 1.95 crore, during 2007-08 was not surrendered during the year contrary to the provision of the Budget Manual which provides for surrender of all anticipated savings to the Finance Department latest by 15th March so that the same could be utilised for other purposes.

1.1.10 Identification of targeted beneficiaries and issue of ration cards

The BPL households were determined on the basis of population projections of the Registrar General of India for 1995 and the State wise poverty estimates (1993-94) of the Planning Commission. The total number of BPL households so estimated in the State was 1.83 lakh (constituting 40.86 *per cent* of the population of the State), of which 28,100 families were later classified as AAY families in December 2000.

1.1.10.1 Identification of targeted beneficiaries

As per PDS (Control) Order 2001, the Government was to identify families living below the poverty line by formulating suitable guidelines for the purpose of identification of BPL families, including the AAY families. The exercise of identification of BPL families was to be completed within three months of issue of order, if it had not been done already. Gram Sabhas/local representative bodies were to finalise the list of beneficiaries belonging to BPL and AAY families. Further, GOI directed (September 2002) the State Government to identify the BPL families for the 10^{th} five-year plan (2002-07) by adopting a normative approach through 'Score Based Ranking'.

In the State, the Community and Rural Development (C&RD) Department conducted (2002) survey of household in rural areas and identified 2,05,234 BPL families. The survey of urban areas was not conducted. However, the publication of the BPL list was kept in abeyance on the instruction of GOI in view of a stay order of the Supreme Court (July 2003). With the vacation of the stay and final orders of the Supreme Court, GOI (August 2006) allowed finalisation of BPL list after complying with procedure prescribed by it.

Audit scrutiny revealed that

- In 2008-09, the three Municipal Boards (Tura, Williamnagar and Jowai) carried out survey of the urban areas and identified 27,456 BPL families.
- Survey for the remaining three municipal areas (Shillong, Baghmara and Resubelpara) was, however, not conducted till June 2010.
- Even after a lapse of five years of GOI's clearance to finalise the BPL list, the State Government had not finalized (June 2010) the BPL list for rural areas prepared on the basis of survey carried out by the C&RD Department.

Thus, there are 2,32,690 BPL families in the State excluding the BPL families in three urban areas . The Planning Commission, however, projected (2005-06) the number of BPL families in the State as 86,000. The vast difference between the projection of the Planning Commission and the number identified by the C&RD Department and Municipal Boards remains unexplained (June 2010). Thus, figures of BPL families identified in the surveys remains doubtful as the State has failed to carry out review of the list of BPL and AAY families every year for deletion of ineligible families and inclusion of eligible families.

Notwithstanding the decrease in the number of BPL families as projected by the Planning Commission, the GOI continued to allot TPDS commodities to the State on the basis of the earlier estimated number of BPL families of 1.83 lakh.

GOI expanded the AAY scheme three times, in June 2003, August 2004 and April 2005, to bring more families under the ambit of the scheme. There were delays in identification and issue of ration cards under third expansion, as a result GOI allotted

AAY quota of rice at pre-expanded number of 55,600 beneficiaries till March 2007, though another 14,600 families could have benefitted under AAY scheme from April 2005 onwards.

1.1.10.2 Issue of ration cards

As per PDS (Control) Order, 2001; the State Government was to issue distinctive ration cards to APL, BPL and AAY families and conduct periodical review and checking of ration cards to weed out ineligible and bogus cards.

The Department has been issuing distinctive ration cards to APL, BPL and AAY families as envisaged in PDS (Control) Order, 2001. However, there are delays in issue of ration cards to APL families. A mention was made in Paragraph 3.3 of the Report of the CAG of India for the year ended 31 March 2006 about ration cards not being provided to the majority of the APL families. In response, the Department stated (August 2008) that though ration cards were not issued to all, the APL families drew rations as per their entitlement and that the Government was in the process of issuing computerised ration cards to the eligible families. During the current review, it was noticed that issue of distinctive ration cards to the APL families of greater Shillong areas was started in June 2009 and 58,191 distinctive ration cards have been issued till March 2010. The status of issue of ration cards in remaining areas has not been intimated.

Further, the Department had not carried out periodical checking of ration cards or reviewed the list of BPL and AAY families, which is a matter of serious concern especially in view of existence of 15,202 bogus APL ration cards under Shillong Sadar Sub-Division as mentioned in Paragraph 3.3 of the Report of CAG of India for the year ended 31 March 2006.

Accepting the fact, the Department has stated that it shares the concern in this matter and added that unless the public come up with specific report it is an uphill task to conduct a check by the Department on its own due to shortage of manpower. The Department should devise a suitable action plan, within the available human resources, which would send a signal to the public that possessing a bogus ration card would invite serious consequences.

1.1.11 Allotment, Lifting and Distribution of Foodgrains

Allocation of TPDS foodgrain for all categories of beneficiaries (BPL, AAY and APL) are made by GOI in advance on an annual basis and the State Government is given 60 days to lift foodgrain for the allocated month. FCI releases the foodgrain to the State on deposit of the full value by 20th day of the allocated month which are then lifted by the Government nominated wholesale dealers and distributed through the network of FPSs. Audit scrutiny revealed the following irregularities in the lifting and distribution of foodgrain:

1.1.11.1 Lifting of Rice

GOI allocated 5,02,452 MT of rice to the State during 2006-10. Against this, 4,93,291 MT were lifted by the Department leaving a shortfall of 9,161 MT of rice. Year-wise position of allotment of rice *vis-à-vis* lifting by the department is given below:

Table 2: Quantity of Rice allotted and lifted during 2006-10

(In MT)

Year	Quantity allotted by the GOI				Quantity lifted by the Department				Short lifting
	AAY	BPL	APL	Total	AAY	BPL	APL	Total	
2006-07	23,352	53,508	37,248	1,14,108	23,352	53,489	31,244	1,08,085	6,023
2007-08	29,484	47,376	51,252	1,28,112	29,463	47,226	49,350	1,26,039	2,073
2008-09	29,484	47,376	53,256	1,30,116	29,484	47,376	52,532	1,29,392	724
2009-10	29,484	47,376	53,256	1,30,116	29,484	47,376	52,915	1,29,775	341
Total	**1,11,804**	**1,95,636**	**1,95,012**	**5,02,452**	**1,11,783**	**1,95,467**	**1,86,041**	**4,93,291**	**9,161**

Source: Information furnished by the Joint Director, FCS&CA.

Similarly, against 82,592 MT of sugar allotted by the GOI during 2006-10, the Department lifted 32,785 MT resulting in short lifting of 49,807 MT of sugar during the period. Year-wise position of quantity of sugar allotted *vis-à-vis* lifted is given in the following table.

Table 3: Sugar allotted and lifted during 2006-10

(In MT)

Year	Quantity allotted by the GOI	Quantity lifted by the Department	Short lifting
2006-07	20,648	8,643	12,005
2007-08	20,648	5,966	14,682
2008-09	20,648	8,576	12,072
2009-10	20,648	9,600	11,048
Total	**82,592**	**32,785**	**49,807**

Reasons for short lifting of foodgrains, particularly 190 MT of rice meant for BPL (169 MT) and AAY (21 MT) families during the period of review, were not furnished, though called for. In the process, the BPL and AAY segments of population were the ultimate sufferers as they were deprived of the benefit of subsidised foodgrains and sugar.

Government, while agreeing with audit contention that short lifting of the allotted quota had deprived the beneficiaries of their entitlement, stated (November 2010) that there were instances of failure on the part of some nominees to deposit the value of BPL and AAY rice with FCI in time. It also added that the main reason for shortfall in lifting of allotted quantity of APL rice was attributed to parity of price of PDS rice with that of the open market which had led to the reluctance of APL consumers to lift the stocks from the FPS as the choices on quality available in the open market were much preferred by the consumers. Reasons for not depositing the value of BPL and AAY rice by some nominees with FCI and the intended remedial measures had not been stated.

1.1.11.2 Lifting of Wheat

According to existing arrangements, the nominated *chakki* mills lift the wheat from FCI and grind the same into wholemeal *atta* for distribution to the APL beneficiaries through FPSs under the TPDS. The lifting of wheat by *chakki* mills was to be supervised by the inspecting staff of the Department.

A mention was made in paragraph 3.3 of the Report of the CAG of India for year ended 31 March 2006 about lifting of wheat although there was no requirement of wheat in the State as the consumers did not prefer *chakki atta.*

The Department (August 2008) stated that the total annual requirement of wheat, as assessed in 2005, was 1,550 MT for four sub-divisions (Shillong Sadar, Ri-Bhoi, Nongstoin Sadar and Sohra) and there was no requirement in the other sub-divisions. Notwithstanding limited requirement of wheat in the State, during 2006-10, out of the allotment of 48,321 MT, 47,693.62 MT of wheat were lifted by the *chakki* mills of Shillong Sadar and Ri-Bhoi Sub-Divisions. The other two sub-divisions, viz., Nongstoin and Sohra, were to lift *chakki* atta from the *chakki* mills of Shillong Sadar Sub-Division for distribution in the respective sub-divisions. Allotment and lifting of wheat under TPDS during 2006-10 are shown below:

Table 4

(In MT)

Year	Shillong Sadar Sub-Division		Ri-Bhoi Sadar Sub-Division	
	Allotment	Quantity lifted	Allotment	Quantity lifted
2006-07	6,076	5,836.06	1,620	1,620
2007-08	7,061	6,818.56	2,244	2,099
2008-09	10,082	10,082.00	4,078	4,078
2009-10	12,935	12,935.00	4,225	4,225
Total	**36,154**	**35,671.62**	**12,167**	**12,022**

Source: Information furnished by the concerned SDOs.

Thus, against total requirement of 6,200 MT of wheat during 2006-10, nominated *chakki* mills of two sub-divisions lifted a total quantity of 47,693.62 MT of wheat which was more than seven times the requirement of the State.

Scrutiny of records revealed that there was:

- no data available in the records of the DC, Ri-Bhoi Sadar Sub-Division regarding milling of the lifted quantity of 12,022 MT of wheat by the *chakki* mills
- no details of distribution of *chakki* atta converted from 47,693.62 MT of wheat lifted by *chakki* mills to the beneficiaries of all the four sub-divisions.

This indicates the Department's failure to ensure proper utilisation of the lifted quantity of wheat and also its failure to ensure that the subsidised wheat reached the intended beneficiaries. Further, Department's action for allotment of wheat to *chakki* mills, in the absence of demand of *chakki* atta by the consumers, had resulted in undue benefit to the mill owners.

1.1.11.3 Distribution of foodgrains

As per GOI guidelines, retail issue rate of rice for distribution to BPL and AAY families at the scale of 35 kg per month per card was fixed (April 2002) at ₹ 6.15 and ₹ 3 respectively.

According to the Sixth Report of the Commissioners of Supreme Court[3], the GOI and State Government should ensure that under no circumstances is the issue price for BPL rice higher than ₹ 6.15 per kg/ AAY rice higher than ₹ 3 per kg and the foodgrains should not be distributed at less than the prescribed scale of 35 kg per month to a BPL/AAY card holding household which has four or more members. Action Taken Report (ATR) on the Sixth Report furnished (August 2006) to the Commissioners of Supreme Court by the Commissioner & Secretary, Community & Rural Development (C&RD) Department of the State indicated that rice was distributed to the BPL and AAY beneficiaries at ₹ 6.15 per kg and ₹ 3 per kg respectively at the scale of 35 kg per family per month.

To ascertain whether exact quantity of PDS commodities were distributed to beneficiaries at exact issue price, Audit issued questionnaire to 2,636 FPS level VCs through the DCs/SDOs of six sub-divisions[4] selected for detailed scrutiny, requesting them to indicate the rate at which PDS items were being sold, quantity of PDS items being issued to the beneficiaries, *etc.* 1,123 FPS level VCs responded to the audit questionnaire.

Feedback received from these FPS level VCs through the DCs/SDOs concerned revealed that:

- out of 995 FPSs in six sub-divisions with 30,743 BPL ration card holders, only 21 FPSs were issuing TPDS rice to 817 ration card holders under their jurisdiction at the prescribed rate of ₹ 6.15 per kg. The remaining 974 FPSs were charging higher rates varying from ₹ 6.25 to ₹ 10 per kg from 29,926 BPL ration card holders;

- similarly, in respect of AAY beneficiaries, out of 783 FPSs, 580 FPSs were issuing rice to 15,644 beneficiaries at the prescribed rate of ₹ 3 per kg and remaining 203 FPSs involving 2,862 AAY beneficiaries were charging higher rates varying from ₹ 3.15 to ₹ 8 per kg; and

- out of 474 FPSs in six sub-divisions, around 51 *per cent* (241 FPSs) of these FPSs were distributing rice to BPL/AAY ration card holders at a reduced scale (quantity not specified).

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[3] On Supreme Court's Orders against writ petition (Civil) No. 196/2001 by the People's Union For Civil Liberties Vrs. Union of India and Others.

[4] Shillong Sadar, Tura Sadar, Ri-Bhoi Sadar, Sohra, Ampati and Dadenggre.

Consequently, BPL/AAY families of these six sub-division have an additional financial burden of ₹ 2.08 crore every year (29,926 BPL families - ₹ 1.90 crore and 2,862 AAY families - ₹ 18.26 lakh).

In the feedback it was intimated by the FPS level VCs that higher rates were fixed to cover the transportation and handling charges of foodgrains up to distribution centre from the godowns of Government nominated wholesale dealers. It was also stated that foodgrains were distributed at reduced scale to extend the benefit to other poor section/category, who were not provided with ration cards.

Government stated (November 2010) that though it desires to maintain the issue price of foodgrains to the BPL and AAY beneficiaries, the margin allowed by GOI (₹ 0.50 per kg) is not sufficient to meet the expenses that the wholesale nominees have to spend for the operations and the Department had taken up with GOI for review of margins in order to ensure that the end retail price is maintained by the FPSs. Government has also expressed apprehension about bearing the additional transportation cost due to its limited financial resources.

This situation establishes the fact that the Department failed to comply with the directives of the Commissioners of Supreme Court thereby depriving the genuine beneficiaries of the full benefit due to them under the TPDS.

1.1.12 Allotment, lifting and distribution of Kerosene Oil

The allocation of kerosene oil for the State is sub-allocated to the agents/wholesalers appointed by the public sector oil marketing companies. The retailers are appointed by the DCs/SDOs who lift the allotted quantity from the agents/wholesaler for distribution to the consumers.

During the period 2005-10, 26,232 KL of Kerosene oil was allotted each year and the State Government lifted entire quantity allotted to it. As per the recommendation (October 2005) of the National Council of Applied Economic Research (NCAER) commissioned by GOI, the distribution of subsidised kerosene oil was to be restricted to BPL beneficiaries only. Instead, kerosene oil was being distributed in the State to all ration card holders (including APL) on the basis of 9.5 litres in urban areas and 4.7 litres in rural areas per month. Consequently, the genuine BPL beneficiaries were deprived of the benefit of the subsidized kerosene. Further, the policy adopted by the State Government is indicative of unfair distribution with urban bias.

Besides, records regarding monthly stock, lifting and distribution of kerosene by the retailers were also not maintained indicating lack of proper accounting by the Department. This lapse of the Department is fraught with the risk of diversion of highly subsidized commodity not only for the sale in the open market but also for adulteration of petrol and diesel.

The contention of Audit is reinforced by the outcome of PDS awareness meeting-cum-workshops organized under Dadenggiri Civil Sub-Division during May-June

2009, wherein the main issue that was consistently raised was of selling of kerosene oil in black market at higher rates - an accepted fact.

Government stated (November 2010) that specific directives in this regard were yet to be received from the GOI. The reply does not absolve the State Government for adoption of inequitable and wrong policy and as a result (i) rural population are entitled for less kerosene oil than their urban counterparts who have much better access to alternate fuel like LPG and electricity and (ii) BPL/AAY families are being deprived of the benefit because of extension of this benefit to the APL families who have access to and can afford alternate fuel.

1.1.13 Quality Control

PDS (Control) Order, 2001 provides that the representatives of the State or their nominees and FCI should conduct joint inspection of the stocks intended for PDS to ensure that the quality of foodgrains conforms to the prescribed specifications.

Audit check of the record revealed that the quality control infrastructure or laboratory has not been created in the State.

Government stated (November 2010) that as a step towards ensuring that only quality foodgrains are distributed through FPS, the Department issued instructions to all DCs/SDOs to take sample of stocks available with FCI at the time of lifting by Government nominees and to display the same in the FPSs for information of the consumers. This exercise would ensure that the stocks are not replaced with inferior ones by the dealers.

1.1.14 Vigilance, Inspection and Monitoring

For successful implementation of any programme/project/scheme, it is crucial to have a robust monitoring mechanism to ensure that the targets/milestones fixed and the objectives are achieved. PDS Control Order, 2001 provides for strict vigilance, monitoring and inspection of the scheme in order to prevent diversion of the TPDS commodities and effective implementation and maintaining quality of these commodities.

1.1.14.1 Inspection

The PDS Control Order, 2001 prescribed for regular inspection of FPSs by the designated authority at least once in six months and also for issue of orders by the State Government specifying the inspection schedule, list of check points and the authority responsible for ensuring compliance. Details of inspections conducted during 2008-10 in the selected districts/sub-divisions are given below:

Table 5

Sl. No.	Sub-Division	Number of FPSs	Number of inspections required to be conducted during 2008-10	Number of inspections Actually conducted during 2008-10	Shortfall (*per cent*)
1.	Shillong Sadar	881	3,624	616	3,008 (83)
2.	Tura Sadar	380	1,520	324	1,196 (79)
3.	Ri-Bhoi	293	1,172	158	1,014 (87)
4.	Sohra Sub-Division	73	292	52	240 (82)
5.	Ampati Sub-Division	483	1,932	187	1,745 (90)
6.	Dadenggiri Sub-Division	325	1,300	13	1,287 (99)

Source: Monthly Status Reports on TPDS of the Sub-Divisions concerned.

As can be seen from the above table, inspection of FPSs was not conducted by the designated authority regularly. Against the requirement of 292 to 3,624 inspections of FPSs to be conducted during 2008-10, actual number of inspections were between 13 and 616. Besides, the required schedule of inspection of FPSs was also not prepared by the Department. Thus, the inspection mechanism envisaged in the PDS Control Order, 2001 remained unfulfilled.

1.1.14.2 Vigilance

The PDS (Control) Order, 2001 envisages constitution of VCs at State, district and block levels for implementation and monitoring the functioning of FPSs. The State and District levels VCs were to meet at least once every six and three months respectively. The FPS level VCs were to meet monthly to monitor the distribution of PDS items, conduct social audit of the accounts of the FPSs to ensure proper utilization of PDS items and report to the competent authority of any suspected malpractice.

Though VCs at State, District and FPS levels were formed, meetings of these committees were not conducted regularly as required in the PDS (Control) Order, 2001.

Government stated (November 2010) that the matter was reviewed and instructions issued to the DCs/SDOs to ensure that all FPS are attached with a VC and to activate any committee that it found defunct.

Considering the important role of FPS in the distribution and monitoring of the TPDS scheme, the Commissioners of Supreme Court in their Sixth Report recommended that training should be provided to the FPS level VCs at least once in two years. In the Action Taken Report of August 2006, the Department stated that the DCs/SDOs had been asked to arrange training to the members of the FPS level VCs. However, the Department neither prepared any module for training nor imparted any training to the members of the FPS level VCs and thus, the above instructions remained unfulfilled even after a lapse of four years.

1.1.14.3 Monitoring and evaluation

Under the provisions of PDS (Control) Order 2001, submission of periodical reports on off-take, utilization of stock, *etc.* were to be monitored and submitted to GOI. With a view to strengthen effective implementation of TPDS and to arrest diversion of foodgrains under TPDS, the GOI prescribed (March 2007) formats of Status Report on Nine Point Action Plan on TPDS for monthly submission to GOI. Although the State Government was furnishing the information to the GOI, they were general in nature without any specific mention of action taken on Nine Point Action Plan.

Government while accepting the fact that the report submitted may not be up to the required standard, stated (November 2010) that it should not be concluded that the scheme was not seriously being monitored by the Department. Government's reply highlights its ignorance as these reports are a tool through which action could be taken to make PDS more effective and efficient. The information which is not complete and comprehensive does not serve the intended purpose.

Audit noticed that an innovative initiative was being practiced by sub-divisional administration of Dadenggiri (Civil) Sub-Division, West Garo Hills. Recognising the need to educate, enlighten and forewarn the dealers, awareness campaigns at different daily/weekly markets and *Jan Sunwai* (Public Meeting) were organised during 2008-10 with both the beneficiaries and dealer attending. The main aim of these campaigns and meetings, interacting with the people, was to cut down response time to complaints of irregularities, speedy grievance redressal, reaching out to the beneficiaries of TPDS. The objective was also to ensure that all the poor and needy come under the PDS network and that ignorance of rules and regulations does not become a convenient excuse on part of rural dealers to shirk responsibilities. These meetings were able to achieve to an extent the intended aim/objectives. Such notable initiative needs to be replicated by all other sub-divisions of the State to streamline the PDS.

1.1.15 Conclusion

The objective of regular supply of essential commodities to the weaker sections of society at reasonable and affordable prices could not be reasonably assessed because of non-finalisation of the list of BPL families. The reliability of the BPL/AAY beneficiaries identified in the rural areas of the State by C&RD Department in 2002 is questionable as the percentage of number of BPL/AAY families in the State has gone up by almost 10 *per cent*, despite huge amounts of funds spent on various poverty alleviation programmes in the State during last two decades.

The beneficiaries were made to pay higher rate for TPDS commodities and were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Vigilance, monitoring and inspection of the TPDS were not up to the desired level as envisaged under PDS (Control) Order. Periodical review/check of beneficiaries list has not been carried out by the Department to weed out the bogus ration cards and also eliminate the ineligible families.

1.1.16 Recommendations

- **Efforts should be made to finalise the list of BPL and AAY families in a time bound manner by carrying out review of the existing list so that the benefits of the TPDS reach the genuine families.**

- **Devise an action plan within the available human resources to weed out bogus ration cards immediately.**

- **Supply of foodgrains at the prescribed rates and quantity to the identified beneficiaries should be ensured.**

- **Appropriate action should be taken to avoid short lifting of foodgrains.**

- **Inspection, vigilance, monitoring and evaluation mechanism needs to be strengthened to ensure that the schemes are implemented properly.**

CHAPTER II

AUDIT OF TRANSACTIONS

CHAPTER II : AUDIT OF TRANSACTIONS

Fraud/Loss

MEGHALAYA LEGISLATIVE ASSEMBLY

2.1 Fraudulent payment on construction of poultry coop

The Assembly Secretariat incurred an expenditure of ₹ 11.81 lakh on the basis of a fictitious bill submitted by a contractor for construction of a poultry coop at the official residence of a former Speaker. Moreover such construction out of public exchequer was unauthorised.

According to the Meghalaya Financial Rules (MFR), 1981, no work shall commence without a detailed plan and estimate. When a work is to be done by a contractor, sealed tenders should be invited and a deed of contract should be executed.

Scrutiny (October-November 2008) of records of the Secretary, Assembly Secretariat revealed that the Assembly Secretariat incurred (August 2007) an expenditure of ₹ 11.81 lakh on construction of a poultry coop at the official bungalow of the then Speaker through a contractor without any detailed plan and estimate, administrative approval and technical sanction. Besides, the work was allotted (4 May 2007) to the contractor without inviting tenders to assess competitive rates. Approval of such construction at the official residence from the public money, was not only unethical but also unauthorised.

It was further noticed that payment of ₹ 11.81 lakh was made (August 2007) to the contractor on the basis of a bill submitted by the contractor which did not indicate item-wise details of work executed. As confirmed by the General Administration Department, when the Speaker vacated the residence in May 2008, there was no trace of the poultry coop. The Assembly Secretariat also informed (June 2009) that it was not aware of the status of the structure after the Speaker vacated the residence.

Non-existence of the poultry coop within nine months of making the payment raises a question on the very construction itself. Thus, fraudulent payment of ₹ 11.81 lakh has been made on fictitious bills.

The matter was referred to the Assembly Secretariat in May 2010; reply had not been received (November 2010).

Excess Payment/Excess Expenditure/Wasteful Expenditure

EDUCATION DEPARTMENT

2.2 Excess and inadmissible payment of post-matric scholarships

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

Under the Centrally Sponsored Scheme of Post-Matric Scholarship to Scheduled Tribe (ST) Students, grants-in-aid are released by the Ministry of Tribal Affairs (Ministry) to the State on the basis of proposals submitted by the State Government. The scheme's objective is to provide financial assistance to ST students studying at post matriculation or post secondary stage to enable them to complete their education. The Ministry had *inter alia* prescribed the following criteria[1] for award of the scholarship:

- The ST students parent/guardians' income from all sources should not exceed ₹ 1 lakh per annum (up to 2006-07) and ₹ 1.08 lakh per annum (from 2007-08 onwards).

- The scholarship application should be accompanied by an income declaration by the parents/guardians stating definite income from all sources. In the case of students whose parents/guardians are Government employees, income certificate should be furnished by their employer.

- Maintenance allowance was payable for 10 months in an academic year.

- Professional technical courses at graduate and post graduate levels fall under Group II and post matriculation level courses including vocational courses (for which minimum required qualification is matriculation) fall under Group IV. The rates of maintenance allowance, tuition fee, *etc.* for Group II are higher than for Group IV.

Scrutiny (March 2010) of records of the Director of Higher and Technical Education, Meghalaya, Shillong revealed the following irregularities:

➢ During 2005-08, post-matric scholarships of ₹ 23.16 lakh was disbursed to 838 ST students whose parents'[2] annual income could not have been less than the prescribed limits of ₹ 1 lakh or ₹ 1.08 lakh. Further, in certain cases,

[1] Government of India, Ministry of Welfare - Regulations Governing the Award of Scholarships-1988-89; Government of India, Ministry of Tribal Affairs letter No. 20014/10/2000-TDA (Vol. III) dated 19.02.2004; Government of India, Ministry of Tribal Affairs letter No. 20014/5/2002-Scheme/Education dated 03.07.2007.

[2] Government/Bank employees, Members of Legislative Assembly, College Lecturers, Doctors, Engineers, LIC employees, *etc.*

income certificates were issued in the mother's name where the father was a Government employee. In some other cases where both the parents were Government employees, income certificates were issued for the guardian or sister, thus suppressing the actual income of the parents. Out of 437 applications test-checked, 90 *per cent* of the income certificates[3] were issued by Members of the Legislative Assembly (MLA) and the remaining by other unauthorised officers like Deputy Commissioners/Additional Deputy Commissioners.

- The Directorate sanctioned and paid maintenance allowance for 12 months in an academic year to 41,325 students in 25 colleges during the years 2005-08, which resulted in excess payment of ₹ 1.34 crore to these students for extra two months during 2005-08.

- The students of Shillong Polytechnic were categorised as falling under Group II instead of Group IV and scholarship were paid to them at higher rates resulting in an excess payment of ₹ 53.94 lakh to 1,868 students during 2004-08.

- During 2005-09, the Directorate made excess payment of ₹ 17.06 lakh to 4,381 science students of Classes XI & XII of 10 colleges due to payment of scholarship at the rate admissible to students of Degree classes.

The laxity of the Directorate in properly scrutinising the scholarship applications and failure in strictly enforcing the criteria prescribed by the Ministry from time to time thus led to excess and inadmissible payments totalling ₹ 2.28 crore.

Government stated (July 2010) that the MLAs were authorised to issue income certificates which the Department was not in a position to dispute and that the sanction of scholarship is for an academic year commencing from the date of admission and ending on the date of passing out which could even exceed one year. It admitted that in the case of inadmissible and excess payment of scholarships, the error was committed through oversight and the amounts had been released in good faith.

The reply is not acceptable because in the case of Government employees, income certificates were required to be given by the employers. Further, even if the income certificates were issued by MLAs, the Directorate was expected to have an internal control system to weed out cases where the income certificates were patently incorrect. The justification for paying the maintenance allowance for 12 months is contrary to the instruction of the Ministry to distribute the scholarship in two instalments of five months each, i.e, for 10 months in an academic year.

[3] ranging between ₹ 10,000/- and ₹ 70,000/- per annum.

GENERAL ADMINISTRATION AND PUBLIC WORKS DEPARTMENTS

2.3 Avoidable extra expenditure

Avoidable extra expenditure of ₹ 17.21 lakh on providing a conferencing system in Yojana Bhawan.

Government accorded (March 2006) administrative approval for a digital conference system in the Conference Room of Yojana Bhavan, Shillong at an estimated cost of ₹ 76.74 lakh prepared on the basis of the catalogue rates of 'PHILLIPS-BOSCH'. This amount included ₹ 21.19 lakh towards contractor's profit, contingencies, establishment, tools & plant, sales tax and carriage charges. Accordingly, the Chief Engineer (CE), Public Works Department (PWD - Buildings) invited (August 2006) tenders for the work at an estimated cost of ₹ 55.55 lakh[4] with the condition that all items/equipment should be of BOSCH[5] make (except for speaker cables, PVC conduit, junction box, digital connector and installation hardware) as the estimate was also prepared on the basis of rates of BOSCH equipment. In response, six tenders were received of which the first three lowest rates offered by a Kolkata based firm, a New Delhi based firm and a local individual were ₹ 49.99 lakh, ₹ 56.95 lakh and ₹ 67.20 lakh respectively. The CE in his submission (October 2006) to the Tender Committee (TC) held the view that rates of the first two lowest tenderers were very low compared to the prevailing rates and hence, *"the quality of the equipment and service had to be examined properly to justify such very low rates"*. The TC accepted (October 2006) the offer of the third lowest tenderer after rejecting the first and second lowest tenderers on the following grounds:

First lowest tenderer (M/s Dinesh Enterprises Pvt. Ltd - a Kolkata based firm): Compared to the approved estimate, the rates quoted by the tenderer for BOSCH system were abnormally low and thus, the quality of equipment and services to be rendered was doubtful. Moreover, mandatory trading licence from the Khasi Hills Autonomous District Council (KHADC) was not submitted by the firm.

Second lowest tenderer (M/s Elgin Electronics - a New Delhi based firm): Rates were quoted for equipment other than BOSCH make and trading licence from the KHADC was also not submitted.

Accordingly, the work was allotted (December 2006) to the third lowest tenderer (Mr. S.W. Marwein – a local trader) and was completed in March 2007 at a cost of ₹ 67.20 lakh (paid in May 2008).

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[4] ₹ 76.74 lakh *minus* ₹ 21.19 lakh

[5] BOSCH Group of Germany – a leading manufacturer of conference systems

Scrutiny of records (June 2010) of the CE and the Executive Engineer (PWD), Electrical Division revealed that while the rejection of the second lowest offer was in order, the rationale for not accepting the first lowest offer was erroneous due to the following reasons:

- The total cost (₹ 49.40 lakh) offered by the first lowest tenderer for BOSCH make items was 6.94 *per cent* higher than the estimated cost (₹ 46.19 lakh) of these items.

- Out of 11 BOSCH make items provided in the estimate, the rates quoted by the first lowest tenderer in respect of seven items were 10 *per cent* to 31 *per cent* less than the estimated rates and the rates for the remaining four items were 4 *per cent* to 35 *per cent* higher than the estimated rates of these items. In absolute terms, the cost of seven BOSCH make items offered by the first lowest tenderer was ₹ 13.41 lakh against the estimated cost of ₹ 17.01 lakh and the cost of the remaining four items offered by him was ₹ 36 lakh against the estimated cost of ₹ 29.18 lakh.

- The first lowest tenderer, however, compromised with the rates of other items of the estimate like services, speaker cable, *etc.* and offered lower rates (₹ 0.59 lakh) for these items against the provision of ₹ 9.36 lakh for these items in the estimates. This thereby, enabled him to quote ₹ 49.99 lakh for a work estimated to cost ₹ 55.55 lakh, i.e. 11 *per cent* less.

- The notice inviting tenders specified for "*Trading licence from a competent authority*" and not from the KHADC. However, on the last day (23 August 2006) of submission of offer, the first lowest tenderer formally informed the CE that he undertook to submit the trading licence from the KHADC in due course. Accordingly, the KHADC trading licence was submitted by the tenderer on 29 August 2006 much before the meeting of the TC on 18 October 2006 and also before CE's submission to TC.

From the above, it can be seen that the offer of the first lowest tenderer was not out of sync with the estimates prepared for the work. Further, the issue of non-submission of a trading licence from the KHADC was rectified by the time the matter was considered by the TC.

The proposal submitted by the CE to the TC for selection of the tenderer glossed over the above facts. The TC on its part did not attempt any independent analysis of the offers and as a result, accepted the third lowest offer of ₹ 67.20 lakh which was 23 *per cent* higher than the estimated cost. The misleading advise of the CE coupled with injudicious decision of the TC resulted in an avoidable extra expenditure of ₹ 17.21 lakh.

The matter was reported to Government in July 2010; reply was awaited (November 2010).

HEALTH AND FAMILY WELFARE DEPARMENT

2.4 Avoidable extra expenditure and blocking of funds

Purchase of meningococcal meningitis vaccine at higher rate and without immediate requirement resulted in avoidable extra expenditure of ₹ 3.71 crore and blocking of ₹ 3.43 crore.

To control the outbreak of meningococcal meningitis in the State, an Expert Group constituted by the Union Ministry of Health and Family Welfare (Ministry) recommended (February 2009) mass vaccination in East Khasi Hills and Jaintia Hills Districts, and optional vaccination in Ri-Bhoi and West Khasi Hills Districts. Accordingly, the Director of Health Services (DHS), Meghalaya requested (13 February 2009) the Ministry to supply 10.11 lakh doses of meningococcal meningitis vaccine with immediate supply of 3.46 lakh doses in the first phase. The Ministry in turn requested (09 March 2009) the World Health Organisation (WHO) to supply of 3.50 lakh vaccine doses at a cost of ₹ 2.43 crore to the Government of Meghalaya (GOM). As the initial experience of approaching WHO through the Ministry proved to be time taking, GOM in the same month directly approached (24 and 30 March 2009) WHO to supply the remaining 6.61 lakh vaccine doses at a cost of ₹ 4.88 crore. WHO supplied the first batch of 3.50 lakh doses on 01 May 2009 and remaining 6.61 lakh doses on 03 May 2009.

Although GOM had approached WHO in March 2009 to supply the vaccine, the State Crisis Management Committee (SCMC) decided (01 April 2009) to purchase three lakh vaccine doses from M/s Med Freshe, New Delhi on the ground that there was no definite commitment from WHO as to when the stock of vaccines would reach Shillong. Accordingly, the DHS placed (02 April 2009) an order with the firm to supply three lakh vaccine doses at a cost of ₹ 5.75 crore with the stipulation that the supply was to be made within 10 days of GOM opening a letter of credit (LoC). On 14 April 2009 the SCMC decided to cancel the order on the ground that the LoC was yet to be opened and WHO was ready to supply the vaccines at less than half the rate offered by the firm. The firm filed a writ petition in the Guwahati High Court against the cancellation of the supply order. The Court in its interim order (01 May 2009) suspended the revocation order but added that "*it is also made clear that this ad-interim order shall not cause any embargo on the respondents* (GOM) *in purchasing the vaccines*". Although the State Law Department was of the view that the writ petition was not maintainable and the Health & Family Welfare (H&FW) Department was of the opinion that the Court's verdict should be awaited, the then Minister in charge of the H&FW Department overruled their advice and directed (26

May 2009) that, since the vaccine could be used in other parts of the State and to avoid a long drawn legal battle, the vaccines be purchased from the firm. Accordingly the DHS procured three lakh vaccine doses from the firm on 07 July 2009 at a cost of ₹ 5.75 crore.

Out of the three lakh doses procured, 1.21 lakh doses were utilized till 09 July 2010 leaving a balance of 1.79 lakh doses.

Given that the price of the vaccine sourced from WHO was ₹ 69.56 and ₹ 67.08 per dose as compared to ₹ 191.74 per dose from the firm, the decision to place order for three lakh vaccine doses with the firm, disregarding the views of the Law and H&FW Departments, was injudicious.

The rationale that the vaccine could be used in other parts of the State while true, should not have overridden the fact that the vaccine could still have been procured from WHO as there was adequate lead time to place orders and considering that there was no immediate necessity to procure additional stocks as the entire consignment of vaccine ordered from WHO had already been received earlier in the same month (May 2009). Further, the interim order of the Hon'ble Court also did not bar the GOM from placing orders for the vaccine from WHO. The anticipation of a long drawn legal battle was at best, speculative.

Thus, the injudicious decision to procure the vaccine at a higher cost from the firm resulted in an avoidable extra expenditure of ₹ 3.71 crore[6] to the public exchequer.

Further, since the vaccine supplied by the firm had a shelf life till February 2011 it is unlikely that the remaining stock of 1.79 lakh doses will be utilised which would result in wasteful expenditure of ₹ 3.43 crore[7] apart from blockage of the same amount for over 17 months (from May 2009 to October 2010).

The matter was reported to the Government in April 2010; reply had not been received (November 2010).

2.5 Wasteful expenditure on procurement of surgical equipment

Inaction of the Director of Health Services (Medical Institutions) and Shillong Civil Hospital authority to install a sophisticated surgical equipment resulted in wasteful expenditure of ₹ 21.32 lakh.

The Director of Health Services (Medical Institutions) (DHS), Shillong purchases machinery and equipment for the hospitals and medical institutions of the State. During test-check (February 2007) of records of the DHS, it was noticed that no

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[6] Cost of three lakh doses of vaccine purchased from New Delhi based firm: ₹ 5.75 crore
Cost of 10.11 lakh doses of vaccine purchased from WHO: ₹ 6.87 crore,
i.e., cost of three lakh vaccine: ₹ 2.04 crore
Excess Expenditure: ₹ 3.71 crore

[7] Cost of three lakh doses: ₹ 5.75 crore. Cost of 1.79 lakh doses: 5.75 x 1.79 ÷ 3 = **₹ 3.43 crore**

record showing institution/hospital-wise position of installation of machinery and equipment was maintained by the Directorate. There was also no system prevailing in the Directorate for submission of status report of the machinery and equipment by the hospitals/medical institutions.

Further scrutiny (March 2010) of records of the DHS revealed that for upgradation of Orthopaedics and Rehabilitation Centre of Civil Hospital, Shillong, the North Eastern Council (NEC) released (February 2001) ₹ 24 lakh for procurement of orthopaedics surgical equipment. Based on the rate and firm approved (July 1999) by the Purchase Board, the Department placed (September 2002) a supply order on M/s Warjri Mercantile, Shillong for supply of a arthroscopy system along with accessories (monitor, surgical video, light source, *etc.*). Agreement executed (September 2003) with the firm provided for one year of free repairs and maintenance of the equipment including free replacement of damaged parts by the firm from the date of commissioning of the equipment and handing it over to the satisfaction of the Department. The firm supplied the equipment to the Civil Hospital, Shillong in July 2003, the cost of which was ₹ 21.32 lakh[8] (paid in September 2003).

However, no action was taken by the Department to install the same. The non-installation of the equipment was brought to the notice of the DHS by the hospital authorities after three years in July 2006, by which time the firm had gone out of business. But, no action was taken on the matter by the Department. On being reminded by the hospital authorities again in November 2008, the DHS requested (December 2008) the manufacturer of the equipment to install and demonstrate the use of the same. Response of the manufacturer was, however, not received even after more than one year (April 2010). Consequently, the future use of the equipment remained uncertain.

Unutilised arthroscopy equipment

Thus, inaction of the DHS and the hospital authorities to install the equipment resulted in non-utilisation of the same for about seven years rendering the entire expenditure of ₹ 21.32 lakh wasteful. The possibility of additional expenditure on repair of defects of the equipment, if any, due to passage of time also could not be ruled out. Responsibility for lapses which resulted in non-utilisation of the equipment needs to be fixed.

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8 Cost of equipment: ₹ 18,00,000; Custom duty ₹ 90,000; CST, MFST 7 Surcharge: ₹ 2,41,920.

Government stated (September 2010) that the arthroscopy system had not become obsolete or redundant, but did not furnish any reason for non-installation of the same immediately on receipt.

HOME (POLICE) DEPARTMENT

2.6 Wasteful expenditure on implementation of Urban Traffic Control System project

Implementation of Urban Traffic Control System project without proper assessment of its feasibility through proper survey resulted in wasteful expenditure of ₹ 1.97 crore.

To address the problem of traffic congestion and pollution due to automobiles at traffic intersections of the Shillong city, the Department signed (March 2006) a Memorandum of Understanding (MOU) with M/s Webel Mediatronics Ltd. (WML), Kolkata for implementation of Urban Traffic Control System[9] at 16 traffic intersections of the city. The project, involving project outlay of ₹ 1.97 crore, was to be completed within 18 months including six months for field trial and data collection for assessment of cost benefit analysis. The benefits to be derived from the project were (i) to overcome existing traffic congestion in peak hours and ensure smooth flow of vehicles with reduced congestion and increase in capacity of roads and intersections, (ii) reductions of accidents due to orderly movement of vehicles & pedestrians and (iii) reduction of manpower deployment on each intersection compared to manual operation. Department of Information Technology (DIT) of the Union Ministry of Communication & Information Technology (Ministry) approved (July 2006) the project and released (July 2006, September 2007 and September 2008) grants-in-aid of ₹ 1.97 crore directly to the WML.

Scrutiny (January 2010) of records of the Director General of Police, Meghalaya revealed that the project was executed without assessment of the climatic factors of Shillong and without survey of the traffic pattern of the intersections of the city during the period of heavy traffic flow. Consequently, the project could not be completed as per schedule (January 2008) and the completion date was extended up to January 2009.

Even after the extended period, the synchronization of the traffic lights of all the 16 junctions could not be achieved due to the erratic flow of traffic in the city because of coal trucks, heavy density of loaded vehicle, *etc.* Besides, the traffic loops, which were supposed to detect the density of the moving vehicles and send the right signal to the lights were working for barely 3-4 seconds in most of the junctions. Though, the project could not be made functional, it was formally taken over by the

[9] A technology developed by Centre for Development of Advance Computing, Thiruvananthapuram for use in road traffic signaling application.

Department in November 2009 in a non-functional state and had been lying abandoned (May 2010).

Thus, due to implementation of the project without proper assessment of its feasibility through proper survey, the entire UTC system remained non-functional thereby rendering the expenditure of ₹ 1.97 crore wasteful, besides, frustrating the desired objectives.

The matter was reported to the Government in May 2010; reply had not been received (November 2010).

MEGHALAYA LEGISLATIVE ASSEMBLY

2.7 Excess payment due to purchase of articles at higher rates and missing articles

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

Test-check (October-November 2008) of records of the Meghalaya Legislative Assembly Secretariat revealed that contrary to the provisions of the Meghalaya Preferential Stores Purchase Rules, 1990 which stipulate that open tenders/quotations are to be invited for purchase of any item of stores, the Assembly Secretariat purchased various articles during June 2005 to April 2007 worth ₹ 3.39 crore through five supply orders placed on arbitrarily chosen suppliers. Further, in not a single instance did the supply orders indicate the specifications and rate of the articles to be supplied.

In respect of the articles listed in the table below, for which Audit was able to ascertain the Maximum Retail Price (MRP) prevalent during the period they were purchased, it was seen that the Assembly Secretariat paid an excess of ₹ 91.47 lakh over the MRP for these articles. The rates paid were higher by 175 *per cent* for coffee machines, 378 *per cent* for aqua guards, 308 *per cent* for geysers, 98 *per cent* for refrigerators and between 87 *per cent* and 311 *per cent* for TVs. The details are given below:

Table 2.1 : Details of excess expenditure on purchase of various items

(Amount in Rupees)

Sl No	Articles supplied	Quantity	Model & make of items as found during physical verification	Rate at which supplied	MRP as ascertained by Audit	Difference in rates	Excess expenditure
1.	Coffee machines	40 27	Nescafe/ Compact (Double Option)	50,940 54,000	18,500 18,500	32,440 35,500	12,97,600 9,58,500
2.	Aqua guards	60	Aquaguard/ iNova, eboiling+	38,400	8,040	30,360	18,21,600
3.	Geysers (Bajaj)	60	Bajaj/ Majesty - 5EE-25 (25 ltr)	25,200	6,180	19,020	11,41,200

Sl No	Articles supplied	Quantity	Model & make of items as found during physical verification	Rate at which supplied	MRP as ascertained by Audit	Difference in rates	Excess expenditure
4.	Refrigerators	63	LG/ GL 366 diq	50,374	25,500	24,874	15,67,062
5.	TV Sony Plasma screen LCD: (i) 40"	14	Sony Bravia-40"/ Model - KLV V40A10 - 10 nos.	2,61,250	1,39,900	1,21,350	12,13,500
			KLV 40V200A – 4 nos.		1,09,900	1,51,350	6,05,400
	TV Sony Plasma screen LCD: (ii) 50"	1	Sony WEGA 50"/ 01 No. Model No.KFE50A10	3,65,750	99,990	2,65,760	2,65,760
		1	LG 42"/ 01 No. Model 42 P x 4 RV-TA	3,65,750	89,000	2,76,750	2,76,750
			Total				**91,47,372**

Source: Suppliers' bills and rates of articles prevalent during the period of purchase.

In all the above cases, bills presented by the suppliers did not indicate the specifications, makes, size, *etc.* of the articles supplied and the amount as claimed by the suppliers in their bills was paid by the Assembly Secretariat without ascertaining the reasonableness of the rates of such items prevalent in the market.

Further, the Assembly Secretariat had not maintained any stock book recording the receipt of goods nor half-yearly stock takings were carried out as required under the Meghalaya Financial Rules (MFR), 1981. A joint physical verification conducted in October 2009 by an Audit team and the Secretary, Assembly Secretariat and information furnished (December 2009) by the Secretary, Assembly Secretariat revealed that out of 1,273 items procured at a cost of ₹ 2.95 crore and installed in the Member of Legislative Assembly (MLA) Hostel, 517 items costing ₹ 1.16 crore were not found, details of which are given in the table below:

Table 2.2: Items shown as purchased but not found during physical verification

Sl No	Description of articles supplied as per bill	Quantity			Rate at which purchased	Cost of the items purchased	Value of items found deficient
		Supplied as per supplier bills	found during physical verification	Deficient	(Rupees)	(Rupees in lakh)	
1.	Fire security system, alarm detectors and smoke detectors	800	434	366	22,640.00	181.12	82.86
2.	Fire extinguisher (1 kg)	80	54	26	3,169.60	2.54	0.82
	Fire extinguishers (5 kg)	80	35	45	5,094.00	4.08	2.29
3.	Coffee machines	40	37	3	50,940.00	20.38	1.53
	Coffee machines	27	0	27	54,000.00	14.58	14.58
4.	Aqua guards	60	54	6	38,400.00	23.04	2.30
5.	Geysers (Bajaj)	60	55	5	25,200.00	15.12	1.26
6.	Refrigerators	63	45	18	50,374.00	31.74	9.07
7.	Stabilizers	63	42	21	4,522.34	2.85	0.95
	Total	**1273**	**756**	**517**		**295.45**	**115.66**

Source: Suppliers' bills, joint physical verification report and information furnished by the Assembly Secretariat.

It was further seen that the Assembly Secretariat in March 2005 procured mobile jammers (quantity not specified either in the supply order or the supplier's bill) at a cost of ₹ 86.03 lakh from a Shillong based firm for the Assembly Hall Complex. The joint physical verification revealed that the supplier had supplied two Chinese make mobile jammers. Audit ascertained from a Mumbai based firm that the cost of the said item was ₹ 0.15 lakh each in October 2009. Allowing for the fact that cost of electronic items tend to come down with the passage of time and assuming that the mobile jammer was 100 *per cent* more expensive in March 2005 than in October 2009, the Assembly Secretariat incurred an excess expenditure of ₹ 85.43 lakh (₹ 86.03 lakh – ₹ 0.60 lakh) on purchase of the two mobile jammers.

Thus, placing supply orders by flouting the prescribed procedures and making payments at exorbitant rates resulted in excess payments totalling ₹ 1.77 crore for articles purchased by the Assembly Secretariat between June 2005 and April 2007. Besides, the joint physical verification carried out in October 2009 of items installed in the MLA Hostel revealed that articles worth ₹ 1.16 crore were missing. Further, considering the utility of alarm/smoke detector in isolation and also keeping in view large quantity of missing items, it is doubtful whether these missing items were supplied at the first instance.

The matter was reported to the Assembly Secretariat in May 2010; reply had not been received (November 2010).

SOCIAL WELFARE DEPARTMENT

2.8 Excess expenditure on procurement of noodles

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

Meghalaya Preferential Stores[10] Purchase Rules, 1990 stipulates invitation of open tenders by the Government departments while making purchase of any item or stores.

Scrutiny of records of the Director of Social Welfare (DSW) revealed that M/s AA Nutritions, Ri-Bhoi District submitted (June 2009) an unsolicited offer to supply Ready-to-Eat (RTE) noodles under the Supplementary Nutrition Programme. The firm declared that it was supplying RTE noodles to Arunachal Pradesh and as proof, submitted a supply order of May 2009 issued by the Department of Social Welfare, Women & Child Development, Government of Arunachal Pradesh which indicated that the RTE noodles were supplied at the rate of ₹ 130.11 per kg.

The DSW in turn, requested (July 2009) the Commissioner & Secretary of Social Welfare Department to accord approval to introduce RTE noodles at Anganwadi centres. The Department approved the proposal in August 2009. The quantity and rate at which the noodles was to be supplied by the firm was also not specified by Government. While communicating (August 2009) Government's approval to all District Social Welfare Officers, the DSW specified that each packet of 75 gm

[10] Stores include all manufactured, assembled and processed items.

noodles would be supplied by the firm at the rate of ₹ 10.90 per packet, i.e., ₹ 145.33 per kg. The basis of fixing this price, which was higher than the rate of ₹ 130.11 per kg at which the noodles were supplied in Arunachal Pradesh was however, not on record.

The firm submitted bills to the DSW for 5,52,418.3 kg of RTE noodles supplied by it to different Child Development Project Officers (CDPOs) of the State during September 2009 to September 2010 and a total of ₹ 8.03 crore was paid (between March 2010 and September 2010) to the firm for supplies made at the approved rate of ₹ 145.33 per kg.

The acceptance of an unsolicited offer to supply RTE noodles without assessing competitive rates was a gross violation of the laid down rules. Further, fixation the purchase price of the product at higher price than what was supplied to a neighbouring State was questionable since the RTE noodles were being manufactured in the State itself. Computed with reference to the rate of ₹ 130.11 per kg at which the noodles were supplied by the firm to Arunachal Pradesh, the DSW incurred an excess expenditure of ₹ 84.08 lakh[11].

The Additional Director of the Department stated (July 2010) that as per the supply order, RTE noodles for Arunachal Pradesh were to be delivered only at Naharlagun whereas in Meghalaya, the noodles were to be delivered to project offices State-wide and thus involved extra expenditure on transportation for the firm. The reply is not acceptable and it is an attempt of the Department to cover up its indiscretion in fixing higher purchase price than that fixed by Government of Arunachal Pradesh as no CDPO office in Meghalaya by road from Byrnihat (location of the factory of the firm) exceeds distance to Naharlagun, which is 309 km.

The matter was reported to Government in April 2010; reply was awaited (November 2010).

Idle/Unproductive Expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

2.9 Unproductive expenditure on construction of 100 bedded hospital

Non-functioning of the hospital despite completion of construction work resulted in unproductive expenditure of ₹ 2.25 crore.

The Government in March 2001 accorded administrative approval (AA) for upgrading Baghmara Community Health Center in South Garo Hills to 100 bedded Hospital at a cost of ₹ 2.51 crore. The project *inter alia* included construction of the main building, approach road, internal and external electrification, *etc.*

[11] ₹ 145.33- ₹ 130.11 = ₹ 15.22 x 5,52,418.3 kg = ₹ 84.08 lakh

Scrutiny of records (March - April 2010) of the EE, Health Engineering Wing (EE-HEW) under the Directorate of Health Services, Meghalaya, Shillong revealed the following:

(a) Unproductive expenditure

The civil works for construction of the 100 bedded Hospital Building was completed in August 2008 at a total cost of ₹ 2.25 crore. It was observed that although the Sub-divisional Officer (SDO), Engineering Wing, Tura submitted the test report for the building's electrification to the District Medical & Health Officer (DM&HO), Baghmara in April 2009 for onward submission to the Meghalaya State Electricity Board (MeSEB) for obtaining a power connection, no such action was taken till this pointed out by Audit in March 2010. The SDO, Tura submitted the report to the MeSEB in March 2010 and the fee of ₹ 9.50 lakh for the connection was also deposited in the same month. As of August 2010 however, completion of the power connection by the MeSEB was not reported.

It was further ascertained from the Director of Health Services (MI), Meghalaya that as of March 2010, the proposals for sanction of manpower (medical, paramedical and other staff) and procurement of equipment and furniture required for the functioning of the hospital had not been prepared for submission to Government. Hence, even if the newly constructed hospital building is electrified, medical services from the facility which was completed in August 2008, cannot commence in the absence of the required manpower and equipment for which a proposal was yet to be initiated.

Thus, the inordinate delay in obtaining a power connection as well as inaction to complement the upgraded hospital with the required manpower and infrastructure, resulted in the facility not being optimally utilized even more than two years after its construction, rendering the expenditure of ₹ 2.25 crore unproductive besides depriving the populace of better health care services.

(b) ***Payment for same work twice***

One of the items in the estimate for which AA was accorded in March 2001 was construction of an approach road at a cost of ₹ 4.38 lakh.

Tenders for the above work were invited by the EE-HEW in December 2004 in six groups and allotted to six contractors in February 2005 at 9 *per cent* above the estimated cost based on the lowest tender received. The contractors completed the work in February 2005 and payments totalling ₹ 4.48 lakh made to the six contractors in September 2006. It was however noticed that the EE-HEW in August 2005, again invited tenders for construction of the approach road (including other works) and awarded the work to a contractor in February 2006 at 40 *per cent* above the estimated cost. The approach road was shown as completed by the contractor in May 2006 and ₹ 7.87 lakh paid to him in September 2006.

Since the construction of approach road was already carried out through six contractors in February 2005 at a cost of ₹ 4.48 lakh, the subsequent execution of same work at a cost of ₹ 7.87 lakh was implausible. Although this matter was communicated to the EE-HEW in March 2010, no clarification has been furnished to Audit so far (October 2010).

The matter was reported to Government in July 2010; reply was yet to be received (November 2010).

MINING AND GEOLOGY DEPARTMENT

2.10 Idle expenditure due to non-utilisation of drilling rig

A drilling rig valued at ₹ 44.20 lakh provided by the Indian Bureau of Mines to the Department for running the drilling operation lying unutilised for over three years.

To strengthen the capabilities of State Directorates of Mines & Geology in the field of mineral under North East Assistance Programme (NEAP) of Indian Bureau of Mines (IBM), Union Ministry of Mines informed (June 2006) the Director of Mineral Resources (DMR), Meghalaya to send requirement of equipment/ instruments with justification for the year 2006-07. Accordingly, the DMR sent (July 2006) the requirement of equipment/instruments to the IBM, which *inter alia* included one 'skid mounted heavy duty diamond core drilling rig'. While sending the requirement, the DMR informed the IBM that the drilling rig was required to keep the drilling operation running as the existing rigs in operation were very old and that the DMR was having its own vehicle for transportation of the machine.

Scrutiny of the records of the DMR (March 2010) revealed that the rock drilling rig (with accessories) valued at ₹ 44.20 lakh was supplied by the IBM in March 2007 with the conditions to install and put into use immediately and submit one time installation/usage report by March 2007. The warranty period of the machine was one year. Though, the drilling rig was received by the DMR in March 2007, it was not commissioned. The IBM advised (May 2009) the Directorate of Mineral Resources to communicate their difficulties in operating the rig so that the same could be handed over to some other State which may be in need of the rig. Accordingly, the DMR informed (October 2009) the IBM that the rig could not be made operational due to non-availability of suitable vehicle to tow the rig to the drilling site. The reason for non-functioning of the rig communicated to the IBM was, however, contradictory to the earlier communication by the DMR about the availability of vehicle for transportation of the machine.

Thus, injudicious decision of the DMR in sending the requirement of drilling rig and misstatement of fact about availability of required vehicle for transportation of the machine, resulted in non-installation of the drilling rig for over three years rendering the entire expenditure of ₹ 44.20 lakh idle, besides defeating the purpose for which the rig was procured. The possibilities of deterioration in the physical condition of the rig due to prolonged storage without any maintenance could not be ruled out. Further, even if decision is taken to put the rig into operation; it may entail additional expenditure to make it operational.

The matter was reported to Government in April 2010; reply had not been received (November 2010).

General

2.11 Follow up action on Audit Reports

With a view to ensure accountability of the executive about the issues contained in the various Audit Reports, the Public Accounts Committee (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. These instructions were applicable for the Reports with effect from 1986-87 onwards. Review of outstanding explanatory notes on paragraphs included in the Reports of the Comptroller and Auditor General of India for the years from 1986-87 to 2007-08[*] revealed that the concerned administrative departments were not complying with these instructions. As of March 2010, *suo motu* explanatory notes on 242 paragraphs of these Audit Reports were awaited from various departments.

The administrative departments were required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare action taken notes (ATNs) indicating action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATNs as six weeks up to 32nd Report of the PAC and six months in 33rd Report. Review of 14 Reports of the PAC involving 13 departments (containing recommendations on 54 paragraphs of Audit Reports) presented to the Legislature between April 1995 and December 1997 (10 reports), in June 2000 (one report), in April 2005 (one report) in April 2007 (one report) and March 2010 (one report) revealed that none of these departments had sent the ATN to the Assembly Secretariat as of March 2010. Thus, the fate of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

[*] Audit Report for the year 2008-09 was placed before the State Legislature on 19 March 2010

2.12 Lack of response to Audit

The Meghalaya Financial Rules, 1981 provide for prompt response by the executive to the Inspection Reports (IRs) issued by the Accountant General (Audit) of the State (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Heads of the Department by the AG through a half-yearly report in respect of pending IRs to facilitate monitoring of the Audit observations and for taking appropriate corrective action.

Seven Audit Committee meetings were held during 2009-10 wherein 670 audit paragraphs relating to transactions of civil and works departments were discussed and 365 paragraphs settled.

At the end of March 2010, 853 IRs involving 3,122 paragraphs pertaining to the period 1986-87 to 2009-10 were outstanding.

Lack of response to Audit indicated inaction on the part of the departments concerned which in turn was responsible for the recurrence of serious irregularities and loss to Government even after being pointed out in audit.

As such, it is recommended that the Government should look into this matter and revamp the system to ensure proper and quick response of the departments to audit observations in a time bound manner. This would reduce the occurrence of financial irregularities and lapses and help in streamlining administrative and financial systems thereby leading to better governance practices.

CHAPTER III

CHIEF CONTROLLING OFFICER BASED AUDIT

CHAPTER III – CHIEF CONTROLLING OFFICER BASED AUDIT

AGRICULTURE DEPARTMENT

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

The Directorate of Agriculture is responsible for bringing about substantial growth in the State's agricultural sector through the implementation of various state sector and central sector/centrally sponsored schemes designed to accelerate agricultural production, augment crop productivity levels, increase the use of fertilizers, free distribution or sale at subsidized prices of improved seeds, fertilizers and agricultural implements , etc. Although the Directorate was able to bring about a marginal increase in the area under cultivation during the review period, agricultural production, however, declined.

Highlights

Misreporting of expenditure by the Directorate of Agriculture to the GOI in respect of central sector/centrally sponsored schemes.

(Paragraph 3.1.8.2)

Funds were parked under "8443-Civil Deposits" year after year to avoid lapse of funds. Also, funds amounting to ₹ 13.03 crore received by the Directorate of Agriculture were not disbursed but kept in 'current' account with two banks.

(Paragraphs 3.1.8.3 & 3.1.8.4)

There was decline in production and fall in productivity per hectare of the two largest crops grown in the State.

(Paragraph 3.1.10)

Agricultural equipment procured by the Directorate of Agriculture without assessing requirement resulted in blockade of funds to the tune of ₹ 37.40 lakh.

(Paragraph 3.1.14.1)

In West Garo Hills District, there was an unproductive expenditure of ₹ 99.76 lakh on idle staff.

(Paragraph 3.1.19)

3.1.1 Introduction

Meghalaya is basically an agrarian State as about 81 *per cent* of its total population lives in rural areas whose mainstay of economic income is agriculture[1]. The State's main crops in terms of descending value of output during 2007-08[2] were paddy (₹ 191.27 crore), potato (₹ 97.07 crore), turmeric (₹ 39.83 crore), ginger (₹ 29.13 crore), tomato (₹ 15.22 crore), cauliflower (₹ 12.45 crore), cabbage (₹ 12.39 crore), arecanut (₹ 12.03 crore) and maize (₹ 11.56 crore). These crops, together, accounted for 57 *per cent* of the total value of the State's agricultural output of that year. As per the Directorate of Economics and Statistics, Government of Meghalaya (GOM), the State's Gross Domestic Product was ₹ 12,502 crore in 2009-10, of which agriculture accounted for ₹ 2,048 crore i.e., 16.38 *per cent.*

The Directorate of Agriculture is responsible for the management of agricultural activities in Meghalaya and is one of the three[3] directorates functioning under the Agriculture Department, GOM. The prime objective of the Directorate is to *"intensify its policies and programmes thereby accelerating the growth of foodgrains production and also to augment crop productivity levels, especially important cash crops"*[4] to bring about substantial growth in the State's agricultural sector.

3.1.2. Organisational set up

The Commissioner and Secretary, Agriculture Department is the administrative head of the Directorate and the Director of Agriculture (DoA) its functional head and the chief controlling officer (CCO). The organisational set up of the Directorate of Agriculture is given below:

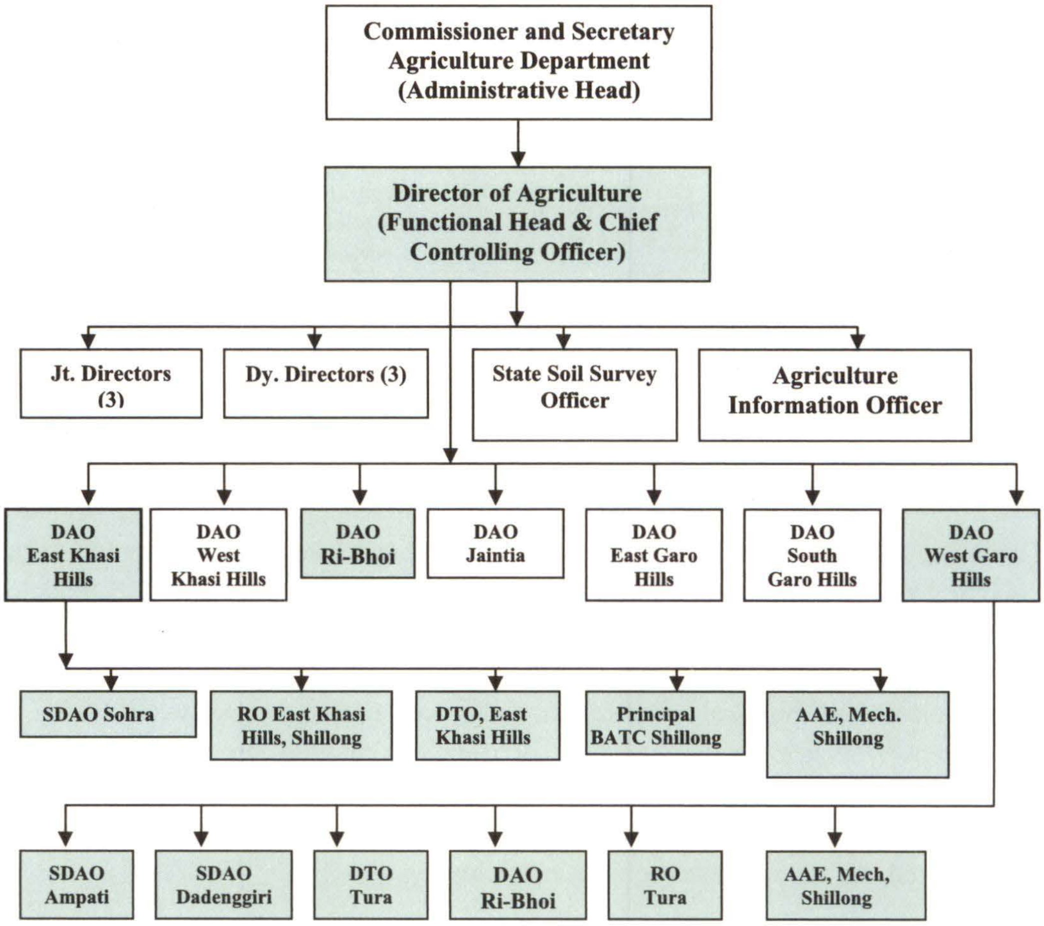
[1] Annual Administrative Report 2008-09, Department of Agriculture, Government of Meghalaya.

[2] Year up to which data compiled by the Directorate of Economics & Statistics, Government of Meghalaya.

[3] The other two being the Directorate of Horticulture and Directorate of Minor Irrigation.

[4] Annual Administrative Report 2008-09, Department of Agriculture, Government of Meghalaya.

Chart 1.1



Note: *Offices covered under this review shaded.*

DAO: District Agriculture Officer; SDAO: Sub-Divisional Agriculture Officer; RO: Research Officer; DTO: District Training Officer; BATC: Basic Agricultural Training Centre; AAE: Assistant Agriculture Engineer, Mechanical.

3.1.3 Scope of audit, sampling and audit methodology

Functioning of the Directorate during the period 2005-06 to 2009-10 was reviewed through a test check (June - August 2010) of the records of the Directorate at Shillong, three offices[5] of District Agriculture Officers of East Khasi Hills, West Garo Hills and Ri-Bhoi districts and their subordinate offices (refer to the organisational chart in the preceding paragraph). The three offices of District Agriculture Officers covered under this review received 34 *per cent* of the total funds made available to the Directorate during 2005-06 to 2009-10 under central sector/centrally sponsored schemes and State's Plan and Non-plan budgetary allocations and accounted for 32 *per cent* of the Directorate's total expenditure in the same period.

[5] out of a total of seven District Agriculture Offices in the State.

During 2005-06 to 2009-10, the Directorate implemented 21 central sector/centrally sponsored schemes[6] and 56 state schemes. The records relating to the execution of 27 of these schemes, selected in the manner as indicated in **Table 1,** were also seen during the course of test check of the Directorate and selected offices.

Table 1

Expenditure on schemes during 2005-10 (up to December 2009)	Total number of schemes	Percentage of schemes selected for review	Number of schemes selected* by Audit
> ₹ one crore	25	50	13
> ₹ 50 lakh < ₹ one crore	18	25	05
< ₹ 50 lakh	34	25	09
Total	**77**		**27**

* selected on random basis

Before the commencement of audit, an entry conference was held on 26 May 2010 with the Joint Director and other officers of the Directorate and the Deputy Secretary of the Department of Agriculture, where audit objectives, criteria and methodology were explained. During the course of review, audit evidences and observations were formulated on the basis of records made available, discussions with officials of the Directorate and physical verification (wherever considered necessary). An exit conference was held on 04 November 2010 with directorate/departmental officials to discuss the audit findings. The written replies furnished by the Directorate and views expressed at the exit conference by the directorate/departmental officials have been considered and suitably incorporated in this review.

3.1.4 Audit Objectives

The Audit objectives were to examine:

- the overall efficiency and effectiveness of the Directorate;
- economy, efficiency and effectiveness in execution/implementation of schemes; and,
- effectiveness of monitoring and evaluation system.

3.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- State Financial Rules and Works Code;
- State/Central guidelines of schemes/projects;
- detailed project reports of selected projects; and
- monitoring mechanisms prescribed, if any.

[6] Generally, Centrally Sponsored Schemes are partly funded by the Central and State Governments and Central Sector Schemes are 100 *per cent* funded by the Central Government.

3.1.6 Acknowledgement

Audit acknowledges the cooperation extended by various officials of the Directorate at Shillong and officials of the offices and subordinate establishments of the District Agriculture Officers in East Khasi Hills, Ri-Bhoi and West Garo Hills Districts to the Audit personnel in carrying out this assignment.

3.1.7 Audit Findings

The important points noticed during the course of this review are discussed in the succeeding paragraphs.

3.1.8 Financial Management

3.1.8.1 Defective budgeting

Sound financial management is an essential pre-requisite for the effective and efficient functioning of any organisation. The budget provision, actual allotment and expenditure of the Directorate, under the state sector, during the review period were as under:

Table 2: Budget provision, actual allotment and expenditure

(Rupees in crore)

Year	Budget provision		Actual allotment		Expenditure		Savings (-) Excess (+)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2005-06	30.43	14.36	11.99	14.40	11.70	14.64	(-)0.29	(+) 0.24
2006-07	38.05	15.17	13.83	15.20	13.76	15.52	(-) 0.07	(+) 0.32
2007-08	75.00	16.75	23.80	16.75	23.95	16.66	(+) 0.15	(-)0.09
2008-09	67.95	18.77	22.82	18.77	22.52	18.61	...	(-) 0.17
2009-10	22.85	27.70	22.06	27.63	22.06	27.63	....	...
Total	**234.28**	**92.75**	**94.20**	**92.75**	**93.99**	**93.06**		

Source: The Directorate of Agriculture

The above data shows that under the 'Plan' component, the actual allotment fell short of the budget provision in each year of the period under review. As against the total budget provision of ₹ 234.28 crore under the 'Plan' head during 2005-10, the actual allotment was ₹ 94.20 crore (40 *per cent*). The Directorate stated (July 2010) that the shortfall every year was due to "*budget cuts*". The reply has to be viewed in the light of the fact there was recurring mismatch between actual allotment *vis-à-vis* budget provisions year after year and also, despite the shortfall in allotment *vis-à-vis* budget provision under the 'Plan' component, the Directorate still had savings in two out of the five years under review. This indicated defective budgeting practices. The Directorate should have prepared budget in a more realistic manner keeping in mind the reality of the previous year.

Under the 'Non-Plan' head, expenditure exceeded the allotment in two years and there were savings in another two years of the five-year period under review.

In exit conference it was stated (November 2010) that the Directorate placed demand as per its requirement but money allotted was not as per their demand.

3.1.8.2 Misreporting of expenditure to Government of India

In addition to funds received under the state sector as shown in Table 2, the Directorate also received funds from the Government of India (GOI) for central sector and centrally sponsored schemes during 2005-10 as under:

Table 3

(Rupees in lakh)

Year	Central sector schemes		Centrally sponsored schemes	
	Fund received	Expenditure	Fund received	Expenditure
2005-06	11.28	11.28	1258.84	1258.84
2006-07	136.76	136.76	992.54	992.54
2007-08	17.12	17.12	1082.23	1082.23
2008-09	35.05	35.05	1441.15	1441.15
2009-10	47.63	47.63	1441.19	1441.19
Total	**247.84**	**247.84**	**6215.95**	**6215.95**

Source: The Directorate of Agriculture

It was seen that the Directorate, through physical/financial reports on central sector/centrally sponsored schemes periodically submitted to the GOI, had reported that the entire money received under these schemes had been spent in the financial year that the funds were received. This position was however, incorrect as in every year of the review period, the Directorate had been parking funds under "8443- Civil Deposits" The Directorate was therefore, culpable of misreporting facts to the GOI.

3.1.8.3 Parking of Central and State funds under "8443- Civil Deposits"

Central and State funds, released to the Directorate by the Finance Department, GOM in the month of March every year during the review period were parked by the Directorate under the head "8443 - Civil Deposits" to avoid lapse of funds. The details are given in the table below. These sums were subsequently taken out of "8443-Civil Deposits" in the subsequent financial year on instructions from Finance Department.

Table 4

(Rupees in lakh)

Year	Amount kept in "Civil Deposit"		Date of release	
	State	Central	State	Central
2005-06	313.75	816.14	05.06.2006	05.06.2006
2006-07	624.71	1126.41	24.05.2007	24.05.2007
2007-08	824.71	185.77	13.05.2008	13.05.2008
2008-09	1162.58	1474.57	12.06.2009	12.06.2009
2009-10	2154.73	1484.11	22.06.2010	12.07.2010

Source: The Directorate of Agriculture

The above practice was a violation of Rule 211 of the Meghalaya Treasury Rules, 1985 which expressly prohibits the drawal of money in anticipation of demand or to prevent lapse of budget grants.

3.1.8.4 Retention of huge undisbursed funds in banks

Scrutiny of the cashbook of the Directorate revealed that undisbursed central and state funds, drawn by the Directorate during 2000-01 to 2009-10, were kept in two 'current' accounts with banks. The amounts were as under:

Table 5

(Rupees in crore)

Year	Amounts under State Scheme	Amounts under Central Scheme	Total
	(Balance as on 31 March each year)		
2000-01	0	0.04	0.04
2001-02	0.02	0.01	0.03
2002-03	0.04	0.10	0.14
2003-04	0.05	0.66	0.71
2004-05	0.32	0.76	1.08
2005-06	0.61	0.47	1.08
2006-07	1.07	1.18	2.25
2007-08	1.08	1.72	2.80
2008-09	2.05	2.34	4.39
2009-10	0.51	-	0.51
Total	**5.75**	**7.28**	**13.03**

Source : The Directorate's Cash Book

The retention of undisbursed funds to the tune of ₹ 13.03 crore by the Directorate is a violation of Rule 211 of the Meghalaya Treasury Rules, 1985. Reasons for keeping the funds in bank accounts were not furnished, although called for.

3.1.8.5 Unadjusted Abstract Contingent Bills

Rule 232 of the Meghalaya Treasury Rules, 1985 stipulates that Controlling Officers have to submit Detailed Countersigned Contingent (DCC) Bills directly to the Accountant General (AG) against the drawal of Abstract Contingent (AC) Bills within a month from the date of drawal.

Scrutiny of records of the Directorate revealed that the Director of Agriculture had drawn an amount of ₹ 14.08 lakh between March 2005 and March 2010 through seven AC Bills as shown in **Table 6**. The corresponding DCC Bills were yet to be submitted to the AG as of September 2010. Failure to submit the same was not only irregular but also indicated deficiency in the internal control systems of the Directorate. Moreover, it was a situation fraught with the risk of misappropriation.

Table 6

Sl No.	Names of the Drawing and Disbursing Officers from whom DCC bills were awaited	Month & year of drawal	Purpose for which drawn	Amount (in rupees)
1.	District Agriculture Officer, Ri-Bhoi	March 2005	TA for Exposure Trip	66,415
2.	District Agriculture Officer, East Garo Hills, Williamnagar	March 2006	TA for Exposure Trip	48,750
3.	District Agriculture Officer, East Garo Hills, Williamnagar	March 2007	TA for Exposure Trip	60,000
4.	Asstt. Agriculture Engineer (Mechanical), Shillong	March 2008	Running of agricultural machineries	7,47,900
5.	District Training Officer (Farmers Training Centre) West Garo Hills, Tura	July 2009	Farmers training	1,80,000
6.	District Agriculture Officer, East Garo Hills, Williamnagar	February 2010	Farmers training	1,60,000
7.	District Agriculture Officer, West Khasi Hills, Nongstoin	March 2010	Farmers training	1,45,000

Source : The Directorate of Agriculture

3.1.8.6 Rush of Expenditure

Scrutiny of records of the Directorate revealed that in every year during the period 2005-10, 75 to 83 *per cent* of the total expenditure under the 'Plan'[7] component of the state sector budget had occurred in the last quarter of the financial year as shown below:

Table 7

(Rupees in lakh)

Year	Expenditure in first three quarters	Expenditure in 4th quarter	Total expenditure	Percentage of expenditure in 4th quarter
2005-06	296.12	873.48	1169.60	75
2006-07	323.94	1052.16	1376.10	76
2007-08	401.67	1993.73	2395.40	83
2008-09	412.33	1839.57	2251.90	82
2009-10	464.63	1741.17	2205.80	79

Source: The Directorate of Agriculture

Prudent and sound financial management dictates that public expenditure be evenly phased during the course of a financial year. The Director stated (September 2010) that the rush of expenditure in the last quarter was due to non-receipt of sanctions in time. Since this was a recurring problem year after year, the Directorate should have taken the initiative to address this problem, in consultation with other Government agencies involved, to streamline the process so as to avoid the bulk of the expenditure in the last quarter of the financial year.

[7] Non-Plan component of state sector budget comprises, in the main, establishment expenditure. There was no rush of expenditure in this segment.

3.1.9 Failure to carry out statewide surveys and soil testing of agricultural lands

To effectively carry out the mandate of accelerating the growth of foodgrain production in the State, extensive surveys and soil testing of agricultural land is essential as this exercise would identify the different crops most suitable to be grown in different parts of the State and in addition, identify uncultivated arable land which could be brought under cultivation. However, no such survey or soil testing of agricultural lands was undertaken in the State.

In response to an audit query, the Department stated (July 2010) that "*since the State was not cadastrally surveyed, suitable area under different crops cannot be ascertained*". The reply is unacceptable as a 'cadastral' survey is essentially an exercise to determine the value, extent and ownership of land as a basis of taxation and therefore, its absence or otherwise, does not in any way hamper or prevent the Directorate from independently carrying out survey and soil testing of agricultural land in the State.

During the Exit Conference, the Department stated that piece-meal survey had been carried out at district levels and efforts would be made to get statewide data.

3.1.10 Decline in agricultural production and productivity

During the period 2005-06 to 2008-09[8], the area under cultivation in Meghalaya increased by a mere 0.82 *per cent* while agricultural production actually decreased by 2.31 *per cent* over the same period as shown in the table below:

Table 8

Sl No	Crops	2005-06		2008-09		Increase (+)/Decrease(-)	
		Area under cultivation (in Ha)	Production (in MT)	Area under cultivation (in Ha)	Production (in MT)	Area (Ha)	Production (MT)
1.	Foodgrains	1,29,799	2,38,842	1,31,559	2,35,601	(+) 1,760	(-) 3,241
2.	Oil Seeds	9,975	6,692	9,994	7,020	(+) 19	(+)328
3.	Fibre Crops	15,684	63,479	15,233	59,251	(-) 451	(-) 4,228
4.	Other Crops	801	694	756	686	(-) 45	(-) 8
	Total	**1,56,259**	**3,09,707**	**1,57,542**	**3,02,558**	**(+)1,283**	**(-) 7,149**

Source: Department of Agriculture.

In terms of productivity per hectare it can be seen that the yield per hectare in respect of foodgrains had declined from 1.84 MT per hectare in 2005-06 to 1.79 MT per hectare in 2008-09 while the yield per hectare in respect of fibre crops had declined from 4.05 MT per hectare in 2005-06 to 3.89 MT per hectare in 2008-09.

The decline in agricultural production and fall in productivity of the two largest crops grown in the State was partly attributable to the failure of the Directorate to carry out state-wide soil testing of agricultural land and take appropriate measures to address

[8] Figures for 2009-10 not available

the problem. In exit conference, the Department stated that decline in production was due to lesser rainfall in these years as most of the cultivation were rainfed as irrigation potential created by the Irrigation Directorate was very low (10-12 *per cent*) and also due to pest problem. While creation of irrigation potential was not in the hands of the Directorate, the problem of pests was within the control of the Directorate. However, the Directorate did not provide any information regarding the measures being taken to tackle the pests.

Implementation of schemes

During 2005-06 to 2009-10, the Directorate executed/implemented a total of 77 central sector/centrally sponsored and state sector schemes of which 27 were selected for review by audit. The results of this examination are enumerated in the succeeding paragraphs.

3.1.11 National Watershed Development Projects for Rainfed Areas

National Watershed Development Projects for Rainfed Areas (NWDPRA) is a 100 *per cent* centrally sponsored scheme launched in 1990-91. The broad objectives of the NWDPRA were conservation, development and sustainable management of natural resources; enhancement of agricultural productivity and production in a sustainable manner, restoration of ecological balance in degraded areas, *etc.* Under NWDPRA, funds are also provided for livestock support system for landless families.

3.1.11.1 Rendition of incorrect Utilisation Certificate

During the Tenth Plan period (2002-03 to 2006-07), 78 projects were taken up in the State under the NWDPRA and completed. During the Eleventh Plan period (2007-08 to 2011-12), another 78 projects were taken up and are scheduled to continue till the end of the Plan period. The funds received from the GOI under the scheme and expenditure thereagainst reported through Utilisation Certificates (UC) submitted by the Directorate to GOI during 2005-10 were as under:

Table 9

(Rupees in lakh)

Year	Fund allotted by GOI	Date of allotment of fund by		Expenditure for the year reported by DoA to GOI	Date of release of the fund by GOM from "Civil Deposits"
		GOI to GOM	GOM to DoA		
2005-06	447.70	30.06.05 to 30.09.05	31.03.06	447.70	05.06.06
2006-07	669.50	23.05.06 to 15.09.06	31.03.07	669.50	24.05.07
2007-08	617.00	06.06.07 to 14.06.07	31.03.08	617.00	13.05.08
2008-09	628.56	06.08.08 & 29.12.08	31.03.09	628.56	16.05.09
2009-10	1036.00	28.09.09 & 08.02.10	31.03.10	1036.00	12.07.09

Source: The Directorate of Agriculture.

Funds received from GOI under the NWDPRA were released by the State Finance Department on the last day of each of the financial years 2005-10. Consequently, to prevent lapse of the amounts, the Directorate, under instructions of the Finance Department parked the funds under the head '8443 – Civil Deposits'[9]. The Directorate would then subsequently withdraw this amount from "Civil Deposits", again on instructions of Finance Department, in the next financial year and start incurring expenditure thereagainst. This situation was inexplicable considering that funds were released by GOI to the State Government well in advance. Further, the UCs furnished by the Directorate to GOI showed that the money had been spent in the financial year in which it had been received.

It was further observed that the above situation was not confined only to the NWDPRA but was a problem with other centrally sponsored schemes also. This is brought out in the subsequent paragraphs of this review.

3.1.11.2 Diversion of funds on activities not covered under NWDPRA

It was seen that the sanctions of the Agriculture Department, GOM authorizing expenditure under the NWDPRA covered projects such as revival of common natural resources, augmenting ground water potential, repair/restoration/upgradation of existing assets such as village tanks, water harvesting structures, *etc.*- activities in sync with the objectives of the scheme.

Test check of records of 15 projects executed during the Tenth Plan period and 28 ongoing projects in the Eleventh Plan in the three districts covered under the review however revealed that 35 community halls, 10 footpaths and seven footbridges, projects not covered under the objectives of the NWDPRA or authorised by the sanctions of the GOM, were constructed at a total cost of ₹ 21.37 lakh, ₹ 6.49 lakh and ₹ 2.27 lakh respectively.

3.1.11.3 Execution of work without recording measurement

During the period under review in the three selected districts, ₹ 4.51 crore was incurred on construction works (cement concrete work, earth work, brick work, *etc.*) in 70 NWDPRA projects executed departmentally through deployment of muster roll labourers/beneficiaries. However, no records like Measurement Book (MB), Outturn Statement of Works done and Utilisation Statement of Materials were maintained. As per Rule 237 of Meghalaya Financial Rules (MFR), the MB is *"a most important record, since it is the basis of all accounts of quantities, whether of work done by daily labour or by piece or by contract."* Non-maintenance of proper records was a contravention of the Rule in the absence of which, the quantum of work carried out could not be verified in audit.

[9] Except in March 2008 when the DoA retained the funds in a bank account and released in May 2008.

3.1.11.4 Purchases made without inviting quotations/ tenders

Rule 8(1) of the Meghalaya Preferential Stores Purchase Rules, 1990 stipulates that any department making any purchase of any items of stores shall invite open quotations/tenders. It was observed that in the three selected districts during the period under review, ₹ 1.33 crore was spent on procurement of construction materials (hardware, cement, wood, stone chips, sand, *etc.*) in 70 NWDPRA projects during the review period without inviting tenders/quotations or issue of supply orders.

3.1.11.5 Physical Target and Achievement

The physical target of coverage area and achievement thereof during 2005-10 under NWDPRA was as under:

Table 10

(area in hectare)

Year	Physical target	Physical achievement
2005-06	5,089	4,412
2006-07	17,479	17,485
2007-08	8,434	5,120
2008-09	8,934	4,726
2009-10	8,934	9,148

It can be seen that area coverage during two years was marginally more than what was targeted while in the remaining years the shortfall ranged from 13 (2005-06) to 47 *per cent* (2008-09).

Reasons for the shortfall, though called for, was not furnished.

3.1.11.6 Field Visits

Joint physical verification with departmental officers conducted (October 2010) in eight completed watershed projects (four projects in West Garo Hills District and four in East Khasi Hills District) revealed the following:

- Two out of six inspected fishery-cum-water harvesting ponds were found abandoned in East Khasi Hills District and similarly, three out of five inspected were found abandoned in West Garo Hills.
- Both the Plant nurseries inspected in East Khasi Hills District were found abandoned.
- Five out of seven pig sties inspected in East Khasi Hills District were without pigs and similarly, both the pigs sties inspected in West Garo Hills District had no pigs.
- In West Garo Hills District, of the thirteen poultry sheds inspected twelve were without any chicks and the other was non-existent.

No impact study was carried out by the Department to ascertain if benefits such as development and sustainable management of natural resources; enhancement of agricultural productivity and production in a sustainable manner, restoration of ecological balance in degraded areas, *etc.* has been achieved. However, instances of completed projects being abandoned raises doubt on the veracity of completion reports of these projects, especially in view of the fact that large number of works was executed departmentally and there was no record in support of the measurement of the work carried out.

3.1.12 Scheme on 'Development of Maize through Cluster Approach'

The state sector scheme Development of Maize through Cluster Approach (DoMCA) was implemented in the State from 2007-08 with the objective of increasing foodgrain production *"by providing full package of practices as demonstration in order to attain self-sufficiency by growing high yielding varieties of maize."* The scheme also aimed to *"enhance the farmer's economy and lessen import of feed from outside the State."*

The State-wide outlay and expenditure under the scheme during 2007-10 and the corresponding figures for the three districts covered in this review were as below:

Table 11

(Rupees in lakh)

Year	State-wide		Three districts covered in this review					
	Allocation	Exp	Allocation			Expenditure		
			WGH[10]	EKH	RB	WGH	EKH	RB
2007-08	150.00	156.28	25.98	19.00	20.55	25.95	19.00	20.55
2008-09	120.00	119.98	25.00	14.50	18.50	25.00	14.50	18.50
2009-10	192.45	192.32	35.35	24.30	26.40	35.35	24.30	24.00
Total	**462.45**	**468.58**	**86.33**	**57.80**	**65.45**	**86.30**	**57.80**	**63.05**

Source: The Directorate of Agriculture

During the period 2007-10, the three districts covered in this review accounted for 45 *per cent* and 44 *per cent* of the total budgetary allocation and expenditure respectively under the scheme.

3.1.12.1 Impact of the scheme

Data furnished by the Directorate, exhibited in the table below, showed that the implementation of the scheme in two[11] of the selected districts did not have any palpable impact on maize production or on the area cultivated under the crop.

[10] WGH: West Garo Hills; EKH: East Khasi Hills; RB: Ri-Bhoi.

[11] Data for East Khasi Hills District not furnished, although called for.

Table 12

Districts	2007-08		2008-09		2009-10	
	Area Covered (Ha)	Production (MT)	Area Covered (Ha)	Production (MT)	Area Covered (Ha)	Production (MT)
Ri-Bhoi	831.00	2077.00	576.60	1439.00	655.45	1638.00
West Garo Hills	4428.00	7095.00	4428.00	7055.00	4446.00	6988.00
East Khasi Hills	507.00	760.50	304.20	456.36	357.00	535.38

Source: The Directorate of Agriculture

From the above table it can be seen that despite an expenditure of ₹ 2.07 crore under the scheme in the three districts

- in Ri-Bhoi District, both area coverage and production declined by 21 *per cent* in 2009-10 compared to the position of 2007-08;
- in West Garo Hills District, although the area cultivated increased marginally by 0.41 *per cent*, production came down by 1.51 *per cent.*
- in East Khasi Hills District both area coverage and production declined by 30 *per cent.*

3.1.12.2 Short coverage of area

Scrutiny of records of the DAO, West Garo Hills District revealed that during 2007-08 to 2009-10, ₹ 49.10 lakh was sanctioned under the DoMCA scheme for purchase of fertilizer/organic manure and plant protection chemicals to cover a total area of 2658.50 hectare i.e, @ ₹ 0.018 lakh per hectare. As against this, only 1186.28 hectare was covered at an expenditure of ₹ 48.58 lakh. Thus, apart from the short coverage of 1472.22 hectare, this also resulted in excess expenditure of ₹ 27.23 lakh[12].

During the Exit Conference, the Directorate stated that less coverage was due to increase in cost of seeds, fertilizers, manures, *etc.* The Directorate ought to have approached the State Government to enhance the amount in view of escalation in input costs.

3.1.13 Scheme on Multiple Cropping through Cluster Approach

The state sector scheme, Multiple Cropping through Cluster Approach (MCCA) was implemented from 2005-06. Since 2007-08, the MCCA was being implemented in areas with assured water supply only. Under the scheme, high yielding variety seeds, improved fertilizer, organic manure, plant protection chemicals, *etc.* are provided free of cost to farmers with the objective of increasing productivity, encouraging farmers to grow crops two or three times a year at the same location and thus giving them additional income.

[12] ₹ 27.23 lakh = actual expenditure of ₹ 48.58 lakh *minus* (₹ 0.018 lakh X 1186.28 hectare)

The State-wide allocation and expenditure under the scheme during 2005-10 and the corresponding figures for the three districts covered in this review were as below:

Table 13

(Rupees in lakh)

Year	State-wide		Three districts covered in this review					
	Alloca-tion	Expen-diture	Allocation			Expenditure		
			WGH[13]	EKH	RB	WGH	EKH	RB
2005-06	112.00	112.00	21.39	19.32	11.28	21.39	19.32	11.28
2006-07	123.20	122.36	23.41	20.95	12.62	23.40	20.95	12.61
2007-08	150.00	150.16	24.79	38.24	16.90	24.79	38.24	17.96
2008-09	150.00	149.66	23.89	22.68	22.09	23.89	22.31	22.08
2009-10	200.00	173.99	31.10	31.10	26.00	31.10	29.93	26.00
Total	**735.20**	**708.17**	**124.58**	**132.29**	**88.89**	**124.57**	**130.75**	**89.93**

Source: The Directorate of Agriculture

During the period covered under review, the three selected districts accounted for 47 *per cent* and 49 *per cent* of total allocation and expenditure respectively under the scheme.

3.1.13.1 Late distribution of seeds

Scrutiny of records revealed that in East Khasi Hills and West Garo Hills Districts during the period 2005-10, paddy seeds was distributed to farmers after the sowing season as below:

- The DAO, East Khasi Hills during 2005-06 received 400.60 quintal (ql). of paddy seed for Kharif season from suppliers between 06 June and 20 June 2005 which was subsequently issued to farmers between 09 June and 23 June 2005, whereas the sowing season for Kharif paddy is April to May. Similarly, during 2008-09 the DAO, East Khasi Hills received 97 ql of paddy seed for Kharif season between 07 June and 25 June 2008 of which 17 ql was issued to farmers on 10 June 2008. The date of issue of the remaining 80 ql of seed was not available on record nor could be furnished by the DAO.

- During 2005-06 the DAO, West Garo Hills received 2.70 ql of paddy seed for Kharif season from suppliers on 02 December 2005 which was way beyond the sowing season for Kharif (April to May) and Rabi (October to November). Similarly, during 2006-07 the DAO received 13.20 ql of paddy seed between 06 December and 31 December 2006 after both the Kharif and Rabi sowing season were over. In the stock register maintained by the DAO, the dates of issue of the aforesaid quantities of seed were not on record.

[13] WGH - West Garo Hills district; EKH - East Khasi Hills district; RB – Ri-bhoi district

3.1.13.2 Impact of the Scheme on productivity

The area covered and actual production under MCCA in the three selected districts during the review period was as below:

Table 14

Year	East Khasi Hills		Ri-bhoi		West Garo Hills	
	Area covered (Hectare)	Production (MT)	Area covered (Hectare)	Production (MT)	Area covered (Hectare)	Production (MT)
2005-06	1553.16	449.90	1300.00	1105.00	1658.00	500.00
2006-07	1074.00	209.62	1350.00	1106.50	1660.00	1700.00
2007-08	998.00	1102.50	1260.00	980.00	1590.00	1510.00
2008-09	1563.00	459.80	1340.00	1108.00	1682.00	2800.00
2009-10	1608.00	548.90	1360.00	1121.00	1605.00	1825.00

Source : DAOs of Selected districts

It can be seen that

- Area covered under the scheme in the three selected districts increased marginally from 4511.16 hectare in 2005-06 to 4573 hectare in 2009-10;
- Production under the scheme in the three selected districts increased by 70 *per cent* from 2054.90 MT in 2005-06 to 3494.90 MT in 2009-10.
- Productivity per hectare
  - in West Garo Hills District went up almost four-fold from 0.30 MT per hectare (2005-06) to 1.14 MT per hectare (2009-10);
  - in East Khasi Hills District went up from 0.29 MT (2005-06) to 0.34 MT (2009-10);
  - in Ri-Bhoi District declined from 0.85 MT (2005-06) to 0.82 MT (2009-10).

The impact of implementation of scheme was mixed as the productivity in one selected district went up substantially and in another selected district it was marginal and in third selected district it actually came down.

3.1.14 Scheme on Popularisation of Improved Agricultural Equipment

The objective of the state sector scheme Population of Improved Agricultural Equipment (PIAE), implemented from 2005-06, was to accelerate agricultural production by providing improved implements to the farmers at a subsidised rate. Under the scheme, the Directorate centrally procures farm machinery and implements, which are then distributed to the DAOs in the districts for sale to the farmers at a 50 *per cent* subsidy.

The funds allocated for the scheme in the State and expenditure thereagainst during 2005-10 were as under:

Table 15

(Rupees in lakh)

Year	Fund allocated	Expenditure
2005-06	11.00	10.40
2006-07	12.10	07.57
2007-08	15.00	14.77
2008-09	15.00	10.93
2009-10	10.00	Nil

Source: The Directorate of Agriculture

3.1.14.1 Unrealistic assessment of agricultural implements/equipment

Under the scheme, procurement of Agricultural equipment was made centrally by the Directorate for ₹ 42.42 lakh during 2005-09 and the same were distributed to seven DAOs for selling to the farmers at 50 *per cent* subsidised rates. Out of the total equipment worth ₹ 42.42 lakh, articles worth ₹ 37.40 lakh (88 *per cent*) were still lying in stock as on 01 April 2010.

In the three selected offices of the District Agricultural Officers (DAO), it was seen from stock records that during the five-year period ending 2009-10,

- The DAO, East Khasi Hills District received agricultural equipment costing ₹ 0.94 lakh during 2005-06 of which equipment costing ₹ 0.75 lakh were still in stock as on 01 April 2010. In addition, during 2007-08 and 2008-09 equipment worth ₹ 2.88 lakh were received of which items costing ₹ 2.11 lakh were in stock as on 01 April 2010. Thus, out of a total value of ₹ 3.82 lakh of equipment received during 2005-09, items costing ₹ 2.86 lakh were unsold as on 01 April 2010.
- The DAO, Ri-Bhoi District received equipment costing ₹ 7.26 lakh during 2006-07 of which items costing ₹ 6.55 lakh were still in stock as on 01 April 2010. During 2007-08 equipment costing ₹ 3.59 lakh were received and all these items were lying unsold as on 01 April 2010. Thus, equipment valued at ₹ 10.14 lakh received during 2005-08 remained unsold as on 01 April 2010.
- The DAO, West Garo Hills district received equipment costing ₹ 6.18 lakh during 2005-09 of which items worth ₹ 2.06 lakh were sold leaving a balance stock of ₹ 4.12 lakh lying unsold as on 01 April 2010.

In sum, the three DAOs received agricultural implements/equipment costing ₹ 20.85 lakh during 2005-10 of which ₹ 17.12 lakh (82 *per cent*) were lying in stock as on 01 April 2010.

It was further noticed that the Directorate was procuring the equipment/implements under the scheme without ascertaining the actual requirements of the farmers from the DAOs. In a communication (August 2006) to the Directorate, the DAO, West Khasi Hills had stated that farmers were not willing to purchase the materials under the scheme with the result that the office was saddled with the care/maintenance of these materials which was troublesome and suggested that sale of locally manufactured agricultural implements at subsidized rates was more preferable.

There was nothing to indicate that the Directorate had revisited the scheme in view of the farmer's lukewarm response or considered the suggestion of the DAO, West Khasi Hills District.

During the Exit Conference, the Department admitted that requirement was not assessed before procurement and proper awareness programme was also not taken up.

3.1.15 Fertilizer Distribution scheme

The objective of the State sector scheme Fertilizer Distribution (FD) was to provide subsidy on cost of fertilizers so as to help farmers procure fertilizers at reasonable prices. The scheme also provided subsidy on transport of fertilizers so that the same are made available at uniform rates to farmers in the State. The subsidies are aimed to encourage the use of fertilizers by farmers so as to maintain fertility of the soil so that they benefit from better performance and good yield of their crops.

3.1.15.1 Short availing of subsidy

The budgetary allocation for subsidies (price and transport) during each of the five years ending 2009-10 and the amount thereof actually availed in the State as a whole and in the three selected districts are as follows:

Table 16

(Rupees in lakh)

Year	State			Three selected districts		
	Subsidy Allotted	Subsidy availed	Unavailed subsidy (in *per cent*)	Subsidy Allotted	Subsidy availed	Unavailed subsidy (in *per cent*)
2005-06	33.00	29.77	10	23.59	20.49	3.10
2006-07	21.83	18.75	14	16.86	13.93	2.93
2007-08	35.00	26.40	25	23.50	16.59	6.91
2008-09	34.00	28.79	15	22.82	19.62	3.20
2009-10	40.00	26.00	35	25.92	15.93	9.99

Source: The Directorate of Agriculture

It can be seen from the above that

- for the State as a whole, the budgetary allotment was not fully utilized in all the years and the unutilized subsidy had progressively increased during the five-year period from 10 *per cent* in 2005-06 to 35 *per cent* in 2009-10;
- the share of the subsidy for the three selected districts ranged between 65 *per cent* and 77 *per cent* during 2005-10 and during the same period percentage of unavailed subsidy ranged between 13 *per cent* and 39 *per cent*.

3.1.15.2 Impact of the scheme

Under the FD scheme, an authorised wholesaler sells fertilizers to the authorized retailers and on the basis of such quantities sold, the former then claims the subsidy from the Directorate. The quantum of fertilizers targeted for procurement each year and the quantum actually procured by the authorized wholesalers (and for which subsidy was claimed/given) during 2005-06 to 2009-10 is given below:

Table 17

(in MT)

Year	Fertilizers targeted for procurement			Fertilizers actually procured & distributed		
	Urea	DAP	MOP	Urea	DAP	MOP
2005-06	3636	2000	506	3933	1535	522
2006-07	2723	1096	354	2548	809	310
2007-08	3961	2000	1082	3686	1178	895
2008-09	3933	1917	1051	4589	1026	1112
2009-10	5055	1940	1532	4544	599	1202

Source: The Directorate of Agriculture

With reference to the scheme's objective of encouraging the use of fertilizers, it can be seen from the above that

- the objective has met with limited success as the total quantity of fertilizers procured increased by only 6 *per cent* during the five-year period from 5,990 MT in 2005-06 to 6,345 MT in 2009-10;
- the actual procurement of Urea increased by 16 *per cent* as against the targeted increase of 39 *per cent* during the period 2005-06 to 2009-10; however, in three out of the five years under review, procurement of Urea fell short of the target by 6, 7 and 10 *per cent* in 2006-07, 2007-08 and 2009-10 respectively;
- the procurement of DAP fertilizer fell consistently short of annual targets and the shortfall ranged from 23 *per cent* (2005-06) to 69 *per cent* (2009-10); in the three years ending 2009-10 the shortfall was on an increasing trend and was 41, 46 and 69 *per cent* in 2007-08, 2008-09 and 2009-10 respectively;
- although the procurement of MOP fertilizer was targeted to increase by 203 *per cent* during the period 2005-06 to 2009-10, the actual increase was 130 *per cent* only over the same period; in three out of the five years under review, actual procurement of MOP fertilizer fell short of the target by 12, 17 and 28 *per cent* in 2006-07, 2007-08 and 2009-10 respectively.

The FD scheme's objective of maintaining fertility of the soil so that farmers benefit from better performance and higher yields also was not achieved as overall agricultural production in the State decreased by 2.31 *per cent* during the five-year period 2005-10.

During the Exit Conference, the Department stated that receipt of fertilizers depend on availability of the same with the suppliers and agreed that the matter needed to be addressed through proper co-ordination.

3.1.16 Jute Technology Mission II

The Jute Technology Mission II (JTM), a centrally sponsored scheme, was introduced from 2007-08. Expenditure on the scheme is shared in the ratio 90:10 between the Central and State Governments. The scheme's objective is to increase the area and production of jute and to improve the quality of jute fibre through post harvest operations. The budgetary allotment and expenditure under the JTM is given below:

Table 18

(Rupees in lakh)

Year	Fund allocated	Expenditure
2007-08	8.79	8.79
2008-09	18.87	18.87
2009-10	15.81	Nil

Source: The Directorate of Agriculture

3.1.16.1 Impact of the scheme in the selected districts

Jute of two varieties, *viz.*, 'Jute' and 'Mesta', is cultivated in the districts of East Garo Hills, West Garo Hills and South Garo Hills of the State. The impact of the scheme on the cultivated area and production in these districts was as below:

Table 19

District	2006-07				2008-09*			
	Jute		Mesta		Jute		Mesta	
	Area under cultivation (Ha)	Produc-tion (Bales)	Area under cultivation (Ha)	Produc-tion (Bales)	Area under cultivation (Ha)	Produc-tion (Bales)	Area under cultivation (Ha)	Produc-tion (Bales)
East Garo Hills	217	1769	140	642	208	1023	70	320
West Garo Hills	3436	32413	3303	15063	3433	32122	3288	15000
South Garo Hills	314	1127	962	4473	310	1443	818	3726
Total	**3967**	**35309**	**4405**	**20178**	**3951**	**34588**	**4176**	**19046**

Source : The Directorate of Agriculture and DAO, West Garo Hills
** figures for 2009-10 not made available by the Directorate for East Garo Hills and South Garo Hills Districts; hence, analysis done for 2008-09 for which figures were available for all three districts*

From the above it can be seen that

- the area under Jute cultivation had marginally decreased from 3,967 hectare in 2006-07 (the year prior to the introduction of the scheme) to 3,951 hectare in 2008-09; production of Jute also fell by 2 *per cent* in the same period;

- the area under Mesta cultivation and production had decreased by 5 and 6 *per cent* respectively.
- in respect of West Garo Hills District (one of the three selected districts), it was seen that the area under Jute cultivation had fallen by 24 hectare from 3,436 hectare in 2006-07 to 3,412 hectare in 2009-10 and Jute production had also fallen by 383 bales from 32,413 bales in 2006-07 to 32,030 bales in 2009-10; the area cultivated under Mesta had fallen by 32 hectare from 3,303 hectare in 2006-07 to 3,271 hectare in 2009-10 and production by 700 bales from 15,063 bales in 2006-07 to 14,363 bales in 2009-10.

Thus, with respect to the scheme's objective of increasing the area under cultivation, it can be seen that the area under Jute cultivation in the State decreased marginally while the area under Mesta cultivation declined by 5 *per cent*. In West Garo Hills District, the area under Jute and Mesta cultivation had both declined. Total production (Jute and Mesta) decreased by 1,853 bales in 2008-09 and productivity remained static at 6.6 bales.

During the Exit Conference, the Directorate stated that Jute was not a very popular crop. The reply is not tenable as the objective of the scheme was to popularise jute cultivation by increasing area coverage and production.

3.1.17 Agriculture Engineering (Workshop) Plan scheme

The Agriculture Engineering (Workshop) Plan (AEP) was a state sector scheme with the objective of creating infrastructure within the Directorate for repair and maintenance of agricultural machinery hired out by the Directorate to farmers at subsidised rates. Under this scheme, agriculture workshops were in operation at the district headquarters of Shillong, Tura, Jowai, Nongstoin and Williamnagar.

3.1.17.1 Meagre revenue generated from hiring of machinery

The scrutiny of records of the Assistant Agriculture Engineers (Mechanical) [AAE] at Tura and Shillong were covered under this review. In respect of the latter it was observed that during the period 2005-06 to 2009-10, the AAE, Shillong incurred an expenditure of ₹ 18.01 lakh on repair and maintenance of the following machinery against which revenue earned was only ₹ 1 lakh as under:

Table-20

(Rupees in crore)

Sl.No	Machinery	Amount spent on repair maintenance	Total revenue earned
1.	Bulldozer No.251172	7.87	0.96
2.	Bulldozer No.25113183	6.81	0.04
3.	Leyland Truck	2.90	-
4.	Mini Dozer	0.43	...
Total		**18.01**	**1.00**

It was also observed that an amount of ₹ 36.50 lakh was spent on pay and allowances of drivers and operators of the above equipment during the same period. In effect, against an outgo of ₹ 54.51 lakh during 2005-10, income during the same period was only ₹ 1.02 lakh.

3.1.18 Lack of quality testing facilities and delay to establish a laboratory

The Directorate procures agricultural inputs like seeds, fertilizers and pesticides which are then sold to farmers in the State every year at subsidised prices. Since huge quantities[14] of these commodities are sourced every year from different suppliers/producers, it is imperative that samples are tested to ensure that farmer's get good quality seeds, fertilizers, pesticides *etc.* It was observed that the Directorate did not have any seed, fertilizer or pesticide testing laboratory in the absence of which, the quality of the agricultural inputs sold to the farmers could not be vouchsafed. The Directorate stated (July 2010) that periodically the samples are sent to Faridabad for testing on selective basis.

It was noticed that the GOI, Ministry of Agriculture had released ₹ 40 lakh in March 2002 to the Directorate for setting up a State Pesticide Testing Laboratory (SPTL) at Upper Shillong with a capacity to analyze 1000 samples of pesticides per annum. The work of construction of the facility was taken up in September 2003 by the Executive Engineer, East Khasi Hills Irrigation Division (executing agency for the project) and stipulated to be completed by March 2004. Although an expenditure of ₹ 38.24 lakh had been incurred up to March 2009, the executing agency was yet to hand over the building to the Directorate as of September 2010. Further, there was nothing on record to indicate that the Directorate had ever taken up this issue with the executing agency. Scrutiny of records further revealed that ₹ 50.28 lakh was sanctioned by the State Government in March 2008 for purchase of equipment for the laboratory which, as of September 2010, was yet to be utilised.

Thus, failure to commission the SPTL even after a lapse of six and half years has resulted in unproductive expenditure of ₹ 38.24 lakh and blockade of funds to the tune of ₹ 50.28 lakh.

During the Exit Conference, the Department stated that some tests were conducted in laboratories of Research Officers and since the laboratories were not notified, samples were also required to be sent to outside agencies. However, the matter has been taken up with GOI to get the laboratories notified.

[14] in 2009-10 the procurement by the DoA was (i) fertilisers : 10,367 MT (ii) seeds: 15,061 ql (iii) pesticides: 6,474 litres and 15,154 kg

3.1.19 Manpower Management

According to the information made available to Audit, the total sanctioned strength of the Directorate was 1,205 as against which men-in-position was 1,070. The Directorate was thus operating with a Manpower shortage of 11 *per cent*.

To implement the state sector scheme **"Land Use Survey"** in West Garo Hills District, a subordinate office of the Assistant Agronomist Land Use Survey (AALUS), Tura functioned under the DAO, West Garo Hills with effect from 26 August 1994. Consequent on the post of Assistant Agronomist falling vacant from 01 April 1996, the employees[15] under the Land Use Survey Scheme were brought under the administrative control of the Research Officer (RO), Tura.

Scrutiny of records of the RO revealed that although the scheme was discontinued since 2000-01, the service of the employees employed under the scheme were not utilized elsewhere till date (November 2010). An amount of ₹ 99.76 lakh was incurred on pay and allowances, wages, office expenditures and travelling expenses of staff provided for and employed under the aforementioned scheme during 2000-10. Thus, the entire expenditure of ₹ 99.76 lakh was unproductive besides resulting in staff remaining idle and without work. This, despite the overall shortage of manpower in the Directorate, a fact confirmed by Audit during the course of inspection of the office. The RO while admitting the fact stated (June 2010) that the services of the idle staff would be utilized when projects under the "Land Use Survey" scheme is implemented in the District.

It is interesting to note that not once did the RO bring the situation to the notice of the Directorate so that the employees could be gainfully deployed elsewhere on other duties.

During the Exit Conference, Department assured that measures would be taken to re-deploy the staff.

3.1.20 Monitoring, evaluation and internal control

The efficiency and effectiveness of any department as well as the successful implementation of any scheme/project/program is crucially dependent on the existence of a robust monitoring and evaluation mechanism within the department to ensure that the achievement of departmental/program/scheme objectives are periodically monitored and evaluated against predetermined physical/ financial targets, timeliness, *etc.*

It was observed that the Directorate had a Monitoring and Evaluation Cell (MEC) set up in September 1977 and staffed by 10 persons. Scrutiny of records revealed that

[15] One post each of Assistant Agricultural Engineer, Upper Division Clerk, Lower Division Clerk, Driver, Peon and two posts of Mondols

although the Directorate executed 77 central sector/centrally sponsored schemes and state sector schemes during 2005-06 to 2009-10, the progress/execution of none of these schemes had ever been monitored on a regular basis by the Cell. During the same period it had prepared evaluation reports of only four state sector schemes against 56 state sector schemes in operation during the review period.

Internal Control provides reasonable assurance to the management that organisational objectives are achieved, financial interests and assets of the organisation safeguarded, regular feedback and reliable information on the functioning of the organisation is made available to management so that mid-course corrections and effective interventions can be made, where called for.

One post of an Internal Auditor sanctioned in July 1970 by Government for carrying out internal control functions of the Directorate. It was observed that the Internal Auditor in the Directorate was solely engaged in assisting the accounts branch in audit matters only. No internal audit of any subordinate office under the Directorate had ever been conducted during the period under review.

During the Exit Conference the Department admitted Monitoring and Evaluation was lacking and assured that action would be taken to strengthen it. However, the Department did not comment on absence of any norms for internal control and inspection.

3.1.21 Failure to enforce accountability for non-settlement of inspection reports

The irregularities noticed during the local audit conducted by the Principal Accountant General (Audit) (PAG) are communicated through Inspection Reports (IRs) to the Heads of offices inspected with a copy to the next higher authorities. A half-yearly report of pending IRs is sent by the PAG to the Secretary of the concerned administrative department to facilitate monitoring of the action on the reports.

As of June 2010, 32 paragraphs relating to 16 IRs, in respect of the offices under the Directorate, were outstanding either due to non-receipt of replies or the replies being incomplete. The details are as under:

Table 21

Sl. No.	Year	Number of outstanding IRs	Number of outstanding paragraphs
1.	1992-93 to 2005-06	8	14
2.	2006-07	1	3
3.	2007-08	1	2
4.	2008-09	2	5
5.	2009-10	4	8
	Total	**16**	**32**

Pendency of IRs even from 1992-93 indicated failure of the concerned Controlling Officers to initiate action in regard to the points raised in the IRs. The concerned Secretary of the Department also failed to ensure timely action by the concerned Controlling Officers and thus the control of the administrative department of the controlling officers was not adequate.

3.1.22 Conclusion

Financial management in the Directorate needs to be improved in view of defective budgeting practices followed and violation of financial rules such as retention of huge undisbursed funds in bank accounts, persistent rush of expenditure at the fag end of the financial year and non-clearance of AC bills in time. The objectives of the state sector/central sector/centrally sponsored schemes commented in this review were mostly not achieved. Despite implementing a total of 77 schemes during 2005-06 to 2009-10, the area under cultivation in the State had increased by only 0.82 *per cent* while agricultural production had actually declined by 2.31 *per cent* over the same period. The Directorate did not have any pesticide/fertilizer/seed testing or quality control facility and a State Pesticide Testing Laboratory for which funds were provided by GOI in March 2002 was yet to be operationalised.

3.1.23 Recommendations

- **Budget should be prepared on a realistic basis and timely release and proper utilisation of funds with reference to planned activities should be made mandatory.**

- **Efforts should be made to increase the production and productivity of the crops by establishing proper synergy with the other agencies, in general and with irrigation authorities, in particular.**

- **Considering the importance of providing good quality agricultural inputs to the farmers, steps should be taken to operationlise the SPTL on priority basis and consider setting up of more quality control/testing facilities.**

- **The existing manpower should be properly deployed to avoid idling of manpower.**

- **Carry out a cost-benefit analysis and decide on the viability of continuing to operate age old machineries given the high maintenance costs *vis-à-vis* meagre revenue inflows.**

- **The internal control, monitoring and evaluation mechanism should be strengthened and the impact of the schemes should be periodically assessed.**

- **Internal audit should be undertaken in respect of all units to evaluate the efficacy of the internal control system.**

The matter was reported to the Government in October 2010; reply was awaited (November 2010).

CHAPTER IV

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER IV – GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

4.1 Overview of State Public Sector Undertaking

Executive Summary

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations.

Meghalaya had 13 working Public Sector Undertakings (PSUs) (10 companies and three Statutory corporations) and one non-working company, which employed 5,006 employees. During the year 2009-10, one company has been struck off from the Registrar of Companies on 06.07.2010 and has been dissolved. The working PSUs registered a turnover of ₹ 440.72 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 3.53 per cent of State Gross Domestic Product indicating a moderate role played by State PSUs in the economy. However, the State PSUs incurred an overall loss of ₹ 5.51 crore in the aggregate for 2009-10 as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2010, of the total investment in State PSUs, 99.94 per cent was in working PSUs and the remaining 0.06 per cent in one non-working PSU. This total investment consisted of 33.64 per cent towards capital and 66.36 per cent in long-term loans. The investment has grown by over 55 per cent from ₹ 847.81 crore in 2004-05 to ₹ 1314.36 crore in 2009-10.

Performance of PSUs

During the year 2009-10, out of 13 working PSUs, four PSUs earned profit of ₹ 9.94 crore and nine PSUs incurred loss of ₹ 15.45 crore. The major contributors to profit were Meghalaya State Electricity Board (₹ 9.83 crore) and Meghalaya Government Construction Corporation Limited (₹ 0.06 crore). Losses were incurred by Mawmluh Cherra Cements Limited (₹ 9.39 crore), Meghalaya Electronics Development Corporation Limited (₹ 1.40 crore) and Meghalaya Transport Corporation (₹ 1.02 crore).

The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 17.17 crore and infructuous investment of ₹ 1.40 crore which were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and minimise losses.

Quality of accounts

The quality of accounts of PSUs needs improvement. Seven working companies forwarded eight audited accounts during the year 2009-10. Of these, five accounts of five companies were selected for supplementary audit and three accounts were issued non review certificate. Out of eight accounts finalised by working *companies during October 2009 to September 2010, the Statutory auditors had given unqualified certificates for two accounts and qualified certificates for six accounts. There were four instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.*

Similarly, two working statutory corporations forwarded their two accounts during the year 2009-10. Out of the two Statutory Corporations, one was selected for sole audit by CAG and the second Statutory Corporation was selected for supplementary audit and both were completed.

Arrears in accounts

Thirteen working PSUs had arrears of 64 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There was one non-working company. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closure of this company.

4.1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are mandated to carry out activities of commercial nature while keeping in view the welfare of people. In Meghalaya, the State PSUs occupy a modest position in the State economy. The State working PSUs registered a turnover of ₹ 440.72 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover was equal to 3.53 *per cent*[1] of State Gross Domestic Product (GDP) for 2009-10. The State PSUs incurred an overall loss of ₹ 5.51 crore in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 5,006 employees as of 31 March 2010.

As on 31 March 2010, there were 14 PSUs as per details given below. Of these, no company was listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	10	1	11
Statutory Corporations	3	-	3
Total	**13**	**1**	**14**

During the year 2009-10, one company[4] has been struck off from the Registrar of Companies on 06.07.2010 and has been dissolved.

4.1.2 Audit Mandate

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by

[1] State GDP for 2009-10 = ₹ 12,502 crore. ₹ 440.72/12,502 x 100 = 3.53 *per cent*

[2] Non-working PSUs are those which have ceased to carry on their operations.

[3] Includes one 619-B Company (non-working) namely, Meghalaya Phyto Chemicals Limited.

[4] Meghalaya Watches Limited

Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

Audit of Statutory corporations is governed by their respective legislations. Out of three Statutory corporations, CAG is the sole auditor for Meghalaya State Electricity Board and Meghalaya Transport Corporation. In respect of Meghalaya State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit by CAG.

4.1.3 Investment in State PSUs

As on 31 March 2010, the investment (capital and long-term loans) in 14 PSUs (including one 619-B company) was ₹ 1314.36 crore as per details given below.

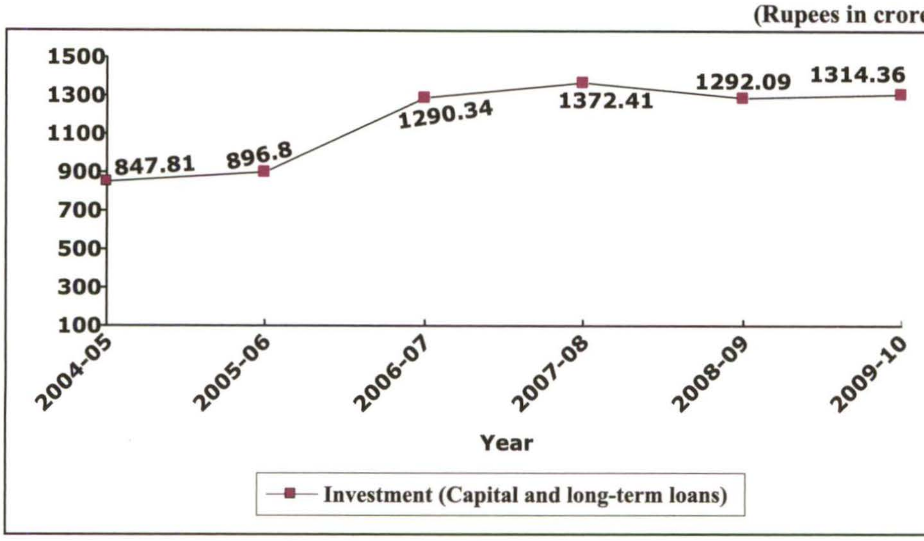
(Rupees in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	160.47	35.52	195.99	280.95	836.67	1117.62	1313.61
Non-working PSUs	0.75	-	0.75	-	-	-	0.75
Total	**161.22**	**35.52**	**196.74**	**280.95**	**836.67**	**1117.62**	**1314.36**

A summarised position of Government investment in State PSUs is detailed in **Appendix 4.1**.

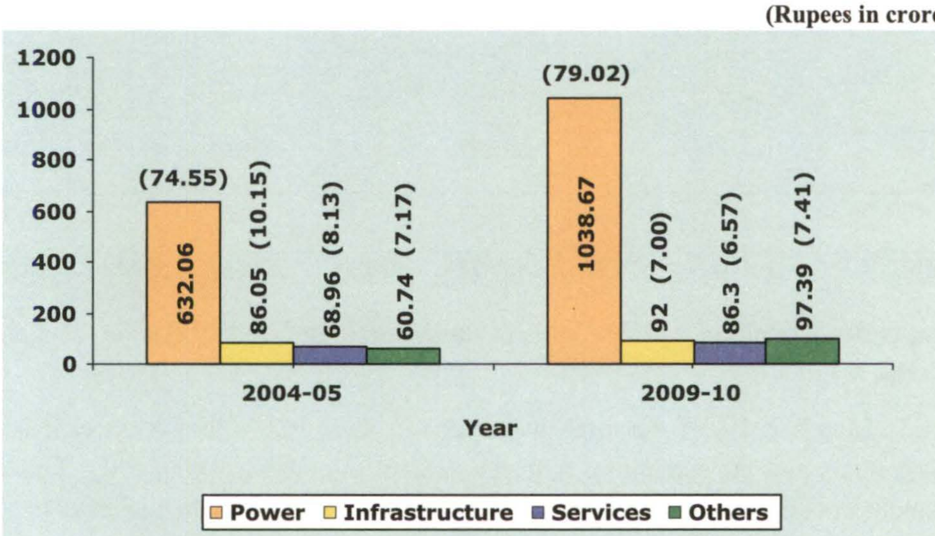
As on 31 March 2010, of the total investment in State PSUs, 99.94 *per cent* was in working PSUs and the remaining 0.06 *per cent* in one non-working PSU. This total investment consisted of 33.64 *per cent* towards capital and 66.36 *per cent* in long-term loans. The investment has grown by over 55 *per cent* from ₹ 847.81 crore in 2004-05 to ₹ 1314.36 crore in 2009-10 as shown in the graph below:

(Rupees in crore)



The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart. The thrust of PSU investment in the State was mainly in Power Sector during the five years which has seen its percentage share rising from 74.55 *per cent* in 2004-05 to 79.02 *per cent* in 2009-10.

(Rupees in crore)



(Figures in brackets show the percentage of total investment)

4.1.4 Budgetary outgo, grants/subsidies, guarantees and loans

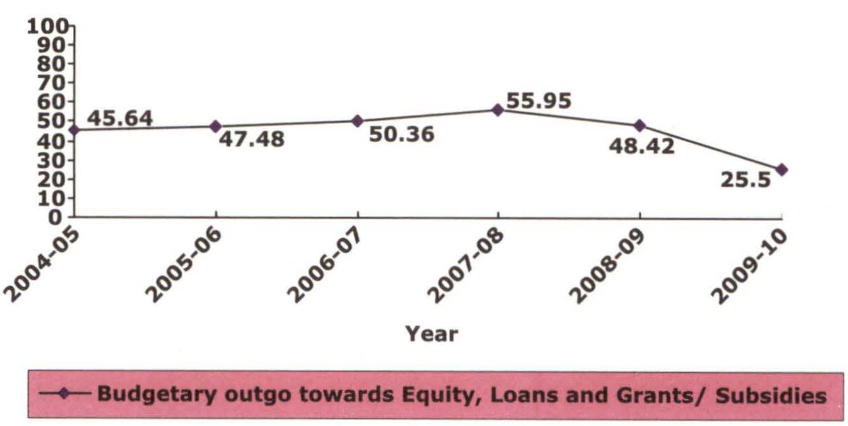
The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 4.3.** The summarised details are given below for three years ended 2009-10.

(Rupees in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	10.38	5	18.20	4	16.45
2.	Loans given from budget	1	8.43	1	11.04	-	-
3.	Grants/Subsidy received	6	37.14	6	19.18	5	9.05
4.	**Total Outgo[5] (1+2+3)**	**12**	**55.95**		**48.42**	**7**	**25.50**
5.	Loans converted into equity	-	-	-	-	-	-
6.	Guarantees issued	-	-	1	150.49	1	116.88
7.	Guarantee Commitment	3	501.23	3	607.24	3	653.33

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below:

(Rupees in crore)



The budgetary outgo at ₹ 25.50 crore in 2009-10 was an all time low in the six years ending 2009-10 which decreased from a peak of ₹ 55.95 crore in 2007-08.

The guarantee commitment by the State Government against the borrowings of State PSUs was also showing an increasing trend. Guarantees for ₹ 501.23 crore (three PSUs) were outstanding as at the end of 2007-08 which increased to ₹ 653.33 crore (three PSUs) at the end of 2009-10. Fresh guarantees for ₹ 116.88 crore were issued by the State Government during 2009-10 to one PSU.

[5] Depicts actual number of PSUs which received Equity, loans, grants/subsidies out of budget

4.1.5 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below:

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	223.42	427.73	(-) 204.31
Loans	[6]	165.98	-
Guarantees	653.33	653.33	-

Audit observed that the differences occurred in Equity in respect of 10 PSUs and some of the differences were pending reconciliation since a long period. Though the Principal Secretary, Finance Department, Government of Meghalaya as well as the PSUs concerned were apprised by Audit about the differences stressing upon the need for reconciliation, no significant progress was noticed. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

4.1.6 Performance of PSUs

The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Appendix 4.2, 4.5** and **4.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover[7]	279.18	300.64	278.18	365.47	386.20	440.72
State GDP	6526	7208	8522	9625	10874	12502
Percentage of Turnover to State GDP	4.28	4.17	3.26	3.80	3.55	3.53

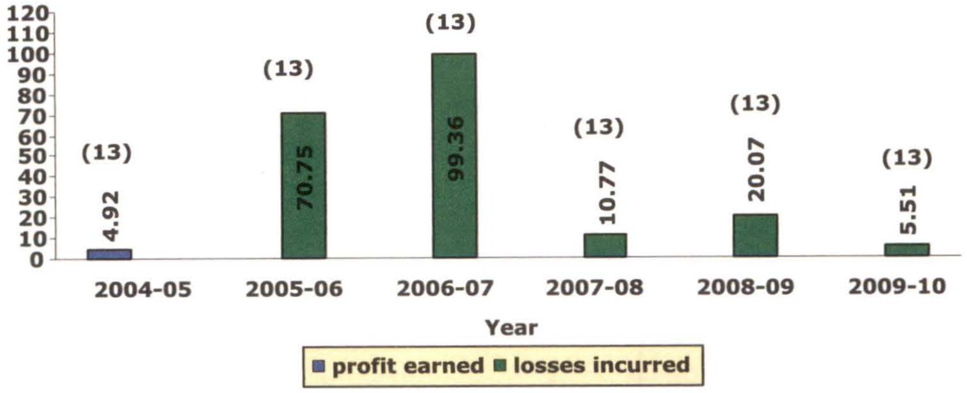
It can be seen from the above that during six years period ending 2009-10, the percentage of turnover to State GDP had declined from 4.28 *per cent* (2004-05) to 3.53 *per cent* (2009-10) indicating that the turnover of PSUs did not increase proportionately with the rise in the State's GDP.

Profit earned/losses incurred by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.

[6] State Government's loans to State PSUs are extended through the Government Departments. These Government Departments reallocate the loan funds to different PSUs. Hence, the PSU-wise figures of State Government loans are not available in the Finance Accounts.

[7] Turnover as per the latest finalised accounts as of 30 September 2010.

(Rupees in crore)



(Figures in brackets show the number of working PSUs in respective years)

During 2005-10, the State working PSUs incurred losses every year except during 2004-05. The overall losses incurred by working PSUs were an all time high during 2006-07 (₹ 99.36 crore) and stood at ₹ 5.51 crore during 2009-10 thus showing improvement. During the year 2009-10, out of 13[8] working PSUs, four PSUs earned profit of ₹ 9.94 crore and nine PSUs incurred loss of ₹ 15.45 crore. The major contributors to profit were Meghalaya State Electricity Board (₹ 9.83 crore) and Meghalaya Government Construction Corporation Limited (₹ 0.06 crore). Losses were incurred by Mawmluh Cherra Cements Limited (₹ 9.39 crore), Meghalaya Electronics Development Corporation Limited (₹ 1.40 crore) and Meghalaya Transport Corporation (₹ 1.02 crore).

The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG show that the State PSUs incurred losses to the tune of ₹ 17.17 crore and infructuous investment of ₹ 1.40 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rupees in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Loss	10.77	20.07	5.51	36.35
Controllable losses as per CAG's Audit Report	24.28	1.20	17.17	42.65
Infructuous Investment	5.33	5.26	1.40	11.99

The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

[8] Including Meghalaya Watches Limited

Some other key parameters pertaining to State PSUs are given below.

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (*Per cent*)	5.10	-	-	2.93	1.87	2.26
Debt	484.71	512.92	892.37	968.28	864.76	872.19
Turnover[9]	279.18	300.64	278.18	365.47	386.20	440.72
Debt/ Turnover Ratio	1.74:1	1.71:1	3.21:1	2.65:1	2.24:1	1.98:1
Interest Payments	30.09	51.38	32.11	38.08	37.69	43.76
Accumulated Losses	403.34	403.34	508.72	524.13	518.36	515.89

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

The percentage of return on capital employed was all time high at 5.10 *per cent* in 2004-05 which has reduced to 2.26 *per cent* in 2009-10 and was negative during 2005-06 and 2006-07. The accumulated losses showed increasing trend and increased from ₹ 403.34 crore in 2004-05 to ₹ 524.13 crore in 2007-08 and again reduced to ₹ 515.89 crore in 2009-10 thus showing a slight improvement.

The State Government had not formulated any dividend policy for payment of any minimum return by PSUs on the paid up share capital contributed by the State Government. As per their latest finalised accounts, four PSUs earned an aggregate profit of ₹ 9.94 crore. However, none of the PSUs had declared dividend.

4.1.7 Arrears in finalisation of accounts

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalising their accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	13	13	13	13	13[10]
2.	Number of accounts finalized during the year	11	11	13	12	10
3.	Number of accounts in arrears	58	60	60	61	64
4.	Average arrears *per* PSU (3/1)	4.46	4.61	4.61	4.69	4.92
5.	Number of Working PSUs with arrears in accounts	12	12	12	13	13
6.	Extent of arrears	1 to 15 years	1 to 15 years	1 to 15 years	1 to 15 years	1 to 15 years

It can be seen from the above that the quantum of arrears in accounts remained high during all the years and the average stood at more than four accounts per PSU.

[9] Turnover as per the latest finalised accounts as of 30 September 2010.

[10] Including Meghalaya Watches Limited which has been de-registered from the Registrar of the Companies with effect from 06.07.2010

In addition to above, there were also arrears in finalisation of accounts by one non-working PSU since 1984-85.

The State Government had invested ₹ 53.88 crore (Equity: ₹ 45.32 crore, grants: ₹ 8.48 crore and subsidy: ₹ 0.08 crore) in seven PSUs during the years for which accounts have not been finalised as detailed in **Appendix 4.4.** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/Principal Secretary, Finance Department in the form of quarterly demi-official letters to expedite the backlog of arrears in accounts in a time bound manner.

In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

4.1.8 Winding up of non-working PSUs

There was one non-working PSU as on 31 March 2010. The PSU had not commenced the liquidation process. The Company was defunct and no accounts after 1984 had been prepared. There was one company[11] which has been struck off from the Registrar of Companies on 06.07.2010 and has been dissolved.

The non-working PSU is required to be closed down as its existence is not going to serve any purpose.

[11] Meghalaya Watches Limited

4.1.9 Accounts Comments and Internal Audit

Seven[12] working companies forwarded eight audited accounts to Principal Accountant General during the year 2009-10. Of these, five accounts of five companies were selected for supplementary audit and three accounts were issued non review certificate. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Rupees in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.59	-	-	-	-
2.	Increase in loss	-	-	1	0.47	-	-
3.	Non-disclosure of material facts	2	12.48	1	1.94	1	0.21
4.	Errors of classification	-	-	-	-	-	-

During the year, the Statutory auditors had given unqualified certificates for two accounts and qualified certificates for six accounts. The compliance of companies with the Accounting Standards remained poor as there were four instances of non-compliance in eight accounts during the year.

Some of the important comments in respect of accounts of companies are stated below.

Mawmluh Cherra Cements Limited (2008-09)

- Secured loans was understated by ₹ 2.78 crore with corresponding overstatement of Liabilities on expansion due to non inclusion of interest accrued and due.
- Provision for Income tax of ₹ 2.25 crore against the actual provision required of ₹ 0.83 crore only for the Assessment years 2006-07 and 2007-08 resulted in overstatement of Current Liabilities and Provisions by ₹ 1.41 crore with corresponding overstatement of Loans and Advances and Loss for the year by ₹ 35,454.

Meghalaya Industrial Development Corporation Limited (2002-03)

- Non provision for loss on investment resulted in overstatement of Investment and Profit by ₹ 0.74 crore being the investment (equity & preference shares) made in private companies by the Corporation. It was explained that the capital bases of these companies were totally eroded due to continuous losses.
- Non-provision for loss resulted in overstatement of Current Assets, Loans and Advances and Profit (each by ₹ 18.99 crore) being the amount of bridging loan

[12] Including Meghalaya Watches Limited

given to the three Subsidiary Companies (Meghalaya Electronics Development Corporation Limited, Meghalaya Watches Limited and Meghalaya Bamboo Chips Limited) that are not recoverable due to continuous losses and erosion of capital base of the Subsidiary Companies.

- Non-provision for advances made to five projects that had been declared as abandoned resulted in overstatement of Current Assets, Loans and Advances and Profit by ₹ 1.48 crore.
- Non adjustment of pending advance for more than 13 years resulted in overstatement of Current Assets, Loans and Advances and Overstatement of Profit by ₹ 1.56 crore.

Similarly, two working statutory corporations forwarded their two accounts to Principal Accountant General during the year 2009-10. Out of the two Statutory Corporations, one was selected for sole audit by CAG and the second Statutory Corporation was selected for supplementary audit and both were completed. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below.

(Rupees in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	3	108.09	1	16.12
2.	Increase in loss	2	8.11	3	19.65	1	3.02
3.	Non-disclosure of material facts	-	-	1	4.91	-	-
4.	Errors of classification	1	1.23	1	4.19	-	-

It can be seen from the above that the average impact of comments causing 'decrease in profits' was at ₹ 16.12 crore per account during 2009-10, ₹ 36.03 crore in 2008-09 as against 'nil' in 2007-08. Average money value of the classification errors also increased from ₹ 1.23 crore (2007-08) to ₹ 4.19 crore (2008-09) per audited account.

During the year, the two accounts of two Statutory corporations[13] received qualified certificates.

Some of the important comments in respect of accounts of statutory corporations are stated below.

Meghalaya State Electricity Board (2008-09)

- Short provision of Other Current Liabilities and Interest & Finance Charges resulted in overstatement of Profit by ₹ 10.78 crore (Prior Period ₹ 9.22 crore from 1998-99 to 2007-08 and Current year (2008-09) ₹ 1.56 crore).

[13] Meghalaya State Electricity Board and Meghalaya State Warehousing Corporation Limited

- Liabilities for purchase of power did not include ₹ 5.34 crore being the amount payable to NTPC, NEEPCO and NHPC towards purchase of power. This resulted in understatement of expenditure for purchase of power (Prior Period ₹ 8.26 lakh and Current year ₹ 5.26 crore) and overstatement of Profit by ₹ 5.34 crore.

- Non provision for assets not in use resulted in the overstatement of Assets and Profit to the tune of ₹ 37.06 lakh.

- Non adjustment of dues against State Government Departments of ₹ 78.54 crore against One Time Settlement of ₹ 50 crore resulted in overstatement of receivables and profit each by ₹ 28.54 crore.

- Non adjustment of dues of ₹ 21.83 crore receivable from various consumers written off by the Board (December 2008) resulted in overstatement of receivables and profit each by ₹ 21.83 crore.

- Non-provision for the amount of delayed payment charges waived in respect of which the Board had approved waiver of 60 *per cent* i.e. ₹ 53.57 crore in 2006-07 resulted in overstatement of sundry debtors and surplus by ₹ 53.57 crore.

Meghalaya Transport Corporation (2002-03, 2003-04 and 2004-05)

- Non provision of liability towards interest and penal interest resulted in understatement of loss by ₹ 2.01 crore.

- Non-provision of liability towards penal interest payable on outstanding PF dues resulted in understatement of loss by ₹ 75.34 lakh.

- Investments includes Fixed/Term Deposits of ₹ 1.62 crore in various banks which should have been classified as Cash balance at Banks as Fixed Deposits instead of investments, resulting in overstatement of investments by ₹ 1.62 crore.

Meghalaya State Warehousing Corporation Limited (2008-09)

- Cash at Bank was overstated by ₹ 1.28 crore due to inclusion of Fixed Deposit made for General Fund Investment and Staff Security Deposit which should have been shown under Investments. This also resulted in understatement of Investment by the same amount.

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control / internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system and other areas in respect of four companies[14] for the year 2008-09 and eight companies[15] for the year 2009-10 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	2008-09		2009-10	
		Number of companies where recommen-dations were made	Reference to serial number of the companies as per Appendix 4.2	Number of companies where recommen-dations were made	Reference to serial number of the companies as per Appendix 4.2
1.	Auditors Report & Comments / Draft paras/Mini Reviews not discussed in Audit Committee	2	A-2, A-9	2	A-2, A-5
2.	Non prescribing of Maximum/ Minimum level of stock	2	A-9, A-10	1	A-1
3.	No ABC analysis adopted to control the inventory	1	A-10	5	A-1, A-2, A-5, A-7, A-9
4.	Inadequate scope of Internal Audit	2	A-7, A-9	3	A-1, A-5, A-7
5.	Absence of proper maintenance of Fixed Asset Register	3	A-7,A-9, A-10	5	A-1, A-2, A-4, A-7, A-10
6.	Inadequate credit policy	1	A-9	1	A-9
7.	Inadequate system of giving discount	1	A-9	1	A-9
8.	Inadequate system for timely recovery of outstanding dues	1	A-9	2	A-4, A-9
9.	No system of obtaining confirmation of balances from debtors	1	A-9	3	A-1, A-6, A-9

4.1.10 Recoveries at the instance of audit

During the course of propriety audit in 2009-10, recoveries of ₹ 3.96 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 0.62 crore were admitted by PSUs and recoveries of ₹ 0.51 crore were effected.

4.1.11 Status of placement of Separate Audit Reports

The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

[14] Sl. No. 2, 7, 9 and 10 in Appendix – 4.2

[15] Sl. No. 1, 2, 4, 5, 6, 7, 9 and 10 in Appendix – 4.2

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Meghalaya State Electricity Board	2007-08	2008-09	23 April 2010	The Government has not furnished reasons for non-placement of the SAR.

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

4.1.12 Disinvestment, Privatisation and Restructuring of PSUs

During the year 2009-10, no exercise was undertaken by the Government of Meghalaya for the Disinvestment, Privatisation and Restructuring of PSUs.

PERFORMANCE REVIEW

POWER DEPARTMENT

4.2 Meghalaya State Electricity Board (MeSEB)

Executive Summary

In Meghalaya, generation of power was carried out by Meghalaya State Electricity Board (MeSEB) which was incorporated on 21 January 1976 as a wholly owned State Government enterprise. The MeSEB have six hydro generation stations with the installed capacity of 186.70 MW as on 31 March 2010. Myntdu Leshka Hydel Project (MLHEP) (2 x 42 MW + l x 42 MW) is expected to be commissioned by October 2011. The performance review of the generation activities of MeSEB for the period from 2005-06 to 2009-10 was conducted to assess whether capacity addition programme taken up/ to be taken up to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012, plan of action is in place for optimization of generation from the existing capacity and the execution of projects were managed economically, effectively and efficiently.

Financial Management and Working Result

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

Planning

As at the end of 2009-10, the per capita availability in Meghalaya was 178 units whereas based on projected population of the State, the total energy requirement of domestic users would be 3000 MU by 2012 if the objective of the NEP is to be achieved. However, MeSEB could add only 1.5 MW capacity during 2005-10. Even assuming that all the new power projects (167.50 MW) in the State currently under execution become operational in the next few years, these would result in an additional generation of 880.38 MU. The shortfall in meeting demand ranged from 74.56 per cent (2609.63 MU) to 80.69 per cent (4090.14 MU) and unmet energy demand was escalating year-on-year and had increased by 56.73 per cent in 2009-10 as compared to 2005-06. The State Government as of August 2010, has entered into Memorandum of Agreement (MOA) with private parties to develop 1916 MW of power generation capacity in the State out of which it would be entitled to 12 per cent of free power generated by these projects. Given the protracted process leading up to the actual ground-breaking of a new power project (as with the case of the MLHEP), as all projects have not progressed beyond the MOA stage and the absence of any mention of specific completion/commissioning dates of the projects in the MOAs, the benefits to be reaped by the State as well as the resultant anticipated improvement in the power supply position is an open ended question.

Operational Performance

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

Time Overrun

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

Environmental Issues

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

Monitoring by top management

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

Conclusion and recommendations

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

4.2.1 Introduction

The availability of reliable and quality power at competitive rates is very crucial to sustain growth of the economy. It has also been recognized as a basic human need and an essential requirement of modern day life. The Electricity Act, 2003 provides a framework conducive to development of the power sector, promote transparency and competition and protect the interest of consumers in India. In compliance with Section 3 of the *ibid* Act, the Government of India (GOI) formulated the National Electricity Policy (NEP) in February 2005 in consultation with State Governments and the Central Electricity Authority (CEA) for development of the power sector based on optimal utilisation of coal, gas, nuclear material, hydro and renewable sources of energy. The Policy aims at, *inter alia*, laying guidelines for accelerated development of the power sector. It also requires the CEA to frame a National Electricity Plan with a 15 years perspective, once in five years.

Meghalaya was power surplus till 1989-90. The situation since then however, has seen a radical reversal. During the five-year period 2005-06 to 2009-10 covered by this review, 38 *per cent* of the power consumed in the State was internally generated and the balance 62 *per cent* was met from the State's share of free power from Central Government power utilities and power purchased from outside the State. The State share of free power from Central utilities during 2005-06 to 2008-09 was 77.02 MU, 56.51 MU, 75.42 MU and 68.88 MU respectively.

At the beginning of 2005-06, electricity requirement in Meghalaya was assessed as 3500 Million Units (MU)[16] of which only 514.44 MU[17] were available leaving a shortfall of 2985.56 MU, which works out to 85 *per cent* of the requirement. The total installed power generation capacity in the State of Meghalaya as on 1 April 2005 was 185.20 Mega Watt (MW) and effective available capacity during 2005-06 was 58.99 MW[18] against the peak demand of 262 MW leaving deficit of 203.01 MW. As on 31 March 2010, the comparative figures of requirement and availability of power were 5069 MU[19] and 534.79 MUs with deficit of 4534.21 MUs (89 *per cent*) while the installed capacity was 186.70 MW and effective available capacity was 70.57 MW. Thus, there was a growth in demand of 1569 Million Units during the review period whereas the capacity addition was only 1.5 MW and additional capacities under work in progress were 167.50 MW[20].

In Meghalaya, power generation is carried out by the Meghalaya State Electricity Board, (MeSEB) which was incorporated on 21 January 1976 as a wholly owned State Government enterprise under the administrative control of the power department of the Government of Meghalaya. With effect from 01 April 2010, the MeSEB has been corporatised as the Meghalaya Energy Corporation Limited (MeECL) which will be a Holding Company of three subsidiary companies *viz.* (i) Meghalaya Power Generation Corporation Limited (Genco), (ii) Meghalaya Power Distribution Corporation Limited (Discom) and (iii) Meghalaya Power Transmission Corporation Limited (Transco). These subsidiary companies are yet to be formed as of September 2010.

The MeSEB's management was headed by a Chairman who is assisted by Member Secretary, Member Technical, Member Finance, Member Hydro – cum- Principal Chief Engineer and four Chief Engineers. The MeSEB with its Head Office at Shillong and 3594 employees (including 204 employees at generating stations) on its rolls as on 31 March 2010, has six operational hydro power stations *viz.*, (i) Umiam Stage-I (4 x 9 MW), (ii) Umiam Stage-II (2 x 9 MW), (iii) Umiam Stage-III (2 x 30 MW), (iv) Umiam Stage-IV (2 x 30 MW), (v) Umtru (4 x 2.8 MW) and (vi) Sonapani (1.5 MW).

[16] Meghalaya Power Policy
[17] MeSEB Annual Accounts 2005-06
[18] Worked out on the basis of PLF
[19] Includes requirement of domestic, commercial, industrial and other bulk users as per Meghalaya Power Policy
[20] Myntdu Leshka Hydel Project (3x42 MW), New Umtru Hydel Project (2x20 MW) and Lakroh Hydel Project (1x1.5 MW)

The MeSEB's turnover during 2009-10 was ₹ 486.55[21] crore which was equal to 3.89 *per cent* of estimated State Gross Domestic Product of ₹ 12,502 crore for the same year.

A review of implementation of rural electrification schemes by the MeSEB was included in the Report of the Comptroller and Auditor General of India for the year 2008, Government of Meghalaya. The recommendations of the Committee on Public Sector Undertakings (COPU) thereon are still awaited (July 2010). The COPU Meeting for discussion of the review was supposed to have been held on 23 August 2010 but it was postponed as the officials of the MeSEB did not turn up for the discussion.

4.2.2 Scope, Methodology and Audit Objectives

The present performance audit conducted during March 2010 to July 2010 mainly deals with planning, project management, financial management, operational performance with regard to generation activities, environmental issues and monitoring by the MeSEB top management during the period 2005-06 to 2009-10.

The audit methodology involved scrutiny of records at Head Office, six generating stations and two[22] of the MeSEB's three ongoing projects, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with Management and issue of draft review to Management for comments. The percentage of installed capacity covered in Audit to total installed capacity as on 31 March 2010 was 100 *per cent.*

The objectives of the performance audit were to assess and ascertain whether:

Planning and Project Management

- capacity addition programme taken up/ to be taken up to meet the shortage of power in the State is in line with the National Policy of Power for All by 2012;
- a plan of action is in place for optimization of generation from the existing capacity;
- contracts were awarded with due regard to economy and in transparent manner; and
- execution of projects were managed economically, effectively and efficiently.

Financial Management

- projections for funding the new projects and upgradation of existing generating units were realistic including the identification and optimal utilization for intended purpose;

[21] Provisional figure furnished by MeSEB. This figure may not tally with figure of turnover mentioned in Paragraph 4.1.1 since the figure in that paragraph is as per latest finalised accounts of all companies (including MeSEB for the year 2008-09).

[22] Myntdu Leshka Hydel Project (3 x 42 MW) and Lakroh Mini Hydel Project (1 x 1.5 MW)

- all claims including energy bills and subsidy claims were properly raised and recovered in an efficient manner; and
- the soundness of financial health of the MeSEB.

Operational Performance

- power plants were operated efficiently and preventive maintenance as prescribed was carried out minimising forced outages;
- life extension (renovation and modernization) programmes were ascertained and carried out in an economic, effective and efficient manner; and
- the impact of Renovation & Modernisation (R&M)/Life Extension (LE) activity on power generation.

Environmental Issues

- the MeSEB's corporate social responsibility policy to environmental issues and related concerns and which have an impact on its operation.

Monitoring and Evaluation

- MIS existed in the MeSEB for effective monitoring of operations.

4.2.3 Audit Criteria

The audit criteria adopted for the audit objectives were:

- National Electricity Plan, norms/guidelines of CEA regarding planning and implementation of projects;
- standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- targets fixed for generation of power;
- parameters fixed for plant availability, Plant Load Factor (PLF) etc; and
- Legislation relating to Environmental laws.

4.2.4 Financial Position and Working Results

The financial position of the MeSEB as a whole (including generation, transmission and distribution) for the five years ending 2009-10 is given below.

Table 1

(Rupees in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10*
A. Liabilities					
Capital	202.00	202.00	202.00	202.00	202.00
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	210.57	251.56	388.92	592.44	906.50
Borrowings (Loan Funds)					
Secured	799.78	994.08	1127.06	1264.81	1597.09
Current Liabilities & Provisions	118.31	186.90	257.22	315.88	359.66
Total	**1330.66**	**1634.54**	**1975.20**	**2375.13**	**3065.25**

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10*
B. Assets					
Gross Block	495.81	500.81	525.18	549.67	607.51
Less: Depreciation	222.36	235.08	249.22	264.83	295.00
Net Fixed Assets	273.45	265.73	275.96	284.84	312.51
Capital works-in-progress	282.26	486.88	736.83	1013.42	1330.80
Investments	52.71	48.26	66.37	80.21	226.26
Assets not in use deferred cost and intangible Assets	17.56	22.03	19.41	22.82	31.53
Current Assets, Loans and Advances	394.87	407.86	474.19	581.23	715.12
Accumulated losses	309.81	403.78	402.44	392.61	449.03
Total	**1330.66**	**1634.54**	**1975.20**	**2375.13**	**3065.25**

*Source: MeSEB, * Provisional figures break up details would be available on finalisation of the account.*

Form the above it will be seen that:

- 'Current Assets, Loans and Advances' (which *inter alia* comprises 'Receivables against Supply of Power' and 'Sundry Receivables') was ₹ 394.87 crore in 2005-06 and increased to ₹ 581.23 crore in 2008-09 mainly due to increase in Receivables against supply of Power from ₹ 199.23 crore in 2005-06 to ₹ Rs.252.34 crore in 2008-09[23].

- The accumulated losses of MeSEB increased from ₹ 309.81 crore in 2005-06 to ₹ 449.03 crore in 2009-10.

- 'Secured Loans' increased from ₹ 799.78 crore in 2005-06 to ₹ 1597.09 crore in 2009-10 mainly due to loans borrowed from REC, Banks, State Government, Bonds, Centrally Sponsored Scheme Loan, etc for ongoing projects and renovation and modernization (R&M) works for Umiam Stage II hydel power house.

- 'Current Liabilities & Provisions' was ₹ 118.31 crore in 2005-06 and increased by 204 *per cent* to ₹ 359.66 crore in 2009-10 mainly on account of unpaid liabilities for purchase of power by the MeSEB and servicing of principal and interest payment obligations at levels higher than in earlier years.

The details of working results of the MeSEB as a whole (including generation, transmission and distribution) like cost, realization and net profit/ loss per unit of operation are given below:

Table 2

Sl.No	Description	2005-06	2006-07	2007-08	2008-09	2009-10*
1.	**Income**	**(Rupees in crore)**				
	Revenue from Sale of Power	254.30	233.17	318.15	392.51	415.74
	Other Income including Interest/Subsidy	60.66	54.84	65.19	51.48	70.81
	Total Income	**314.96**	**288.01**	**383.34**	**443.99**	**486.55**
2.	**Generation**	**(In MUs)**				
(i)	Own Generation	516.72	391.12	665.38	554.13	536.15
(ii)	Less: Auxiliary Consumption	2.28	2.03	2.32	1.29	1.36
	Total	**514.44**	**389.09**	**663.06**	**552.84**	**534.79**

[23] Figures for 2009-10 not available

Sl.No	Description	2005-06	2006-07	2007-08	2008-09	2009-10*
(iii)	Add: Purchase of Power	871.66	929.30	924.15	968.92	947.29
	Total	**1386.10**	**1318.39**	**1587.21**	**1521.76**	**1482.08**
(iv)	Less: Transmission and Distribution Losses	495.73	485.64	529.11	477.16	503.22
	Total Generation available for sale	**890.37**	**832.75**	**1058.10**	**1044.60**	**978.86**
3.	**Expenditure**	**(Rupees in crore)**				
(a)	**Fixed Costs**					
(i)	Employee Cost	75.08	82.60	95.93	104.79	114.92
(ii)	Administrative and General expenses	5.43	6.48	7.32	7.92	10.01
(iii)	Depreciation	12.72	12.62	12.90	14.12	25.93
(iv)	Interest & Finance Charges	42.10	52.62	76.24	87.57	103.41
	Total Fixed Cost	**135.33**	**154.32**	**192.39**	**214.40**	**254.27**
(b)	**Variable Costs**	**(Rupees in crore)**				
(i)	Purchase of Power	182.60	240.73	203.20	201.64	222.63
(ii)	Lubricants & Consumables/ R & M	12.09	12.61	17.23	16.13	20.35
(iii)	Other Debts/Income Tax	62.33	2.29	2.37	22.69	14.24
	Total Variable Cost	**257.02**	**255.63**	**222.80**	**240.46**	**257.22**
C.	**Total Cost 3(a) + (b)**	**392.35**	**409.95**	**415.19**	**454.86**	**511.49**
4.	Realisation (Rupees per unit)	2.86	2.80	3.01	3.76	4.25
5.	Fixed cost (Rupees per unit)	1.52	1.85	1.82	2.05	2.60
6 (i)	Effective Variable cost of purchase of power (Rupees per unit)	3.26	4.10	3.30	3.03	3.56
6 (ii)	Effective Variable cost of generation (Rupees per unit)	2.25	0.61	0.44	1.02	0.98
6 (iii)	Variable cost (Rupees per unit)	2.89	3.07	2.11	2.30	2.63
7.	**Total cost per unit {5+6(iii)}**	**4.41**	**4.92**	**3.93**	**4.35**	**5.23**
8.	Contribution {4-6(iii)} (Rupees per unit)	(-) 0.03	(-) 0.27	0.90	1.46	1.62
9.	**Profit (+)/Loss(-) (4-7)** (Rupees per unit)	**(-) 1.55**	**(-)2.12**	**(-) 0.92**	**(-) 0.59**	**(-) 0.98**

*Source: MeSEB, * Provisional figures*

From the above table it will be seen that:

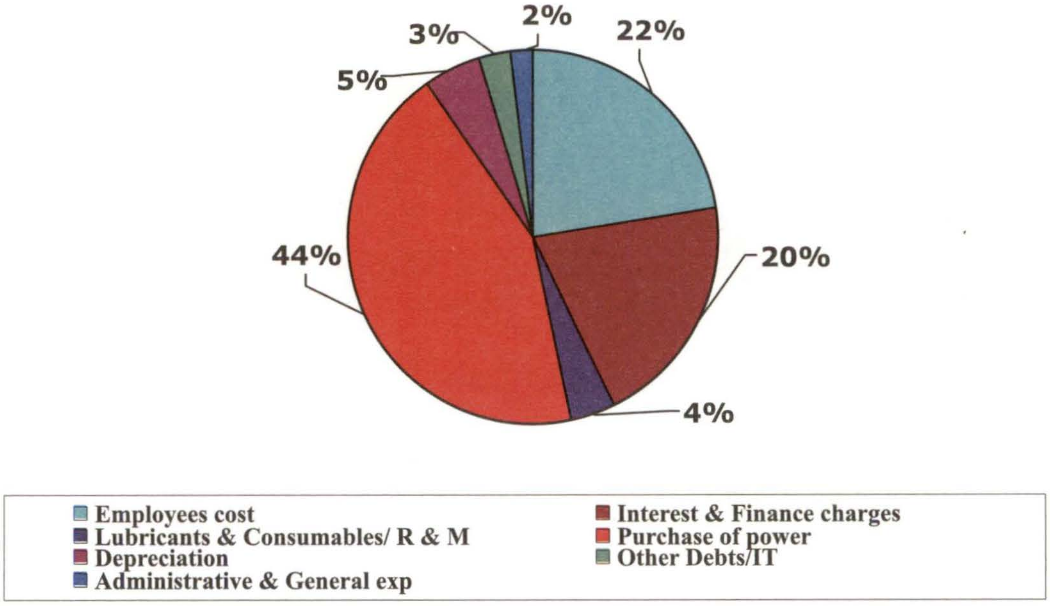
- During the review period 2005-06 to 2009-10 'Fixed Costs' had increased by 88 *per cent* from ₹ 135.33 crore in 2005-06 to ₹ 254.27 crore in 2009-10. This was mainly on account of increase of 146 *per cent* in "Interest & Finance Charges" from ₹ 42.10 crore to ₹ 103.41 crore during the period under review.
- During 2005-06, the MeSEB spent ₹ 182.60 crore on purchase of power and the corresponding figure in 2009-10 had increased to ₹ 222.63 crore. The Variable Cost per unit of purchase of power ranged from ₹ 3.03 to ₹ 4.10 per unit during the review period against own generation cost per unit which ranged from ₹ 0.44 to ₹ 2.25 per unit during the same period. Therefore, purchase of power had been a costlier option as compared to own generation.

- The loss per unit of power sold had decreased from ₹ 1.55 in 2005-06 to ₹ 0.98 in 2009-10 which is due to the fact that during this period the power tariff in the State was revised four times[24].
- Transmission & Distribution (T&D) losses as a percentage of total power available for sale ranged from 31.36 *per cent* in 2008-09 to 36.38 *per cent* in 2006-07. It would have to be clearly recognised that Power Sector will remain unviable until T&D losses are brought down significantly and rapidly. A marginal improvement in T&D losses, say by five *per cent* in 2009-10 alone, would have netted the MeSEB an additional income of ₹ 10.69 crore (25.16 MU).

4.2.4.1 Elements of Cost

Fuel & Consumables and Depreciation constitute the major elements of costs. The percentage break-up of costs for 2009-10 is given below in the pie-chart.

Components of various elements of cost

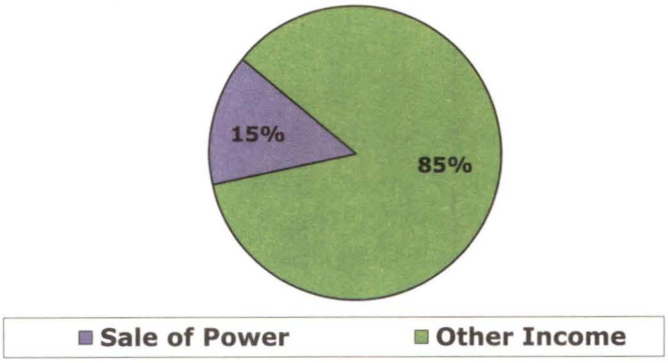


4.2.4.2 Elements of revenue

Sale of Power constitutes the major elements of revenue. The percentage break-up of revenue for 2009-10 is given below in the pie-chart.

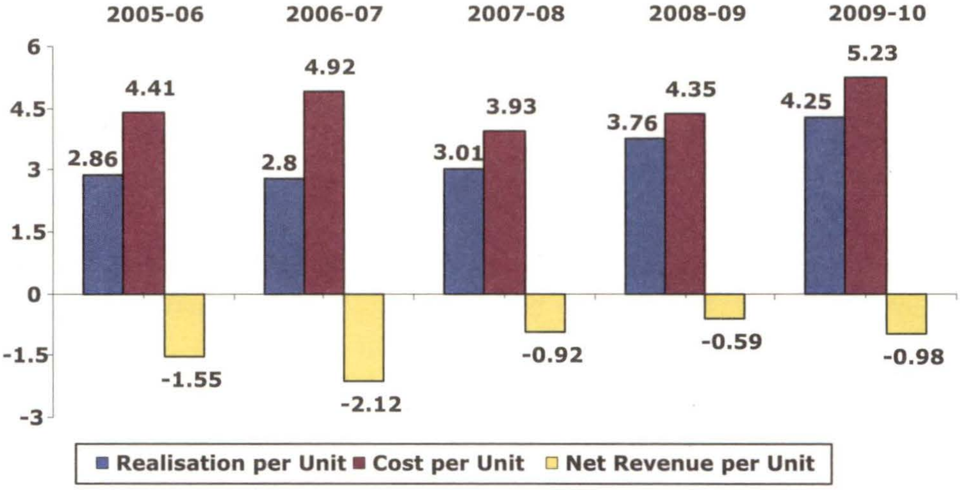
[24] Revised with effect from November 2005, January 2008, September 2008 and November 2009

Components of various elements of revenue



4.2.4.3 Elements of cost of operations

The MeSEB was not able to recover its cost of operations. During the last five years ending 2009-10, the net revenue remained negative as given in the graph below:



Had the actual recovery per unit been commensurate with the cost of power per unit, the MeSEB would have earned additional revenue of ₹ 570 crore during the review period. The main reasons for high cost of generation/ supply had been poor capacity utilisation corroding the system performance, elasticity of sale with respect to energy generated being less and heavy Transmission & Distribution losses. The other reasons are over staffing in Administration, higher interest cost and higher expenses on power purchases.

4.2.5 Audit Findings

Audit explained the audit objectives to the MeSEB during an 'entry conference' held on 18 February 2010. Subsequently, audit findings were reported to the MeSEB and the State Government in August 2010 and discussed in an 'exit conference' held on 11 November 2010, which was attended by the Commissioner, Department of Power, Government of Meghalaya, Chief Engineer (Generation) and other officials of the MeSEB. The MeSEB also replied to audit findings in November 2010. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

4.2.6 Operational Performance

The operational performance of the MeSEB for the five years ending 2009-10 is given in **Appendix 4.7.** Its operational performance was evaluated against various parameters as discussed in the ensuing paragraphs. It was also seen whether the MeSEB was able to maintain pace in terms of capacity addition with the growing demand for power in the State. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there was scope for improvement in performance.

4.2.7 Planning

The NEP aims to provide availability of 1,000 units of electricity per capita by 2012. As at the end of 2009-10, the per capita availability in Meghalaya was 178 units whereas based on projected population of the State, the total energy requirement of domestic users would be 3000 MU by 2012 if the objective of the NEP is to be achieved. The State has been purchasing power (from Central utilities and outside State). During 2005-06 to 2009-10, it was 871.66 MU, 929.30 MU, 924.15 MU, 968.22 MU and 947.29 MU respectively which includes the State share of free power from Central utilities (77.02 MU, 56.51 MU, 75.42 MU and 68.88 MU during 2005-09 respectively[25]). The power generated within the State and available for sale was only 534.79 MU in 2009-10. Power purchased during 2009-10 was 947.29 MU. Even assuming that all the new power projects (167.50 MW) in the State currently under execution become operational in the next few years, these capacity additions would result in an additional generation of 880.38 MU[26].

The actual requirement as per the target set out in the NEP would be 3000 MU (342 MW). At current levels of population and taking into account the present generation of the MeSEB, an additional generation of 2465 MU[27] is still required if the State is to achieve availability of 1,000 units of electricity per capita as set out in the NEP and availability of power would be 293.46[28] units per capita which is well short of the target set out in the NEP. Thus, it is observed that even after taking into account the capacity addition of all the new projects there would still be shortfall of 1585 MU[29].

During the review period, 10 projects (600.50 MW) were planned out of which only one project has been completed, three projects are under progress and the balance projects are still in investigation stages. The MeSEB needs to speed up the completion of these projects under progress and under investigation in order to be able to meet the

[25] Figures of 2009-10 not compiled by MeSEB

[26] The plant load factor for hydro power plants as fixed by the Central Electricity Authority is 60 *per cent.* Thus for 167.50 MW, energy generation would be 880.38 MU (167.50 x 24 x 365/1000 x 60% = 880.38)

[27] 3000 MU – 534.79 MU = 2465.21 MU

[28] Own Generation as on 31 March 2010/Total estimated population as on 31 March 2010 i.e. 880380000/3000000 = 293.46 units

[29] 3000 MU – 880.38 MU – 534.79 MU = 1584.83 (1585)

objective of the NEP. During the period from 2005-10, the actual generation was substantially less than the peak demand as well as average demand as shown below:

Table 3

Year	Actual Generation (MW)	Average Demand (MW)	Peak Demand (MW)	Percentage of actual generation to Average Demand	Percentage of actual generation to Peak Demand
2005-06	58.73	222.69	262	26.37	22.42
2006-07	44.42	254.66	298	17.44	14.91
2007-08	75.69	336.05	385	22.52	19.66
2008-09	63.11	362.52	424	17.41	14.88
2009-10	61.05	365.97	468	16.68	13.04

Source: MeSEB

As seen from **Table 3**

- Actual generation to average demand had come down from 26.37 *per cent* in 2005-06 to 16.68 *per cent* in 2009-10;
- Percentage of actual generation to peak demand had come down from 22.42 *per cent* in 2005-06 to 13.04 *per cent* in 2009-10.

The total supply in the State even after import was not sufficient to meet the peak demand, as shown below:

Table 4 **(In MW)**

Year	Peak Demand	Peak Demand met	Sources of meeting peak demand		Peak Deficit (Percentage of Peak Demand)
			Own[30]	Import	
2005-06	262	205.80	120.80	85.00	21.45
2006-07	298	221.79	29.52	192.27	25.57
2007-08	385	267.04	173.17	93.87	30.64
2008-09	424	230.92	84.07	146.85	45.54
2009-10	468	228.98	105.59	123.39	51.07

Source: MeSEB

Peak deficit had gone up from 21.45 *per cent* in 2005-06 to 51.07 *per cent* in 2009-10 and the MeSEB to meet this shortage, had consequently increased rotational load shedding in the State. From a report of the CEA releasing statistics for the period April – June 2010, it was seen that Meghalaya had the highest electricity deficit in the country at 32 *per cent* during this three months period.

4.2.7.1 Capacity Additions

The capacity additions planned by the State, actual additions and peak demand *vis-à-vis* energy supplied during review period are given below:

[30] The figures here may not tally with generation figures mentioned in the table above since it is the generation at the time of peak demand whereas generation in previous table is average generation during the year.

Table 5

Sl. No	Description	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Capacity at the beginning of the year (MW)	185.20	185.20	185.20	185.20	185.20
2.	Actual Additions (MW)	-	-	-	-	1.50
3.	Capacity at the end of the year (MW) (1 + 4)	185.20	185.20	185.20	185.20	186.70
4.	Demand (MUs)	3500.00	3840.00	4210.00	4620.00	5069.00
5.	**Energy supplied (MUs)**					
	a) Energy produced	514.44	389.09	663.06	552.84	534.79
	b) Energy purchased	871.66	929.30	924.15	968.92	947.29
	c) Total (a + b)	**1386.10**	**1318.39**	**1587.21**	**1521.76**	**1482.08**
	Less: T & D losses	495.73	485.64	529.11	477.16	503.22
	d) Net energy supplied	**890.37**	**832.75**	**1058.10**	**1044.60**	**978.86**
6.	**Shortfall in demand (MUs) {4 – 5 (d)}**	**2609.63**	**3007.25**	**3151.90**	**3575.40**	**4090.14**

Source: MeSEB

The State had a total installed capacity of 185.20 MW at the beginning of 2005-06 and managed to add a mere 1.50 MW during 2009-10. The particulars of envisaged capacity additions during 10 Plan (2002-07) were not available with MeSEB / State Government. Out of 600.50 MW envisaged to be added in the State as a whole during 11 Plan (2008-12), only 84 MW of capacity addition was planned during 2009-10. The shortfall in meeting the demand ranged from 74.56 *per cent* (2609.63 MU) to 80.69 *per cent* (4090.14 MU) and unmet energy demand was escalating year-on-year and had increased by 56.73 *per cent* in 2009-10 as compared to 2005-06. The major reasons for non-creation of additional capacity planned were delay in acquisition of land and handing over of sites and execution of additional item of work not envisaged in original DPR, *etc.* The hydro power potential[31] of Meghalaya is 3000 MW which is about three *per cent* of hydro potential of the country and also has abundant coal reserve for setting up of thermal power projects with capacity of 2000 MW.

The MeSEB currently has three hydro projects under construction as below:

Table 6

Sl. No.	Project	Capacity (MW)	Commencement of project	Expected date of completion
1.	Myntdu Leshka Hydel Project	126	May 2004	October 2011
2.	New Umtru Hydel Project	40	December 2008	December 2012
3.	Lakroh Hydel Project	1.5	July 2008	March 2011

Source: MeSEB

In addition to the three hydro projects currently under construction by the MeSEB, the State Government as of August 2010, has entered into Memorandums of Agreement (MOA) with the following parties to develop a total 1916 MW[32] of power generation capacity in the State out of which it would be entitled to 12 *per cent* of free power generated by these projects.

[31] Meghalaya Power Policy

[32] 1176 MW for hydro and 740 MW for thermal

Table 7

Sl. No.	Name of the Project	Name of the party	Date of signing
Hydro			
1.	Umduna HEP (57 MW)	M/s ETA star infrastructure	06.11.2008
2.	Umjaut (69 MW)	-do-	06.11.2008
3.	Kynshi I HEP (450 MW)	M/s Athena project Pvt Ltd	11.02.2010
4.	Rangmaw HEP (65 M)	M/s SEW Energy Limited	09.04.2010
5.	Kynshi II HEP (450 MW)	M/s Jaiprakash Power Venture	06.05.2010
6.	Mawphu (85 MW)	North Eastern Electric Power Corporation	MOA forwarded to NEEPCO (not yet signed) – November 2010
Thermal			
1.	Thermal power projects, Garo Hills (240 MW)	M/s Dharampal Satyapal Ltd	05.03.2010
2.	Thermal power project, Garo Hills (500 MW)	North Eastern Electric Power Corporation	MOA forwarded to NEEPCO (not yet signed) – November 2010

Source: Power Department, Government of Meghalaya

The guidelines issued (June 2001) by the Ministry of Power (MOP), Government of India envisages a three- stage development of new hydel power projects. Stage-I involves vetting of estimates/commercial viability and obtaining clearance from the Ministry of Environment and Forests. Stage - II involves preparation of Detailed Project Report, Public Investment Board approval and submission of Cabinet Committee of Economic Affairs (CCEA) note. Stage-III begins with the approval of CCEA, which specifies sanctioned cost and the scheduled time for completion of the project.

Given the protracted process leading up to the actual ground-breaking of a new power project (as with the case of the Myntdu Leshka Hydel Project discussed in a subsequent paragraph), the fact that all the above projects have not progressed beyond the MOA stage and the absence of any mention of specific completion/commissioning dates of the projects in the MOAs, the benefits to be reaped by the State as well as the resultant anticipated improvement in the power supply position is an open ended question.

4.2.7.2 Optimum Utilisation of existing facilities

In order to cope with the rising demand for power, not only additional capacity needs to be created as discussed in the preceding paragraphs, but optimal utilisation of existing facilities should also be ensured by undertaking life extension programmes, replacing existing generation equipment and other machinery which have completed their life cycle besides carrying out timely repair and maintenance activities in a planned manner.

The details of the hydro power generating units, which fell due for renovation and modernisation/ life extension programmes as per CEA norms during the five years ending 2009-2010 *vis-à-vis* the activities actually taken are indicated in the table below:

Table 8

Sl. No.	Name of the Plant	Unit No.	Installed Capacity	Due Date (as per CERC norms)	Date when actually taken up
1.	Umiam	Stage-II	18	2005-06	December 2009
2.	Umtru	-	11.20	1992-93	Yet to be taken up (November 2010)

Source: MeSEB

From the above it will be seen that the Renovation and Modernisation (R&M) of Umiam Stage –II which fell due in 2005-06 was taken up only in December 2009 and was still ongoing as of November 2010. The tender for R&M works was floated in February 2006 for International Competitive Bidding and technical and financial evaluation was approved by the MeSEB in May 2006. However, prior to issuing the letter of intent, Ministry of Power negated the tendering process in November 2006 and directed the MeSEB for re-tendering. However, the re-tendering was done only in August 2008 due to changes in qualification of bidders and again required approval of CEA. The letter of intent was issued to the successful bidder in December 2009. Hence, the main reason for delay in taking up Umiam Stage-II project for R&M was due to re-tendering process.

The R&M of Umtru power house, due in 1992-93 was yet to be taken up. During Exit Conference, the MeSEB stated (November 2010) that the reason for not taking up of R&M of Umtru Power House was due to construction of New Umtru Hydel Project and after completion of New Umtru, it will be decided whether Umtru Power House will be taken for R&M or not.

The year of commissioning of the MeSEB's generating stations is given below:

Table - 9

Sl. No.	Name of the Station	Year of Commissioning
1.	Umiam Stage-I	1965
2.	Umiam Stage-II	1970
3.	Umiam Stage-III	1979
4.	Umiam Stage-IV	1992
5.	Umtru	1957
6.	Sonapani	2009

Source: MeSEB

As per the guidelines of the Central Electricity Regulatory Commission, the useful life of the hydro generating units is 35 years and by this yardstick, Umiam Stage-I and II and Umtru generating units have outlived their utility. It was observed that the MeSEB was yet to evolve a strategy to address this issue.

4.2.8 Project Management

Undertaking detailed survey and investigation of proposed new power projects, preparing accurate and realistic draft project reports (DPR) - taking into account feasibility studies, infrastructure available and to be created in the project area, land acquisition and resettlement of people affected by the project, environmental and other clearances to be obtained from various authorities, bottlenecks likely to be encountered in various stages of project execution, *etc.* – is a critical requirement in the planning stage that will greatly facilitate the smooth and timely completion of power projects.

The following table indicates the scheduled and actual dates of completion of the completed/ ongoing projects during the review period of the MeSEB:

Table 10

Sl. No.	Phase-wise name of the Unit	Details	Month of completion as per DPR	Actual time taken[33]	Time overrun (in months)
1.	Myntdu Leshka Hydel Project (3 x 42 MW)	Date of completion of **unit-I & II**	August 2004	Under Progress	75
		Date of completion of **unit-III**	June 2009	Under Progress	17
		Date of start of transmission of **unit-I & II**	August 2004	Under Progress	75
		Date of start of transmission of **unit-III**	June 2009	Under Progress	17
		Date of commercial operation/ commissioning of **unit-I & II**	August 2004	Under Progress	75
		Date of commercial operation/ commissioning of **unit-III**	June 2009	Under Progress	17
2.	Sonapani Mini Hydel Project (1 x 1.50 MW)	Date of completion of unit	February 2003	October 2009	78
		Date of start of transmission	February 2003	October 2009	78
		Date of commercial operation/ commissioning of unit	February 2003	October 2009	78
3.	Lakroh Mini Hydel Project (1 x 1.50 MW)	Date of completion of unit	August 2003	Under Progress	87
		Date of start of transmission	August 2003	Under Progress	87
		Date of commercial operation/ commissioning of unit	August 2003	Under Progress	87
4.	New Umtru Hydel Project (2 x 20 MW)	Date of completion of unit	June 2010	Under Progress	5
		Date of start of transmission	June 2010	Under Progress	5
		Date of commercial operation/ commissioning of unit	July 2010	Under Progress	4

Source: MeSEB

During the period under review, the Myntdu Leshka Hydel Project (MLHEP) made up for 75 *per cent* of the capacity augmentation effort of the MeSEB. The investigation of MLHEP started in 1975-76 and the initial DPR (3 x 18 MW) was submitted to CEA for Techno Economic Clearance (TEC) in August 1997. CEA recommended 2x42 MW project in 1997. The MeSEB submitted final revised DPR in October 1998. TEC obtained from CEA in September 1999 with condition that project should be completed within five years and Ministry of Environment & Forests (MoEF) accorded environmental clearance in September 2001. Administrative

[33] As on November 2010

approval for construction was accorded by the MeSEB in June 2002 for an estimated cost of ₹ 363.09 crore. Final forest clearance was accorded in May 2004. Work started in full swing from May 2004. The project cost was revised to ₹ 671.29 crore in October 2006. The MeSEB in January 2008 decided to add one more generating unit (42 MW) at an estimated cost of ₹ 114.59 crore. In January 2009, the project cost was revised to ₹ 965.93 crore. As of November 2010, project is scheduled to be completed by October 2011.

It will be seen from the above that conceptualisation of the MHLEP to actual commencement of the project took almost 30 years. The DPR envisaged that project was to be completed by August 2004 i.e., within five years of commencement. Since actual work started in May 2004 the project should have been completed by May 2009 which, as of November 2010, has been deferred to October 2011. The project has undergone two cost revisions and cost of the project has gone up by 102 *per cent*[34] which affect the economic viability of the project. Further, as per the conditions of the TEC obtained from the CEA in September 1999, in case the time gap between TEC and actual start of work on the project was three years or more, a fresh TEC from CEA was required to be obtained by the MeSEB before start of actual work. Since the work commenced only in May 2004 i.e. after a gap of more than five years, a fresh TEC was therefore, required. However, it was observed that the MeSEB had not complied with this stipulation.

Further, the project underwent numerous design changes due to incorrect consideration of dam type, change in foundation level, increase in numbers of dam blocks, incorporation of shear zone treatment, increase in Sluice Gates, change in seismic hazard level, incorporation of an Inspection Gallery, change in height of divide walls on bucket reinforcement, etc. There were also wide variations between tendered quantities and work actually executed. The scope and magnitude of these changes indicated that detailed survey and investigation had not been carried out and a proper and realistic DPR had not been prepared.

Indian Institute of Technology (IIT), Guwahati who was asked by the MeSEB in October 2007 to identify the factors for the variations between tendered quantities and work actually executed opined in its report (January 2008) that the tendered quantities of materials were estimated hurriedly by the MeSEB without any detailed design calculations for the dam, in view of the fact that specification drawings were prepared by the Central Water Commission (CWC) in November 2003 and tender was floated by the MeSEB in the same month itself. The IIT also concluded that the MeSEB engineers did not have any experience of construction of Sluice Spillway dam in Meghalaya.

The MeSEB stated (November 2010) that due to various reasons beyond the control of the department, it took almost five years to receive the final forest clearance. As a result, it took almost 30 years from the conceptualisation of the project till the actual

[34] (₹965.93 - ₹477.68)/₹477.68 x 100 = 102 *per cent*

construction. Further, they have stated that during construction detailed engineering works were taken which led to changes from that of DPR. The reply is not tenable as specification drawings were prepared by Central Water Commission (CWC) in November 2003 and the MeSEB had hurriedly prepared the estimate and floated the tender in the same month itself.

4.2.8.1 Delay in commissioning of Sonapani Mini Hydel Project due to lack of planning

Approval for Sonapani Mini Hydel Project (1 x 1.5 MW) at an estimated cost of ₹ 9.02 crore was accorded by Ministry of Non-Conventional Energy Sources (MNES) by March 2001. The project was scheduled to be completed within 24 months. However, work commenced only in March 2003 as the Small Hydro Division to execute the Sonapani MHP could be set up only in January 2003 and the project completed in October 2009 i.e. a time overrun of 78 months reckoned from the originally envisaged project completion schedule of March 2003. During the course of project's execution, a dispute over the ownership of the land arose (March 2004) which the MeSEB resolved by agreeing to pay the owner ₹ 3.26 crore in an out of court settlement which as of October 2010, was yet to be paid. Thus, although the project was completed at a cost of ₹ 9.60 crore, the payout to the land owner may result in the project cost escalating by 42 *per cent* from the original estimated cost of ₹ 9.02 crore in DPR to ₹ 12.86 crore and thus, adversely affecting the project's internal rate of return.

Thus, it was seen that although the approval was accorded by March 2001, the work was completed and the project was commissioned only in October 2009. Thus, the MeSEB for a small project of only 1.5 MW had taken nearly 78 months to complete shows the lack of planning by the MeSEB.

The MeSEB stated (November 2010) that the cost of generation without land cost was ₹ 0.91 per unit and with land cost it was ₹ 1.35 per unit. Thus, there would be no adverse affect on the internal rate of return of the project.

4.2.8.2 Delay in commissioning of Lakroh Hydel Project due to non availability of clear land

Lakroh Hydel Project was approved by MNES in March 2001 and stipulated to be completed within 30 months i.e. August 2003. However, work on the project commenced only in July 2008 after the dispute between the MeSEB and the land owner was resolved in January 2008. As of November 2010, the project is scheduled to be completed by March 2011. Against the estimated cost of ₹ 11.76 crore, expenditure incurred up to 31 March 2010 was ₹ 3.68 crore.

This shows lack of proper planning by the MeSEB. Thus, there was a delay of nearly five years for commencement of the project which would result in increase in project cost.

The MeSEB stated (November 2010) that the delay was due to delay in receipt of no objection certificate from Jaintia Hills Autonomous District Council (JHADC) by almost four years.

4.2.8.3 Cost overrun

The estimated cost of the various power stations executed under different phases, actual expenditure, cost escalation and the percentage increase in the cost are tabulated below:

Table 11 : Cost overrun

(Rupees in crore)

Sl. No.	Phase-wise name of the Unit	Estimated cost as per DPR	Awarded Cost	Actual expenditure as on 31 March 2010	Expenditure over and above estimate
	(1)	(2)	(3)	(4)	(5) = (4 – 2)
1.	Myntdu Leshka Hydel Project (3 x 42 MW)	477.68	965.93	848.07	370.39
2.	Sonapani Mini Hydel Project (1 x 1500 KW)[35]	9.02	9.89	9.60	0.58
3.	Lakroh Mini Hydel Project (1 x 1500 KW)[35]	11.76	11.47	3.68	--

Source: MeSEB

It would be seen from above that the Myntdu Leshka Hydel Project suffered a cost overrun of ₹ 370.39 crore as the MeSEB executed additional item of works which were not envisaged in the original DPR such as variations in the tendered quantity, increase in number of dam blocks, incorrect consideration of dam type, higher seismic hazard level etc. This resulted in increase in cost of power generation from the envisaged ₹ 0.43 paisa per unit to ₹ 0.88 paisa per unit and in the per MW cost from ₹ 3.79 crore in 1999 to ₹ 7.67 crore in 2010.

4.2.9 Contract Management

Contract management is the process of efficiently managing contract (including inviting bids and award of work) and executing work in an effective and economic manner. With respect to this, it was observed that the MeSEB awarded in March 2004 to M/s SEW Construction Pvt. Ltd, Hyderabad the work for construction of the MLHEP dam at a total cost of ₹ 87.81 crore and as per the agreement, the contractor was given 10 *per cent* interest free mobilisation advance which was not incorporated in tender document. Accordingly, the MeSEB paid in two equal installments (March/April 2004) a total of ₹ 8.78 crore as mobilisation advance to the firm. The advance was recovered from the firm's bills during the period May 2005 to December 2006. The Central Vigilance Commission (CVC) discourages interest free mobilization advance. Should the management feel it necessary in specific cases, then it should be clearly stipulated in the tender document and its recovery should be time based and not to be linked with the progress of work. Further mobilisation advance should be given in installments and subsequent installments should be released after

[35] The MeSEB has accounted the expenditure up to December 2009

getting satisfactory utilisation certificate from the contractor for the earlier installments. However, it was observed that the utilisation certificate from the contractor was not obtained while releasing second installment in April 2004 and no time schedule for recovery of advance was specified in the agreement. Contrary to CVC guideline, the recovery was linked to progress of the work done by the contractor. The loss to the MeSEB on account of payment of interest free mobilization advance to M/s SEW Construction Pvt. Ltd for dam worked out to ₹ 1.75 crore[36]. This is in violation of the CVC guidelines.

4.2.10 Manpower Management

The CEA recommended 1.79 persons per mega watt of the installed capacity. The position of actual manpower, sanctioned strength and manpower as per CEA recommendation in respect of generation stations of the MeSEB (except Sonapani) is given below:

Table 12

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Sanctioned strength	291	292	292	292	292
2.	Manpower as per the CEA recommendations	332	332	332	332	332
3.	Actual manpower	188	190	190	190	190
4.	Expenditure on salaries (Rupees in lakh)	321.35	348.97	410.69	470.77	475.02

Source: MeSEB

It may be seen from the above table that the actual manpower for generation stations was less than sanctioned strength and also as per CEA norms during the year 2005-06 to 2009-10. But, however when the norms are applied to generation station individually as detailed in **Appendix 4.8,** it may be seen that manpower was in excess in respect of Umtru. The percentage of excess manpower in respect of Umtru was 70 *percent.* The excess expenditure incurred on salaries with reference to CEA norms worked out to ₹ 1.57 crore. It may be observed from the Annexure that Umiam Stage III and IV having capacity of 60 MW have a manpower of only 41 and 45 persons in their projects as against CEA norms of 108 and 107 persons respectively. Umtru with 11.20 MW has 34 persons as against 20 persons as per CEA norms. Hence, it is recommended that the extra manpower of 14 persons from Umtru may be effectively deployed in Umiam Stage III & IV which has deficit staff strength of 38 *per cent* and 42 *per cent* respectively.

4.2.11 Operation and Maintenance

Operation and maintenance (O&M) cost includes expenditure on the employees, repair and maintenance including stores and consumables, consumption of capital spares not part of capital cost, security expenses, administrative expenses etc. of the generating stations besides corporate expenses apportioned to each generating station,

[36] Interest @ 10 *per cent*

etc. The details of O&M expenditure on five[37] generating units for period 2005-06 to 2009-10 are given below:

Table 13

(Rupees in lakh)

Sl No.	Name of the Unit	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Umiam Stage I (4 x 9 MW) & Umiam Stage II (2 x 9 MW)	245.77	228.06	232.23	293.99	269.75
2.	Umiam Stage III (2 x 30 MW)	252.46	103.31	155.09	142.38	139.62
3.	Umiam Stage IV (2 x 30 MW)	91.52	101.99	130.34	155.77	125.41
4.	Umtru (4 x 2.80 MW)	78.59	84.97	107.38	152.68	140.18
5.	**Grand total**	**668.34**	**518.33**	**625.04**	**744.82**	**674.96**
6.	Installed Capacity (In MW)	185.20	185.20	185.20	185.20	186.70
7.	**Cost per MW (7 = 5/6)**	**3.61**	**2.80**	**3.37**	**4.02**	**3.62**

Source: MeSEB

CERC in its regulation 2009 allowed O&M norm for 2009-10 in respect of Hydro generating power stations per MW as ₹ 38.45 lakh. It may be seen from the above table that O&M expenses remained in the range of ₹ 2.80 lakh to ₹ 4.02 lakh per MW during 2005-10, which was within the prescribed CERC norms.

4.2.12 Output Efficiency

4.2.12.1 Shortfall in generation

The targets for generation of power for each year are fixed by the MeSEB and approved by the CEA. It was observed that the MeSEB was able to generate a total of 2662 MU of power during 2005-06 to 2009-10 against a target of 2798 MU fixed as shown in the table below:

Table - 14

Year	Target	Actual[38]	Shortfall
		(In MU)	
2005-06	560	517	43
2006-07	569	391	178
2007-08	571	665	(+) 94
2008-09	568	554	14
2009-10	530	535	(+) 5
Total	**2798**	**2662**	**136**

Source: MeSEB

The net shortfall of 136 MU valuing during the period in financial terms worked out to ₹ 36.98 crore.

The year-wise details of energy to be generated as per design, actual generation, plant load factor (PLF) as per design and actual plant load factor in respect of the power Projects commissioned up to March 2010 are as given in **Appendix 4.9.**

The details in the Annexure indicate that:

- The actual generation and actual PLF of individual units achieved ranged from 20.22 *per cent* to 49.63 *per cent* which were far below the energy to be

[37] Excluding Sonapani Mini Hydel Project which was commissioned in October 2009

[38] Sonapani not taken for Target and Achievement since it was commissioned in October 2009.

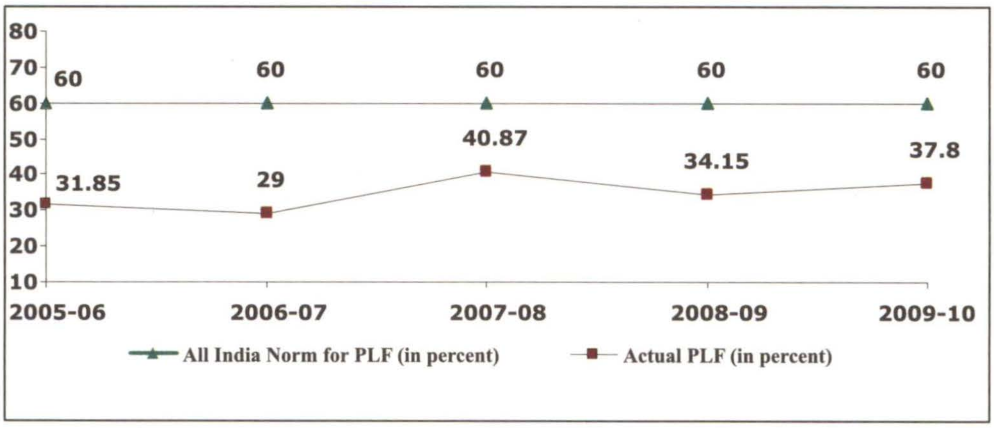
generated and PLF as per design (60 *per cent*) during the five years up to 2009-10.

- As against the total designed generation of 4865 MU of energy during the five years ending 2009-10, the actual generation was 2662 MU leading to the shortfall of 2203 MU, which could have been technically produced.

As the PLF had been designed considering the availability of inputs, the loss of generation (total 2203 MU) during the period 2005-06 to 2009-10 indicated that resources and capacity were not being utilised to the optimum level due to design deficiencies, frequent breakdown of units and delay in timely rectification of defects as discussed subsequently.

4.2.12.2 Low Plant Load factor (PLF)

The average PLF of the MeSEB during 2005-10 was 34.73 *per cent*. During each of the years under review, the average PLF of the MeSEB's five[39] hydro generating stations was as under:



It will be seen that the PLF ranged from 29 *per cent* (2006-07) to 40.87 *per cent* (2007-08) against the CERC norm of 60 *per cent* for hydro stations.

Reasons for low PLF were low plant availability, high planned outages and forced outages (due to unanticipated events like fire, accidents, delays in completing planned repairs and maintenance, *etc.*).

4.2.12.3 Plant Availability

Plant availability means the ratio of actual hours operated to maximum possible hours available during certain period. As against the CERC norm of 60 *per cent* plant availability during 2005-10, the average plant availability of power stations was 45.20 *per cent* during the five years up to 2009-10.

In respect of the MeSEB, these statistics for the period 2005-06 to 2009-10 were as under:

[39] Excluding Sonapani Mini Hydel Project which was commissioned in October 2009.

Table 16

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Total hours available	122640	122640	122976	122640	122640
2.	Operated hours	56605	44825	65544	53935	56430
3.	Planned outages (in hours)	14809	15468	8741	4797	12955
4.	Forced outages (in hours)	2711	2584	11803	16189	12160
5.	Idle hours[40]	48515	59763	36888	47719	41095
6.	Plant availability (*per cent*)	46	37	53	44	46

Source: MeSEB

It will be seen from **Table 16** that while 'total hours available' for generation during the period remained almost static at around 1,22,640 hours and 'operated hours' also remained at almost the same level of 56,600 hours at the beginning and end of the review period.

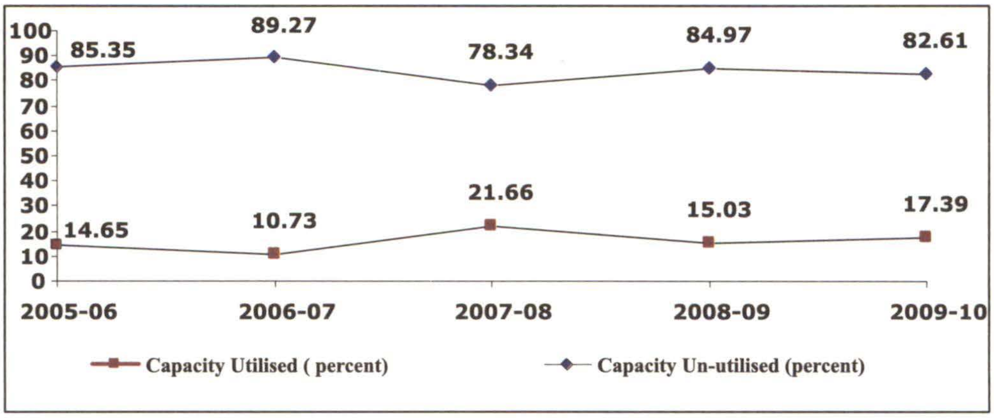
- Total outages (planned and forced) increased by 43 *per cent* from 17,520 hours in 2005-06 to 25,115 hours in 2009-10;
- Planned outages decreased from a high 15,468 hours in 2006-07 to 4,797 hours in 2008-09 and shot up to 12,955 hours the following year;
- Forced outages increased by 497 *per cent* from 2,711 hours in 2005-06 to 16,189 hours in 2008-09 and came down by 25 *per cent* to 12,160 hours in 2009-10.

The high incidence of planned and forced outages can be attributed to deficiency of the MeSEB's renovation and modernisation/life extension programmes (paragraph 4.2.7.2), inadequate expenditure on O&M (paragraph 4.2.11) and delay in completing repairs and maintenance of power stations (paragraph 4.2.13). The MeSEB stated (June 2010) that one of the reasons for the forced outages in 2009-10 was due to a major fire which broke out on 22 March 2009 in Transformer No. 3 of Stage I and damaged the control cables and relay panels resulting in extensive damage to equipments like generator, power cables, control and relay panels, *etc.* valued at ₹ 6.62 crore, for which MeSEB had lodged an insurance claim with Insurance Company on September 2009 which is yet to be received (November 2010). The generation loss on the basis of rates of realisation in respective years was ₹ 15.36 crore.

4.2.12.4 Low Capacity Utilisation

Capacity utilisation means the ratio of actual generation to possible generation during actual hours of operation. The actual capacity utilised ranged from 10.73 *per cent* to 21.66 *per cent* during the period 2005-10 as shown in the graph below:

[40] Hours when electricity could not be generated due to lack of desired water level in the reservoir



The main reasons for the low utilisation of available capacity during 2005-06 to 2009-10, as analysed in audit were due to frequent failure of runner, failure of stator coils and resultant shutdown of the unit for a very long period.

4.2.12.5 Auxiliary consumption of power

Energy consumed by power stations themselves for running their equipments and common services is called Auxiliary Consumption. SERC allowed (June 2003) 0.5 *per cent* of the power generated to be used as auxiliary consumption. The actual auxiliary consumption remained within the norms during review period except in 2006-07 when it increased marginally to 0.51 *per cent.*

4.2.13 Repairs & Maintenance

To ensure long term sustainable levels of performance, periodic maintenance of generating equipment is essential. The efficiency and availability of generating stations is dependent on the strict adherence to annual maintenance and overhauling schedules as reduced availability of equipment lead to reduced quantum of power being generated thereby increasing the cost of power.

The MeSEB informed that it was not possible to draw maintenance schedules in advance for hydro stations. Repairs and maintenance are undertaken on a need basis.

However, it is seen that due to the absence of periodical time bound repairs and maintenance, the units had frequent breakdown and consequent shut down of the units. It is high time that the MeSEB which has now become a Corporation should chart out a programme schedule for repairs and maintenance of its units and avoid frequent shut down in the future.

It was noticed that Unit I of Umtru Power Station was put under shut down (September 2004) for overhauling works due to stator failure. The machine was dismantled departmentally on 15 December 2004 and the work was handed over to M/s Swamina International Private Limited, Kolkata only in June 2006 after 18 months taken up in the process of awarding the tender. The work was to be completed by October 2006 (four months) and there was no performance guarantee clause as per the agreement. The defective materials were dispatched to the firm only in August

2006 and received back in April 2007. The machine was assembled and put to test in June 2007. However, due to mistakes in installation by the firm, the required voltage could not be built up and unit was stopped. The fault was rectified and the unit was synchronized in July 2007. The unit was again stopped in November 2007 due to breaking of a 'thrust collor'. A new 'thrust collor' was fabricated and the unit was started up in September 2008. Thus the unit which should have been operational from November 2006 became operational only in September 2008. The loss to the MeSEB on this account worked out to 14,161 hours leading to generation loss of 18.78 MUs.

4.2.14 Financial Management

Efficient fund management to ensure optimum and judicious utilisation of available financial resources is a vital necessity for a commercial organisation like the MeSEB.

The MeSEB's main sources of funds were from realisation from sale of power, subsidy from State/Central Governments, loans from State Government/Banks/ Financial Institutions (FI), *etc.* These funds were mainly utilised to meet payment of power purchase bills, debt servicing, employee and administrative costs, system improvement works of capital and revenue nature, *etc.*

Details of source and utilisation of funds on actual basis of the MeSEB for the years 2005-06 to 2009-10 are given below:

Table 17

(Rupees in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10*
Sources						
1.	Net Profit/(loss)	(57.07)	(86.42)	23.30	45.93	49.02
2.	Add: adjustments	15.89	(7.54)	(21.96)	(36.10)	(105.44)
3.	Funds from operations (1+2)	(41.18)	(93.96)	1.34	9.83	(56.42)
4.	Cash deficit	141.48	340.11	523.05	554.69	565.12
5.	Total (3+4)	182.66	434.07	522.05	544.86	621.54
Utilisation						
6.	Capital expenditure	150.38	209.63	274.31	301.09	375.22
7 (a).	Increase in working Capital	(52.30)	87.57	133.22	123.95	58.17
7 (b).	Repayment of capital liabilities	43.40	42.91	115.86	129.65	131.73
8.	**Total {3-(6+7)}**	**182.66**	**434.07**	**522.05**	**544.86**	**621.54**

*Source: MeSEB, * Provisional figures*

The cash deficit was met mainly by increased borrowings in the form of cash credit/loans (₹ 1597.09 crore in 2009-10) from commercial banks/FIs. Main reasons for cash deficit were poor and delayed recovery of power supply bills, heavy loan servicing commitments, locking up of funds in inventory and capital expenditure incurred with returns yet to flow in. It was observed that dependence on borrowed funds increased from ₹ 150.38 crore in 2005-06 to ₹ 375.22 crore as at the end of 2009-10 entailing an interest burden of ₹ 361.94 crore during this period. This in turn increased operational costs. There was therefore, an urgent need for the MeSEB to optimise internal resource generation by enhancing PLF, vigorous pursuance of outstanding power supply and subsidy dues.

A few instances cited below indicate that there was scope for the MeSEB to improve its financial position:

- In March 2008, the Government paid ₹ 50 crore as one time settlement against power supply dues totaling ₹ 80.31 crore from various government departments. The MeSEB wrote off the balance of ₹ 30.31 crore;
- In December 2008, dues amounting to ₹ 21.70 crore from private consumers were written off;
- Loan servicing in the form of repayment of principal and payment of interest increased from ₹ 43.40 crore in 2005-06 to ₹ 131.73 crore in 2009-10;
- During 2007-08[41] to 2009-10, the MeSEB paid ₹ 1.30 crore as delayed interest and penal interest to the Rural Electrification Corporation Ltd (REC). As on 31 March 2010, the total outstanding loan of the MeSEB with the REC was ₹ 241.68 crore;
- The MeSEB during the review period availed itself of overdraft facility from banks on a number of occasions. As on 31 March[42] 2009, the overdraft with State Bank of India, Central Bank and Vijaya Bank stood at ₹ 14.51 crore. During 2008-09, it paid ₹ 4.64 crore as interest and ₹ 3.26 lakh as penal interest on overdraft availed by it from different banks. As per information given by the MeSEB, the overdraft facilities during 2006-07 to 2008-09 carried interest rates ranging from 7.25 *per cent* to 17 *per cent*.
- Had the MeSEB taken stringent measures to optimise the internal resources by vigorous pursuance for recovery of outstanding electricity dues instead of writing them off, it could have curtailed borrowing of overdraft and thereby avoided payment of interest and penal interest which would have augmented partially its financial position.

4.2.15 Claims and Dues

The particulars of subsidy claims raised by the MeSEB with Government on account of power purchased from outside the State during the review period is shown below:

Table 18

(Rupees in crore)

Sl.No.	Details	2005-06	2006-07	2007-08	2009-10	Total
	Power Purchase Subsidy					
1.	Subsidy claims raised	12.15	22.19	22.91	--	57.25
2.	Subsidy received from State Government for Power Purchase	--	12.15	22.00	12.31	46.46
3.	**Difference (1 – 2)**	**12.15**	**10.04**	**0.91**	**(-) 12.31**	**10.79**

Source: MeSEB

Out of ₹ 57.25 crore claimed as power purchase subsidy for the period 2005-06 to 2007-08 and 2009-10, ₹ 46.46 crore was received from Government leaving a balance

[41] Figures for 2005-06 and 2006-07 not furnished by the MeSEB.

[42] Figures for 2009-10 not yet compiled by the MeSEB.

of ₹ 10.79 crore. As of November 2010, subsidy claims for 2008-09 and 2009-10 were yet to be raised by MeSEB.

4.2.16 Tariff Fixation

The MeSEB is required to file an application with the Meghalaya State Electricity Regulatory Commission[43] for approval of generation tariff for each year, 120 days before the commencement of the respective year or such other date as may be directed by the Commission. The Commission may accept the application with such modifications/conditions as it deems just and appropriate and after considering suggestions and objections from public and other stakeholders, issue an order specifying targets for 'controllable' items and approve the generation tariffs for the year within 120 days of the receipt of the application.

During the review period 2005-06 to 2009-10, tariff was revised four times[44]. It was observed that tariff applications for all the years except 2008-09 were submitted in time. The tariff application for the year 2008-09 which should have been filed by November 2007 but with the consent of the Commission, was filed in March 2008. It was observed that the Commission had not set performance targets for each year subsequent to every tariff revision for parameters deemed 'controllable' for hydro generating stations which were:

(a) Availability
(b) Auxiliary Energy Consumption
(c) Operation and Maintenance Expenses
(d) Plant Load Factor
(e) Financing Cost which includes cost of debt (interest), cost of equity (return) and
(f) Depreciation

The Commission fixes the tariff based on detailed data pertaining to the preceding five years relating to generation, utilisation of Central power, purchase of power, transmission & distribution losses, aggregate technical & commercial losses, billing-efficiency, revenue collection efficiency, power demand & supply position *etc.*

As no performance targets were fixed the MeSEB may be in an advantageous position as it could not be penalised for underperformance, if any, with respect to any of the above parameters.

4.2.17 Environmental Issues

In order to minimize the adverse impact of power projects/stations on the environment, the Government of India has enacted various Acts and statutes. It was noticed that the MeSEB did not have any system to monitor and ensure compliance of these requirements with regard to environmental issues.

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[43] Formed in July 2006

[44] Revised with effect from November 2005, January 2008, September 2008 and November 2009

Umiam Reservoir, which is the largest artificially created water body in Meghalaya, feeds five[45] downstream hydro power plants of the MeSEB. The reservoir covers an area of 10 Sq. Km. and serves as a recreational spot for tourists, boating and angling activities. In addition, the reservoir supplies drinking water to the Army Cantonment at Umroi as well as to the villages situated downstream of the power houses. A check of the water quality of the reservoir was carried by the Meghalaya State Pollution Control Board (MSPCB) during 2008 based on which water quality was certified as 'D'. As per the criteria prescribed by the Central Pollution Control Board (CPCB), fresh water classified as 'D' is unfit for human consumption and can be utilised only for propagation of wildlife and fisheries. In respect of a few parameters, the level of pollution of the reservoir as observed by the MSPCB was as follows:

Table 19

Sl. No.	Particulars	Month	Parameters	Dissolved Oxygen (DO)	Biochemical Oxygen Demand	Total Coliform organism
1.	Parameters fixed by the CPCB	-	A	6	2	50
		-	B	5	3	500
		-	C	4	3	5000
		-	D	4	-	-
		-	E	-	-	-
2.	Quality as ascertained by the MSPCB	January 2008	-	6.2	8.4	4300
		April 2008	-	5.4	10.5	4600
		July 2008	-	8.0	6.5	3300
		October 2008	-	6.0	10.0	3500

Source: MSPCB

It will be seen that the water quality with reference to 'dissolved oxygen' was within acceptable parameters. However, the 'biochemical oxygen demand' level was way beyond CPCB parameters. The 'total coliform organism' content was very much on the higher side with reference to CPCB norms. The MSPCB opined that the major sources of pollution of the water body were discharge of municipal solid and liquid water, dumping of spoils and garbage, deforestation and agricultural activities in the catchment area. It added that the faecal coliform count which indicates presence of pathogens in the water was a *"major concern"*.

We are of the view that the sources of pollution pointed out by the MSPCB will also contribute to silting of the reservoir at a faster rate than what the reservoir was designed for thereby reducing the life span of the lake. As 185.20 MW[46], out of the MeSEB's total installed capacity of 186.70 MW, is wholly dependent on the water of the reservoir for power generation the situation, if left unchecked, has serious implications on the MeSEB's long term operations and viability.

There was no evidence on record to show that the MeSEB had initiated or is contemplating initiating action to address these issues.

[45] Except Sonapani Mini Hydel Station.

[46] Umiam Stage-I (4 x 9MW), Umiam Stage-II (2 x 9 MW), Umiam Stage-III (2 x 30 MW), Umiam Stage-IV (2 x 30 MW) and Umtru (4 x 2.8 MW).

4.2.18 Monitoring by top management

The MeSEB is the biggest public sector undertaking of the State in terms of capital employed, turnover, number of employees, *etc.* For an organisation of its size, it is essential that a well documented and designed Management Information System (MIS) is in place to collect and collate vital operational and financial data for submission to top Management to enable them to take prompt decisions and mid-course corrections. It was noticed that the MeSEB had no MIS in place. MeSEB stated that it has been conducting regular meetings and brings out a periodical MIS bulletin. A perusal of the said document revealed that the bulletin was more in the nature of an in-house magazine containing assorted reports on various activities of the MeSEB, (training, sports activities, phone numbers of MeSEB employees, photographs, *etc.*) and articles of general interest. We are of the opinion that this hardly qualified as a MIS report.

In the course of this review, it was observed that the information required was to be called for and collected from various departments/offices of the MeSEB. The time taken to furnish the information indicated that the same was not readily available with the departments/offices from which this was requested for and it was evident that additional efforts had to be put in by all concerned in this regard. Further, the accuracy of information was at times highly suspect as the same data furnished by different sources of the MeSEB was not the same. There was no centralised database which otherwise, would have taken care of these shortcomings.

A rigorous MIS is an essential prerequisite for a successful commercial organisation. The MeSEB with effect from 01 April 2010 has been split up into a holding company[47] and three subsidiary companies[48] (yet to be formed). It is recommended that well planned MIS system be put in place in these four entities to ensure that these organisations do not suffer from the infirmities suffered by the mother organisation on this count.

The MeSEB stated (November 2010) that it had appointed M/s Pricewaterhouse Cooper as the consultant to implement IT initiatives.

4.2.19 Conclusion

- **MeSEB could not keep pace with growing demand of power in the State due to inadequate planning for setting of the new projects as per their requirement.**
- **The management of projects under execution was ineffective as there were instances of time and cost overrun, which caused significant increase in interest during construction period.**

[47] Meghalaya Energy Corporation Limited

[48] Meghalaya Power Generation Corporation Limited, Meghalaya Power Distribution Corporation Limited and Meghalaya Power Transmission Corporation Limited

- **The unit-wise deployment of manpower was not in accordance with the prescribed CEA norms.**
- **Plant load factor and plant availability remained less than CEA norms in all the years under review. Further, PLF, plant availability and capacity utilisation declined since 2007-08.**
- **MeSEB did not plan for preventive repair and maintenance schedule which adversely affected the performance of generation stations.**
- **MeSEB failed in vigorous pursuance of its outstanding dues and subsidy claims.**
- **MeSEB did not initiate any action for addressing the environmental pollution issues.**
- **The MeSEB did not have a proper MIS in place for exercising effective control over its activities by top management.**

4.2.20 Recommendations

The MeSEB needs to:

- **evolve effective planning for capacity addition to keep pace with growing demand to overcome the shortage of power;**
- **evolve effective monitoring mechanism for establishment of new power generating stations/units as per the scheduled plan;**
- **rationalise its manpower allocation to ensure optimum utilisation;**
- **enhance plant load factor, plant availability and capacity utilisation by minimising forced outages;**
- **formulate and implement preventive maintenance schedule to ensure effective and efficient utilisation of plants;**
- **vigorously pursue for realisation of outstanding dues and subsidy claims;**
- **evolve an action plan for minimising the adverse impact on water bodies;**
- **evolve Management Information System for effective and regular monitoring by top management; and**
- **enhance the use of its undertrapped vast hydro and thermal potentials.**

AUDIT OF TRANSACTIONS

POWER DEPARTMENT

MEGHALAYA STATE ELECTRICITY BOARD

4.3 Avoidable liability

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

The Board of Directors of the Meghalaya State Electricity Board (MeSEB) in February 2007 approved the raising of ₹ 250 crore, with a 'green shoe option'[49] of ₹ 100 crore, through a bond issue. Subsequently, the MeSEB assessed its fund requirement at ₹ 220 crore and approached (May 2007) the Government of Meghalaya (GOM) for a State backed guarantee for a bond issue of this amount with a coupon rate of 10.50 *per cent* per annum. The guarantee was accorded by GOM in August 2007 following which, the MeSEB appointed UTI Securities Ltd, Mumbai as consultant for the issue in the same month. The said amount of ₹ 220 crore was raised through two separate bond issues of ₹ 120 crore and ₹ 50 crore respectively and the balance ₹ 50 crore as a loan from a scheduled bank.

The first bond issue - without a 'green shoe option' - for ₹ 120 crore and with a tenure of 10 years, was offered from 1st to 24th October 2007 with interest at 9.90 *per cent* per annum (with a 'put' and 'call' option[50] at the end of the 7th year) and 9.95 *per cent* per annum (without option). The issue was closed eight days before the due date as it was fully subscribed.

In April 2008, the Board of the MeSEB approved raising the balance ₹ 100 crore through another bond issue. However, the management did not raise the entire amount immediately but decided in November 2008, to mobilise ₹ 30-40 crore in the same month and the balance in December 2008, when it hoped to access the amount at a lower rate of interest.

Accordingly a bond issue of ₹ 30 crore with a 'green shoe option' of ₹ 100 crore, was offered from 14th to 19th November 2008. The issue, without 'put' and 'call' option and with a ten-year tenure, carried an interest rate of 11.40 *per cent* per annum. The

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[49] A 'green shoe option' allows the issuing company/organisation to offer more shares/bonds than the originally offered amount if the issue is over subscribed.

[50] A 'call'/'put' option at the end of the 7th year gives the issuer/investor the right to redeem the bonds at par at the end of the 7th year.

issue closed on 18 November 2008 after raising ₹ 50 crore which included ₹ 20 crore under the 'green shoe option'.

Subsequently, the MeSEB mobilized another ₹ 50 crore at 9.95 *per cent* from a scheduled bank in September 2009.

Audit observed that although the Board of the MeSEB in February 2007 approved the bond issue with a 'green shoe option', the same was not exercised at the time of the first issue for ₹ 120 crore in October 2007. As a result, although the issue was oversubscribed and closed eight days before the due date, the MeSEB was not in a position to retain the excess subscription. Failure to incorporate the 'green shoe option' was inexplicable as by management's own calculations the issue, with interest rates of 9.90 and 9.95 *per cent*, was at a lower cost than the interest rate of 10.50 *per cent* it had estimated in May 2007. Had the MeSEB retained this option, the amount of ₹ 50 crore raised through a second bond issue in November 2008 would not have been necessary. In the bargain, the MeSEB would have saved ₹ 7.25 crore being the interest differential of 1.45 *per cent* i.e., 11.40 *per cent* minus 9.95 *per cent,* over the 10 year tenure of the bonds.

The Management stated (September 2009/March 2010) that a prudent decision was taken to raise only ₹ 120 crore through the first bond issue to avoid keeping excess funds in short term deposits at interest rates varying from 5 *per cent* to 7.5 *per cent* per annum. The reply is unacceptable as even if the ₹ 50 crore raised through the second bond issue in November 2008 had been raised in the first issue in October 2007 and this amount parked in short term deposit, the additional interest burden which the MeSEB would have had to bear would have been 2.45 *per cent*[51] amounting to ₹ 1.33 crore[52] for the period November 2007 to November 2008, i.e., 13 months.

Thus, raising funds through the first bond issue without a 'green shoe option' resulted in an extra avoidable liability of ₹ 5.92 crore[53]. In addition, omission to include a 'put' and 'call' option for the second bond issue was against the MeSEB's interest as in the event of drop in bond rates in future, the organisation would not be in a position to take advantage of this situation.

The matter was reported to Government in June 2010; reply was awaited (November 2010).

[51] 2.45 per cent = 9.95 *per cent* (interest rate of first bond issue) *minus* 7.5 *per cent* (interest rate on fixed deposit).
[52] ₹ 50 crore X 2.45 *per cent* X 13 months = ₹ 1.33 crore
[53] ₹ 7.25 crore less ₹ 1.33 crore.

4.4 Failure to take action to collect dues from Government consumers

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

The Government of Meghalaya (GOM) in April 2008 agreed to liquidate the outstanding dues as on 31 March 2008 amounting to ₹ 80.31 crore[54] of all the State Government agencies to the MeSEB through a one time settlement (OTS) of ₹ 50 crore subject to the MeSEB waiving the interest component on the arrear dues. The MeSEB accepted (June 2008) the OTS offer and the GOM accordingly released ₹ 50 crore in two installments of ₹25 crore each in June 2008 and August 2008.

The Chief Secretary (CS), GOM, in May 2008 informed all heads of departments of the OTS deal with the MeSEB and instructed that electricity dues payable by the government departments to MeSEB be treated as settled upto 31 March 2008 and all bills from April 2008 would be treated as current bills which departments would have to clear regularly on a monthly basis. The CS also instructed all departments/offices to make suitable provisions for payment of electricity bills and pointed out that failure to pay the bills would result in disconnection of electricity under Section 56 of the Electricity Act, 2003.

It was also observed that the Chief Engineer (Distribution) [CE], MeSEB in July 2008 instructed all heads of MeSEB Revenue Divisions that in case any government consumers default on payment of electricity dues from April 2008 onwards, necessary action for discontinuance of power supply might be taken as per Section 56 of the Electricity Act, 2003.

However, despite the directions by the two functionaries, it was observed that during the period of 23 months (April 2008 to February 2010), the electricity dues from State Government consumers again accumulated to ₹ 11.25 crore[55] as detailed below:

(Rupees in crore)

Sl. No.	Name of Division	Outstanding as on February 2010
1.	Shillong Revenue Division	5.07
2.	Central Revenue Division	1.10
3.	Western Revenue Division	0.52
4.	Jowai Revenue Division	1.83
5.	Garo Revenue Division	1.29
6.	Williamnagar Revenue Division	1.44
	Total	**11.25**

In view of the fact that the instructions of the CS were being ignored by State Government agencies, the MeSEB should have disconnected the power supply to the errant government consumers under Section 56 of the Electricity Act, 2003 which was reiterated by the CE, MeSEB in July 2008. Failure by the MeSEB to do so in even a

[54] comprising of (i) arrears of payment of electricity charges ₹ 62.41 crore and, (ii) delayed payment charges ₹ 17.90 crore.

[55] month upto which figures available with the MeSEB.

single case has again resulted in increase of outstanding dues to ₹ 11.25 crore against government consumers as on 28 February 2010.

The matter was brought to the notice of the Government in September 2010; reply was awaited (November 2010).

INDUSTRIES DEPARTMENT

MEGHALAYA INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

4.5 Irrational decisions to sanction loans

Despite the borrower defaulting on the first loan, another two loans were sanctioned to him.

The Meghalaya Industrial Development Corporation Limited (MIDC) sanctioned (August 1996) a loan of ₹ 60 lakh[56], repayable in 18 half-yearly instalments commencing from December 1998, to the Proprietor, Yalana Hotel (Proprietor) for setting up a hotel and shopping complex at Shillong. Upon the dues accumulating to ₹ 115 lakh (August 2002) owing to irregular repayments[57], the Proprietor, citing poor hotel occupancy and income from the restaurant not coming up to expectations, proposed (September 2002) a One Time Settlement (OTS) of the loan for an amount of ₹ 66.55 lakh. The MIDC rejected (October 2002) the proposal on the ground that it did not qualify for an OTS.

However, based on the direction (March 2003) of the Government to consider the case, the MIDC approved (April 2003) an OTS of ₹ 98.22 lakh (principal ₹ 57.83 lakh and interest ₹ 40.39 lakh after waiving interest amounting to ₹ 25 lakh) to be paid in three equal installments in June 2003, September 2003 and December 2003. Against this repayment schedule, the Proprietor paid ₹ 4.91 lakh in January 2004 and another ₹ 4.91 lakh in March 2004.

In September 2004, the MIDC formulated an OTS scheme for its defaulting borrowers. One of the options under this scheme was for payment of the full principal amount outstanding in one installment and waiver of the entire interest due provided the outstanding principal was paid within one week of the borrower accepting the scheme. The Proprietor accepted this option in December 2004 but paid the outstanding principal amount of ₹ 57.83 lakh in two installments of ₹ 10 lakh in February 2005 and the balance of ₹ 47.83 lakh, plus interest of ₹ 6.39 lakh for delayed payment, in March 2005.

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[56] with interest @ 19.75 *per cent* per annum and penal interest @ 3 *per cent* per annum over and above the interest rate

[57] Proprietor repaid ₹ 0.73 lakh in March 1997, ₹ 0.74 lakh in May 1997, ₹ 1.00 lakh in October 1999, ₹ 1.70 lakh in December 1999, ₹ 1.70 lakh in March 2000, ₹ 0.70 lakh in June 2000 and ₹ 1.20 lakh in July 2000 whereas the repayment should have been at ₹ 3.35 lakh per installment

Despite the Proprietor having defaulted on his loan and repaying his dues only by taking advantage of the Corporation's OTS scheme, the MIDC sanctioned him a second loan of ₹ 50.00 lakh in December 2005[58]. This loan was to be repaid in 20 quarterly installments commencing from August 2006. The Proprietor, however, did not make any repayments till July 2008. Following verbal negotiations between the MIDC and the Proprietor, the latter made payments of ₹ one lakh per month from August 2008 and till September 2010 had paid up ₹ 30.35 lakh[59] leaving a balance of ₹ 43.83 lakh[60] still to be paid. Thus, it would take another three and-a-half years for the loan to be settled.

It was further noticed that a third loan of ₹ 49 lakh was sanctioned to the Proprietor by the MIDC in June 2007. As of September 2010 the same had however, not been disbursed.

Sanction of the second and third loan to the Proprietor was imprudent and against the interests of the organisation considering that the Proprietor defaulted in repayment of the first loan and settled the same under OTS scheme. The decision was further flawed since the hotel project was commercially unviable as admitted by the Proprietor himself in August 2002 and borne out by the fact that he also failed to repay the second loan as per schedule. Against this backdrop, the Corporation's rationale of sanctioning a third loan to the Proprietor was inexplicable.

The matter was brought to the notice of the Government in June 2010; reply was awaited (November 2010).

4.6 Tardy action to recover a loan

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

Meghalaya Industrial Development Corporation (MIDC) in August 1996 sanctioned a term loan of ₹ 49.35 lakh[61] to Eastern Petrochemicals Private Limited (firm) for setting up a LPG refilling plant in Ri-Bhoi District with the stipulation that there would not be any change in the constitution of the firm without dues being fully cleared. The entire loan amount was released to the firm during October 1996 to March 1998.

[58] with interest @ 13.75 *per cent* per annum and penal interest @ 3 *per cent* per annum over and above the interest rate

[59] (Principal ₹ 10.94 lakh + Interest ₹ 19.41 lakh)

[60] (Principal ₹ 36.85 lakh + Interest ₹ 6.98 lakh) – figures furnished by the MIDC

[61] principal repayable in nine annual installments; interest at 19.75 *per cent* per annum on principal was payable annually, the first instalment of which was payable two years after the first disbursement.

Despite the firm's failure to repay the first installment towards principal of ₹ 5.50 lakh which fell due in October 1998, the MIDC sanctioned (January 1999) another loan of ₹ 7 lakh[62] to the firm which was released in February 1999.

The management of the firm changed in November 2003 with the original promoter executing a Memorandum of Understanding with another person to take over the firm for a consideration of ₹ 1.30 crore and with the condition that latter party was to pay outstanding dues of ₹ 64 lakh to the MIDC. The fact of the change of management came to the notice of the MIDC only in April 2005. The MIDC did not act on this information. Further, despite the fact of the failure of the firm in repaying its dues was brought to the notice of the Corporation by Audit (July 2008), no action was taken.

Between October 1998 and September 2008, the firm paid interest of ₹ 4.34 lakh only. As a result of persistent default by the firm, the over-dues accumulated to ₹ 1.77 crore (principal ₹ 56.35 lakh and interest ₹ 120.96 lakh) as on September 2008. At the request of the firm for a 'one time settlement' (OTS) package to liquidate its dues, the MIDC in September 2008 partially waved payment of interest amounting to ₹ 89.03 lakh. Under the OTS scheme, the balance amount of ₹ 88.28 lakh (principal ₹ 56.35 lakh and interest ₹ 31.93 lakh) was to be paid by the firm by December 2008 in three installments of ₹ 29.43 lakh each failing which the package was null and void. The firm, however, only repaid ₹ 10 lakh towards principal till April 2010. It was noticed that the MIDC instead of taking concrete action to realise the balance amount of ₹ 78.28 lakh, granted the firm, without any penalties, an extension of time up to 15 July 2010 to repay its dues. As of August 2010, the MIDC had not received any further repayments.

Thus, due to imprudent business practices of the MIDC, the Corporation on the loans of ₹ 49.35 lakh and ₹ 7 lakh advanced to the firm during October 1996 to March 1998 and February 1999 on which it should have got back ₹ 2.02 crore (principal ₹ 56.35 lakh and interest ₹ 146.07 lakh) was able to realize only ₹ 14.34 lakh of this amount till April 2010.

The Management stated (February 2010) that the firm due to unforeseen problems incurred losses since inception because of very low capacity utilisation and at present had stopped operations.

The Audit is, however, of the view that the MIDC should have, on the failure of the firm to honour its obligations under the OTS package, resorted to vigorous steps to recover its dues by invoking action under Section 29 of the State Financial Corporation Act, 1951 which empowers a Financial Corporation to take over the management or possession or both of an industrial concern in such events.

The failure of the MIDC to initiate the above action besides indicating the Corporation's lack of concern in protecting its own financial interest, also sends a

[62] with interest at 18.75 *per cent* per annum; principal plus interest repayable in ten half-yearly installments after three months from the date of commissioning/production of the unit

wrong message to its other borrowers - an impression which if left uncorrected – is bound to have adverse consequences on the financial health of the organisation in future.

The matter was reported to the Government in June 2010; reply was yet to be received (November 2010).

MAWMLUH CHERRA CEMENTS LIMITED

4.7 Unproductive expenditure on repairs

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

Mawmluh Cherra Cements Limited (MCCL) commenced commercial production in 1966 with Raw Mill No. 1 (RM1) having a capacity of 25 MT per hour. In 1978, the company commissioned Raw Mill No. 2 (RM2) manufactured by M/s KCP Limited, Chennai (KCPL) with a higher capacity of 55 MT per hour. Thereafter, the entire production line was shifted over to RM2 and RM1 functioned as a standby unit only.

In October 2007 the 'inlet journal' (IJ) of RM2 developed cracks but production continued after temporary repairs. In the same month, the company contacted KCPL and other engineering firms to repair the faulty part. KCPL, however, offered (October 2007) to replace the IJ only within 10 months for ₹ 27.12 lakh plus taxes. The only other response was from Larsen & Toubro, Kolkata (L&T) who offered to carry out the necessary repairs within 35 days.

On 11 March 2008, the MCCL placed an order with L&T to repair the IJ at a cost of ₹ 11.50 lakh plus taxes. L&T communicated (July 2008) its inability to guarantee the repair work and could not successfully fix the defective part by August 2008. In the meantime, the operation of RM2 was stopped from 23 March 2008, as the company decided that the mill should not be run till the inlet journal was repaired. Production on a limited scale was carried out through RM1.

In September 2008, the MCCL placed an order with the KCPL for supply and erection of a new IJ at a cost of ₹ 30.63 lakh plus taxes. Following this, on October 4, 2008, the company engaged a Chennai based firm to repair the IJ. The work was to be completed by 22 November 2008 against which the work was actually completed on 27 April 2009 at a cost ₹ 18.43 lakh. However, the repair work was a failure as RM2 broke down again after one and- a- half months. The IJ was ultimately replaced by KCPL in October 2009 at a total cost of ₹ 34.83 lakh. The mill is presently in operation.

Thus, RM2 which became defective in October 2007 was restored only after 24 months that included a period of around 16 months[63] when RM2 was totally non functional.

Considering that KCPL in September 2008 had already been asked to supply and replace the IJ, the management's decision to attempt to repair the IJ a second time in October 2008 was unjustified in view of the fact that the first such attempt in March 2008 failed. As the repair work of the faulty part (IJ) was unsuccessful, it resulted in an unproductive expenditure of ₹ 18.43 lakh.

The Company needs to formulate proper policy to meet such contingencies to avoid stoppages of machines for want of vital components or their repair.

The matter was reported to the Government/Management in June 2010; replies were awaited (November 2010).

(A.W. K. LANGSTIEH)
Principal Accountant General (Audit)
Meghalaya

Shillong
The 11 FEB 2011

Countersigned

(VINOD RAI)
Comptroller and Auditor General of India

New Delhi
The 21 FEB 2011

[63] from March 2008 to April 2009 and mid-July 2009 to September 2009.

APPENDICES

APPENDIX 4.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2010 in respect of Government companies and Statutory corporations)

(Reference: Paragraph 4.1.3)

(Figures in column 5 (a) to 6 (c) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital[1]				Loans[2] outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	Forest	January 1975	1.77	0.20	-	1.97	-	-	-	-	0:1 (0:1)	73
2.	Meghalaya Bamboo Chips Limited (MBCL)	Industries	September 1979	-	-	0.48	0.48	-	-	1.95	1.95	4.06:1 (3.6:1)	15
Sector wise total				**1.77**	**0.20**	**0.48**	**2.45**	**-**	**-**	**1.95**	**1.95**	**0.80:1**	**88**
INFRASTRUCTURE													
3.	Meghalaya Industrial Development Corporation Limited (MIDCL)	Industries	April 1971	89.00	-	-	89.00	-	-	-	-	0:1 (0.04:1)	117
4.	Meghalaya Government Construction Corporation Limited (MGCCL)	Public works	March 1979	0.75	-	-	0.75	-	-	2.25	2.25	3.00:1 (1.45:1)	95
Sector wise total				**89.75**	**-**	**-**	**89.75**	**-**	**-**	**2.25**	**2.25**	**0.03:1**	**212**
MANUFACTURING													
5.	Mawmluh Cherra Cement Limited (MCCL)	Industries	May 1995	50.11	-	0.10	50.21	-	-	27.28	27.28	0.54:1 (0.75:1)	563
6.	Meghalaya Mineral Development Corporation Limited (MMDCL)	Mining & Geology	March 1981	2.32	-	-	2.32	-	-	-	-	0:1 (0.97:1)	17
7.	Meghalaya Electronics Development Corporation Limited (MEDCL) (Subsidiary)	Industries	March 1986	-	-	4.72	4.72	-	-	1.48	1.48	0.31:1 (0.27:1)	16
8.	Meghalaya Watches Limited (MWL) (Subsidiary)	Industries	August 1979	-	-	-	-	-	-	-	-	- (0:1)	-
Sector wise total				**52.43**	**-**	**4.82**	**57.25**	**-**	**-**	**28.76**	**28.76**	**0.50:1**	**596**
SERVICES													
9.	Meghalaya Tourism Development Corporation Limited (MTDCL)	Tourism	January 1977	7.96		-	7.96	-	-	2.56	2.56	0.32:1 (0.32:1)	140
Sector wise total				**7.96**	**-**	**-**	**7.96**	**-**	**-**	**2.56**	**2.56**	**0.32:1**	**140**

[1] Paid-up capital includes share application money.

[2] Loans outstanding at the close of 2009-10 represent long-term loans only.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of Incorpo-ration	Paid-up Capital				Loans outstanding at the close of 2009-10				Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.3.2010)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
MISCELLANEOUS													
10.	Meghalaya Handloom & Handicrafts Development Corporation Limited (MHHDCL)	Industries	January 1979	2.91	0.10	0.05	3.06	-	-	-	-	0:1 (0:1)	12
Sector wise total				**2.91**	**0.10**	**0.05**	**3.06**	**-**	**-**	**-**	**-**	**0:1**	**12**
Total A (All sector wise working Government companies)				**154.82**	**0.30**	**5.35**	**160.47**	**-**	**-**	**35.52**	**35.52**	**0.22:1**	**1048**
B. Working Statutory corporations													
POWER													
1.	Meghalaya State Electricity Board (MeSEB)[3]	Power & Electricity	January 1975	202.00	-	-	202.00	165.98	-	670.69	836.67	4.14:1 (4.07:1)	3594
Sector wise total				**202.00**	**-**	**-**	**202.00**	**165.98**	**-**	**670.69**	**836.67**	**4.14:1**	**3594**
SERVICE													
2.	Meghalaya Transport Corporation (MTC)	Transport	October 1976	68.97	6.81	-	75.78	-	-	-	-	0:1 (0:1)	353
Sector wise total				**68.97**	**6.81**	**-**	**75.78**	**-**	**-**	**-**	**-**	**0:1**	**353**
MISCELLANEOUS													
3.	Meghalaya State Warehousing Corporation (MSWC)	Cooperation	March 1973	1.94	-	1.23	3.17	-	-	-	-	0:1 (0:1)	11
Sector wise total				**1.94**	**-**	**1.23**	**3.17**	**-**	**-**	**-**	**-**	**0:1**	**11**
Total B (All sector wise working Statutory corporations)				**272.91**	**6.81**	**1.23**	**280.95**	**165.98**	**-**	**670.69**	**836.67**	**2.98:1**	**3958**
Grand Total (A + B)				**427.73**	**7.11**	**6.58**	**441.42**	**165.98**	**-**	**706.21**	**872.19**	**1.98:1**	**5006**
C. Non working Government Companies													
MANUFACTURING													
1.	Meghalaya Phyto chemicals Limited[4]			-	-	0.75	0.75	-	-	-	-	0:1 (0:1)	-
Sector wise total				**-**	**-**	**0.75**	**0.75**	**-**	**-**	**-**	**-**	**0:1**	**-**
Total C(All sector wise non working Government companies				**-**	**-**	**0.75**	**0.75**	**-**	**-**	**-**	**-**	**0:1**	**-**
Grand Total(A+B+C)				**427.73**	**7.11**	**7.33**	**442.17**	**165.98**	**-**	**706.21**	**872.19**	**1.97:1**	**5006**

[3] The information pertains to the year 2008-09 as for 2009-10 information not provided by the MeSEB

[4] The company is a 619-B company and no accounts have been prepared after 1984 (calendar year).

APPENDIX 4.2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Reference: Paragraph 4.1.6)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments[5]	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed[6]	Return on capital employed[7]	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	1999-2000	2007-08	(-) 0.43	-	0.01	(-)0.44	0.03	-	1.72	(-)2.15	(-)0.69	(-)0.44	-
2.	Meghalaya Bamboo Chips Limited (MBCL)	2005-06	2009-10	(-) 0.49	1.13	0.08	(-)1.70	0.12	-	0.48	(-)15.21	0.46	(-)0.57	-
Sector wise total				**(-)0.92**	**1.13**	**0.09**	**(-)2.14**	**0.15**	-	**2.20**	**(-)17.36**	**(-)1.15**	**(-)1.01**	
INFRASTRUCTURE														
3.	Meghalaya Industrial Development Corporation Limited (MIDCL)	2002-03	2009-10	1.93	1.85	0.06	0.02	4.20	-	62.63	0.36	77.86	1.87	2.40
4.	Meghalaya Government Construction Corporation Limited (MGCCL)	2007-08	2009-10	0.08	-	0.02	0.06	1.60	-	0.75	(-)12.77	(-)11.57	0.06	-
Sector wise total				**2.01**	**1.85**	**0.08**	**0.08**	**5.80**	-	**63.38**	**(-)12.41**	**66.29**	**1.93**	**2.91**

[5] Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

[6] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

[7] Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
5.	Mawmluh Cherra Cement Limited (MCCL)	2008-09	2009-10	(-)8.68	0.01	0.70	(-)9.39	18.70	-	37.21	(-)2.85	21.73	(-)9.38	-
6.	Meghalaya Mineral Development Corporation Limited (MMDCL)	2008-09	2009-10	0.07	0.65	0.10	(-)0.68	0.42	-	2.32	(-)5.27	3.78	(-)0.03	-
7.	Meghalaya Electronics Development Corporation Limited (MEDCL) (Subsidiary)	2000-01	2009-10	(-)0.56	0.73	0.11	(-)1.40	0.53	-	4.72	(-)15.41	3.23	(-)0.67	-
8.	Meghalaya Watches Limited (MWL) (Subsidiary)	2008-09	2010-11	-	-	-	-	-	-	0.36	(-)0.36	-	-	-
Sector wise total				**(-)9.17**	**1.39**	**0.91**	**(-)11.47**	**19.65**	**-**	**44.61**	**(-)23.89**	**28.74**	**(-)10.08**	**-**
SERVICES														
9.	Meghalaya Tourism Development Corporation Limited	1994-95	2010-11	(-)0.38	0.16	0.12	(-)0.66	1.70	-	6.66	(-)3.12	8.96	(-)0.50	-
Sector wise total				**(-)0.38**	**0.16**	**0.12**	**(-)0.66**	**1.70**	**-**	**6.66**	**(-)3.12**	**8.96**	**(-)0.50**	**-**
MISCELLANEOUS														
10.	Meghalaya Handloom & Handicrafts Development Corporation	2002-03	2009-10	(-)0.15	-	0.01	(-)0.16	0.07	Non disclosure of material fact-	1.62	(-)1.75	0.09	(-)0.16	-
Sector wise total				**(-)0.15**	**-**	**0.01**	**(-)0.16**	**0.07**		**1.62**	**(-)1.75**	**0.09**	**(-)0.16**	**-**
Total A (All sector wise working Government companies)				**(-)8.61**	**4.53**	**1.21**	**(-)14.35**	**27.37**	**-**	**118.47**	**(-)58.53**	**102.93**	**(-)9.82**	**-**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments	Paid up Capital	Accumu-lated Profit (+)/ Loss (-)	Capital employed	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory corporations														
POWER														
1.	Meghalaya State Electricity Board.	2008-09	2009-10	63.18	39.23	14.12	9.83	392.51	Overstatement of profit	202.00	(-)392.61	1563.60	49.06	3.14
Sector wise total				**63.18**	**39.23**	**14.12**	**9.83**	**392.51**	-	**202.00**	**(-)392.61**	**1563.60**	**49.06**	**3.14**
SERVICE														
2.	Meghalaya Transport Corporation	2004-05	2008-09	(-)0.64	-	0.38	(-)1.02	20.50	Understatement of loss	60.03	(-)62.61	(-)2.54	(-)1.02	-
Sector wise total				**(-)0.64**	-	**0.38**	**(-)1.02**	**20.50**	-	**60.03**	**(-)62.61**	**(-)2.54**	**(-)1.02**	-
MISCELLANEOUS														
3.	Meghalaya State Warehousing Corporation	2008-09	2010-11	0.08	-	0.05	0.03	0.34	-	2.81	0.06	2.65	0.03	1.05
Sector wise total				**0.08**	-	**0.05**	**0.03**	**0.34**	-	**2.81**	**0.06**	**2.65**	**0.03**	**1.05**
Total B (All sector wise working Statutory corporations)				**62.62**	**39.23**	**14.55**	**8.84**	**413.35**	-	**264.84**	**(-)455.16**	**1563.71**	**48.07**	**4.19**
Grand Total (A + B)				**54.01**	**43.76**	**15.76**	**(-)5.51**	**440.72**	-	**383.31**	**(-)513.69**	**1666.64**	**38.25**	**2.30**
C. Non working Government companies														
MANUFACTURING														
1.	Meghalaya Phyto Chemicals Limited	1984	1984	(-)0.66	-	-	(-)0.66	-	-	0.75	(-)2.20	-	(-)0.66	-
Sector wise total				**(-)0.66**	-	-	**(-)0.66**	-	-	**0.75**	**(-)2.20**	-	**(-)0.66**	-
Total C (All sector wise non working Government companies)				**(-)0.66**	-	-	**(-)0.66**	-	-	**0.75**	**(-)2.20**	-	**(-)0.66**	
Grand Total (A + B + C)				**53.35**	**43.76**	**15.76**	**(-)6.17**	**440.72**	-	**384.06**	**(-)515.89**	**1666.64**	**37.59**	**2.26**

APPENDIX 4.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010

(Reference: Paragraph 4.1.4)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year 2009-10		Grants and subsidy received during the year 2009-10				Guarantees received during the year and commitment at the end of the year[8]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government[9]	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1.	Forest Development Corporation of Meghalaya Limited (FDCML)	-	-	-	0.30(G)	-	0.30(G)	-	-	-	-	-	-
Sector wise total		**-**	**-**	**-**	**0.30(G)**		**0.30(G)**	**-**	**-**	**-**	**-**	**-**	**-**
INFRASTRUCTURE													
2.	Meghalaya Industrial Development Corporation Ltd	-	-	-	-	-	-	-	-	-	-	-	-
3.	Meghalaya Government Construction Corporation Ltd	-	-	-	0.08(S)	-	0.08(S)	-	1.00	-	-	-	-
Sector wise total					**0.08(S)**		**0.08 (S)**	**-**	**1.00**				
MANUFACTURE													
4.	Mawmluh Cherra Cement Ltd	13.00	-	-	-	-	-	-	-	-	-	-	-
5.	Meghalaya Mineral Development Corporation Ltd	-	-	-	4.05(G)	-	4.05(G)	-	1.84	-	-	-	-
Sector wise total		**13.00**	**-**		**4.05(G)**	**-**	**4.05(G)**	**-**	**1.84**	**-**	**-**	**-**	**-**

[8] Figures indicate total guarantees outstanding at the end of the year.

[9] '(G) stands for 'Grants' and '(S)' stands for 'Subsidy' received during the year.

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
6.	Meghalaya Tourism Development Corporation	-	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		-	-	-	-	-	-	-	-	-	-	-	-
MISCELLANEOUS													
7.	Meghalaya Handloom & Handicraft Development Corporation	0.30	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**0.30**	-	-	-	-	-	-	-	-	-	-	-
Total A (All sector wise working Government companies)		**13.30**	-	-	**4.35(G) 0.08(S)**	-	**4.35(G) 0.08(S)**	-	**2.84**	-	-	-	
B. Working Statutory corporations													
1.	Meghalaya State Electricity Board	-	-	-	-	-	-	116.88	650.49	-	-	-	-
Sector wise total		-	-	-	-	-	-	**116.88**	**650.49**				
SERVICE													
2.	Meghalaya Transport Corporation	3.00	-	-	3.38(S)	-	3.38(S)	-	-	-	-	-	-
Sector wise total		**3.00**	-	-	**3.38(S)**	-	**3.38(S)**	-	-	-	-	-	-
MISCELLANEOUS													
3.	Meghalaya State Warehousing Corporation	0.15	-	-	1.24 (S)	-	1.24 (S)	-	-	-	-	-	-
Sector wise total		**0.15**	-	-	**1.24 (S)**	-	**1.24 (S)**	-	-	-	-	-	-
Total B (All sector wise working Government statutory Corporations)		**3.15**	-	-	**4.62(S)**	-	**4.62(S)**	**116.88**	**653.33**	-	-	-	-
Grand Total (A + B)		**16.45**	-	-	**4.35(G) 4.70(S)**	-	**4.35(G) 4.70(S)**	**116.88**	**653.33**	-	-	-	-

APPENDIX 4.4

Statement showing investment made by the State Government in PSUs whose accounts are in arrears

(Reference: Paragraph 4.1.7)

(Rupees in crore)

Sl.No.	Name of the Company	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by the State Government during the years for which accounts are in arrears				
				Year	Equity	Loan	Grant	Subsidy
A. WORKING GOVERNMENT COMPANIES								
1.	Meghalaya Industrial Development Corporation Limited	2002-03	62.63	2003-04 to 2008-09	26.37	-	-	-
2.	Meghalaya Handloom and Handicrafts Development Corporation Limited (Subsidiary)	2002-03	1.62	2003-04 to 2009-10	1.29	-	-	-
3.	Forest Development Corporation of Meghalaya Limited	1999-00	1.72	2001-02	0.25	-	0.87[1]	
4.	Meghalaya Tourism Development Corporation Limited	1994-95	6.66	1995-96 to 2009-10	1.31	-	6.37[2]	
5.	Meghalaya Government Construction Corporation Limited	2007-08	0.75	2007-08 & 2008-09	-	-	-	0.08[3]
	Total A		**73.38**	**-**	**29.22**	**-**	**7.24**	**0.08**
B. WORKING STATUTORY CORPORATIONS								
1.	Meghalaya Transport Corporation	2004-05	60.03	2005-06 to 2009-10	15.75[4]	-	-	-
2.	Meghalaya State Ware-housing Corporation	2008-09	2.81	2009-10	0.35	-	1.24	-
	Total B		**62.84**	**-**	**16.10**	**-**	**1.24**	**-**
	Grand Total (A+B)		**136.22**	**-**	**45.32**	**-**	**8.48**	**0.08**

Note:
(1) Includes ₹ 17.44 lakh in 2006-07; ₹ 10.00 lakh in 2007-08, ₹ 30.00 lakh in 2008-09 and ₹ 30.00 lakh in 2009-10.
(2) Includes ₹ 2 crore as Financial Assistance from 1997-98 to 2005-06.
(3) ₹ 7.60 lakh in 2008-09.
(4) Includes ₹ 300 lakh in 2005-06, ₹ 300 lakh in 2006-07, ₹ 300 lakh in 2007-08, ₹ 375 lakh in 2008-09 and ₹ 300 lakh in 2009-10.

APPENDIX 4.5

Statement showing financial position of Statutory corporations

(Reference: Paragraph 4.1.6)

(Rupees in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)
1.	**Meghalaya State Electricity Board**			
	A. Liabilities			
	(a) Paid up Capital	202.00	202.00	202.00
	(b) Loans from Government	160.59	162.75	496.13
	(c) Other long-term loans (including bonds)	833.48	964.30	1358.12
	(d) Reserves and Surplus	2.70	2.70	2.98
	(e) Current liabilities and Provisions	435.76	643.45	315.88
	Total – A	**1634.53**	**1975.20**	**2375.11**
	B. Assets			
	(a) Gross fixed assets	501.17	525.55	549.67
	Less: Depreciation	235.08	249.22	264.83
	Net fixed assets	266.09	276.33	284.84
	(b) Capital works-in-progress	486.88	736.83	1013.42
	(c) Deferred Cost	21.07	18.45	21.16
	(d) Current assets	407.86	474.19	581.22
	(e) Investments	48.26	66.37	80.20
	(f) Intangible assets	0.59	0.59	1.66
	(g) Accumulated losses	403.78	402.44	392.61
	Total – B	**1634.53**	**1975.20**	**2375.11**
	C. Capital employed	**725.08**	**843.91**	**1563.60**
2.	**Meghalaya Transport Corporation**	**2002-03**	**2003-04**	**2004-05**
	A. Liabilities			
	(a) Capital (including Capital loan and equity capital)	53.79	57.28	60.03
	(b) Reserves and Surplus	0.11	0.12	0.12
	(c) Borrowings:			
	Government	-	-	-
	Others	-	-	-
	(d) Funds (excluding depreciation fund)	0.43	0.41	0.49
	(e) Trade dues and other current liabilities (including provisions)[1]	17.89	21.31	17.89
	Total – A	**72.22**	**79.12**	**78.53**
	B. Assets			
	(a) Gross Block	7.72	7.72	8.59
	Less: Depreciation	4.92	5.26	6.64
	Net fixed assets	2.80	2.46	1.95
	(b) Capital works-in-progress (including cost of Chassis)	-	-	-
	(c) Investments	0.73	1.62	0.56
	(d) Current assets, loans and advances	10.09	12.88	13.40
	(e) Deferred cost	-	-	-
	(f) Accumulated losses	58.60	62.16	62.62
	Total	**72.22**	**79.12**	**78.53**
	C. Capital employed[2]	**(-)5.00**	**(-)5.97**	**(-)2.54**

[1] Excluding depreciation of ₹ 4.92 crore, ₹ 5.26 crore and ₹ 6.64 crore of 2002-03, 2003-04 and 2004-05 respectively.

[2] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital. While working out capital employed, the element of deferred cost and investment are excluded from current assets.

(1)	(2)	(3)	(4)	(5)
3.	**Meghalaya State Warehousing Corporation**	**2006-07**	**2007-08**	**2008-09**
	A. Liabilities			
	(a) Paid-up Capital	2.66	2.81	2.81
	(b) Reserves and Surplus[3]	0.57	0.19	0.21
	(c) Borrowings :			
	Government	-	-	-
	Others	-	-	-
	(d) Trade dues and other current liabilities (including provision)	0.04	0.04	0.24
	Total – A	**3.27**	**3.04**	**3.26**
	B. Assets			
	(a) Gross Block	1.75	1.84	2.02
	Less : Depreciation	0.44	0.76	0.81
	Net fixed assets	1.31	1.08	1.21
	(b) Capital works-in-progress	--	--	--
	(c) Investments	0.41	0.42	0.37
	(d) Current assets, loans and advances	1.55	1.54	1.68
	(e) Accumulated losses	-		
	Total – B	**3.27**	**3.04**	**3.26**
	C - Capital employed	**2.82**	**2.58**	**2.65**

[3] Excluding depreciation fund.

APPENDIX 4.6

Statement showing working results of Statutory corporations

(Reference: Paragraph 4.1.6)

(Rupees in crore)

Meghalaya State Electricity Board

Sl. No.	Particulars	2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)
1.	(a) Revenue receipts	233.17	318.15	392.51
	(b) Subsidy/Sub-vention from Government	24.15	32.80	11.70
	(c) Other income	30.69	32.39	39.78
	Total	**288.01**	**383.34**	**443.99**
2.	Revenue expenditure (net of expenses capitalised including write off of intangible assets but excluding depreciation and interest)	337.20	315.23	344.70
3.	Gross surplus(+)/ deficit(-) for the year (1-2)	(-)49.19	68.11	99.29
4.	Adjustments relating to previous years	(-)7.54	(-)21.96	(-)36.10
5.	Final gross surplus (+)/deficit (-) for the year (3+4)	(-)56.73	46.15	63.19
6.	**Appropriations:**			
	(a) Depreciation (less capitalised)	12.62	12.90	14.12
	(b) Interest on Government loans	16.27	16.67	18.23
	(c) Interest on other loans, bonds, advance, *etc.* and finance charges	36.35	59.57	69.34
	(d) Total interest on loans and finance charges (b+c)	52.62	76.24	87.57
	(e) Less : interest capitalised	28.00	44.47	48.33
	(f) Net interest charged to revenue (d-e)	24.62	31.77	39.24
	(g) Total appropriation (a+f)	37.24	44.67	53.36
7.	Surplus(+)/ deficit(-) before accounting for subsidy from State Government {5-6(g)-1(b)}	(-)118.12	(-)31.32	(-)1.87
8.	Net surplus (+)/ deficit(-){5-6(g)}	(-)93.97	1.48	9.83
9.	Total return on capital employed	(-)69.35	33.25	49.07
10.	Percentage of return on capital employed	-	3.94	3.14

Meghalaya Transport Corporation

Sl. No.	Particulars	2002-03	2003-04	2004-05
1.	**Operating :**			
	(a) Revenue	5.54	5.93	6.00
	(b) Expenditure	9.81	9.88	19.13
	(c) Surplus(+)/deficit(-)	(-)4.27	(-)3.95	(-)13.13
2.	**Non-operating**			
	(a) Revenue	0.35	0.22	0.23
	(b) Expenditure	-	-	-
	(c) Surplus(+)/deficit(-)	0.35	0.22	0.23
	Total			
	(a) Revenue	5.89	6.15	6.23
	(b) Expenditure	9.81	9.88	19.13
	(c) Surplus(+)/deficit(-)	(-)3.92	(-)3.73	(-)12.90
3.	Interest on capital and loans	-	-	-
4.	**Total return on capital employed**	**(-)3.92**	**(-)3.73**	**(-)12.90**

Meghalaya State Warehousing Corporation				
Sl. No.	Particulars	2006-07	2007-08	2008-09
1.	**Income**			
	(a) Warehousing charges	0.19	0.20	0.23
	(b) Other income	0.08	0.09	0.11
	Total – 1	**0.27**	**0.29**	**0.34**
2.	**Expenses**			
	(a) Establishment charges	0.19	0.19	0.22
	(b) Other Expenses	0.04	0.08	0.09
	Total – 2	**0.23**	**0.27**	**0.31**
3.	Profit (+)/ Loss(-) before tax	0.05	0.02	0.03
4.	Other appropriations	(-) 0.01	-	-
5.	Amount available for dividend	0.04	0.02	0.03
6.	Dividend for the year	0.001	-	-
7.	Total return on capital employed[4]	0.04	0.01	0.03
8.	Percentage of return on capital employed	1.42	0.39	1.05

[4] Net surplus/deficit plus total interest charged to Profit & Loss Account (less interest capitalised).

APPENDIX 4.7

Statement showing operational performance of Meghalaya State Electricity Board

(Reference: Paragraph 4.2.6)

Sl. No	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Installed capacity (In MW)	185.20	185.20	185.20	185.20	186.70
2.	Normal maximum demand	262.00	298.00	385.00	424.00	468.00
	Percentage increase/decrease (-) over previous year	31.37	13.74	29.19	10.13	10.38
3.	**Power generated (MKWH)**	516.72	391.12	665.38	554.13	536.15
	Percentage increase/decrease (-) over previous year	(-)18.96	(-)24.31	70.12	(-)16.72	(-) 3.24
4.	Less: Auxiliary consumption	2.28	2.03	2.32	1.29	1.36
	(Percentage)	0.44	0.51	0.34	0.23	0.25
	Total	**2.28**	**2.03**	**2.32**	**1.29**	**1.36**
5.	Net power generated	514.44	389.09	663.06	552.84	534.79
6.	Total demand (in MUs)[5]	3500.00	3840.00	4210.00	4620.00	5069.00
7.	Deficit (-)/Surplus (+) power (In MU)	2985.56	3450.91	3546.94	4067.16	4534.21
8.	**Power purchased**					
	Other States	871.66	929.30	924.15	968.92	947.29
9.	Transmission and Distribution Losses	495.73	485.64	529.11	477.16	503.22
10.	**Net deficit (In MUs) {(7-8) + 9}**	**2609.63**	**3007.25**	**3151.90**	**3575.40**	**4090.14**

Source: MeSEB

[5] Meghalaya Power Policy

APPENDIX 4.8

Statement showing details of Manpower of all generating units

(Reference: Paragraph 4.2.10)

Sl. No.	Name of the Units	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	Umiam Stage I (4 x 9 MW) & Umiam Stage II (2 x 9 MW)	1. Sanctioned strength					
		(i) Stage I	102	102	102	102	102
		(ii) Stage II	46	46	46	46	46
		Total	**148**	**148**	**148**	**148**	**148**
		2. Manpower as per the CEA recommendations					
		(i) Stage I	65	65	65	65	65
		(ii) Stage II	32	32	32	32	32
		Total	**97**	**97**	**97**	**97**	**97**
		3. Actual manpower					
		(i) Stage I	40	38	38	38	38
		(ii) Stage II	31	32	32	32	32
		Total	**71**	**70**	**70**	**70**	**70**
		4. Expenditure on salaries (Rupees in lakh) Stage I & II	143.17	156.71	174.01	188.39	187.87
		5. Extra expenditure with reference to sanctioned strength (Rupees in lakh) [(4/3) x (3–1)]	--	--	--	--	--
		6. Extra expenditure with reference to CEA norms (Rupees in lakh) [(4/3) x (3–2)]	--	--	--	--	--
2.	Umiam Stage III (2 x 30 MW)	1. Sanctioned strength	59	59	59	59	59
		2. Manpower as per the CEA recommendations	108	108	108	108	108
		3. Actual manpower	40	41	41	41	41
		4. Expenditure on salaries (Rupees in lakh)	63.90	71.00	81.95	82.25	96.20
		5. Extra expenditure with reference to sanctioned strength (Rupees in lakh) [(4/3) x (3–1)]	--	--	--	--	--
		6. Extra expenditure with reference to CEA norms (Rupees in lakh) [(4/3) x (3–2)]	--	--	--	--	--
3.	Umiam Stage IV (2 x 30 MW)	1. Sanctioned strength	52	52	52	52	52
		2. Manpower as per the CEA recommendations	107	107	107	107	107
		3. Actual manpower	44	45	45	45	45
		4. Expenditure on salaries (Rupees in lakh)	67.20	74.20	88.44	79.03	90.13
		5. Extra expenditure with reference to sanctioned strength (Rupees in lakh) [(4/3) x (3–1)]	--	--	--	--	--
		6. Extra expenditure with reference to CEA norms (Rupees in lakh) [(4/3) x (3–2)]	--	--	--	--	--
4.	Umtru (4 x 2.80 MW)	1. Sanctioned strength	32	33	33	33	33
		2. Manpower as per the CEA recommendations	20	20	20	20	20
		3. Actual manpower	33	34	34	34	34
		4. Expenditure on salaries (Rupees in lakh)	47.08	47.06	66.29	121.10	100.82
		5. Extra expenditure with reference to sanctioned strength (Rupees in lakh) [(4/3) x (3–1)]	1.43	1.38	1.95	3.56	2.97
		6. Extra expenditure with reference to CEA norms (Rupees in lakh) [(4/3) x (3–2)]	18.55	19.38	27.30	49.86	41.51

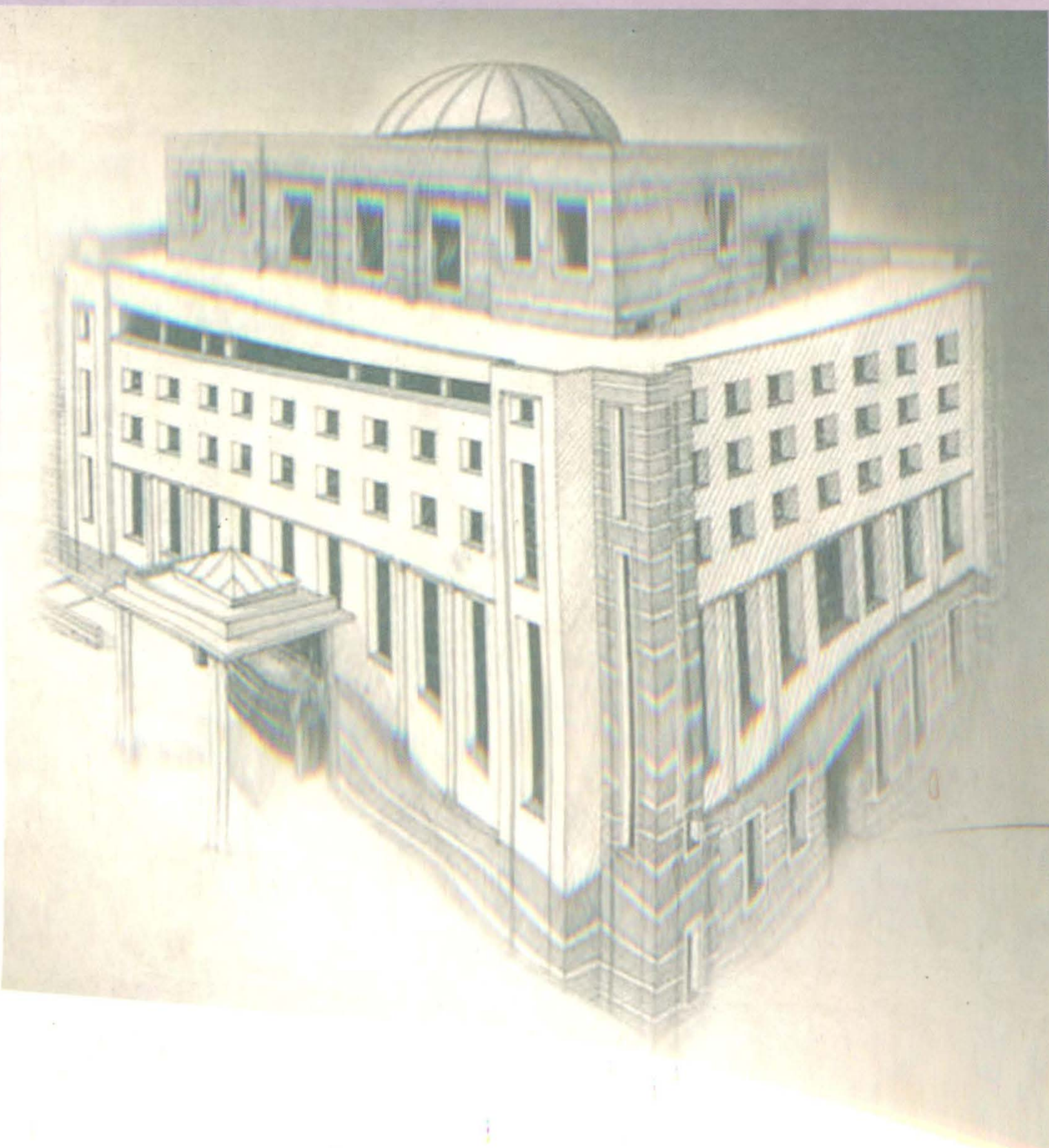
Source: MeSEB

APPENDIX 4.9

Statement showing station-wise year-wise details of energy to be generated as per design, actual generation and plant load factor as per design vis-à-vis actual (Reference: Paragraph 4.2.12.1)

Year	Energy Generation (MU)		Plant Load Factor (*per cent*)	
	As per design[6]	Actual	As per design[7]	Actual
Umiam Stage-I (Commissioned in 1965)				
2005-06	189.00	98.89	60	28.85
2006-07	189.00	61.58	60	22.20
2007-08	189.00	150.70	60	45.72
2008-09	189.00	107.66	60	32.97
2009-10	189.00	110.80	60	34.52
Umiam Stage-II (Commissioned in 1970)				
2005-06	95.00	44.02	60	25.50
2006-07	95.00	27.59	60	20.22
2007-08	95.00	66.90	60	40.64
2008-09	95.00	48.59	60	29.48
2009-10	95.00	51.67	60	32.41
Umiam Stage-III (Commissioned in 1979)				
2005-06	315.00	143.52	60	24.80
2006-07	315.00	117.39	60	25.08
2007-08	315.00	148.59	60	26.49
2008-09	315.00	160.04	60	29.25
2009-10	315.00	137.23	60	26.01
Umiam Stage-IV (Commissioned in 1992)				
2005-06	315.00	180.80	60	32.00
2006-07	315.00	139.89	60	29.30
2007-08	315.00	247.77	60	42.02
2008-09	315.00	194.40	60	35.53
2009-10	315.00	186.75	60	35.42
Umtru (Commissioned in 1957)				
2005-06	59.00	49.49	60	48.10
2006-07	59.00	44.67	60	48.20
2007-08	59.00	51.42	60	49.48
2008-09	59.00	43.44	60	43.52
2009-10	59.00	47.88	60	49.63
Sonapani (Commissioned in 2009) – Not taken for Target and Achievement				
2009-10	--	--	60	48.81
Total	**4865.00**	**2661.68**	**--**	**--**

[6] Converted capacity of MW into MU and considered 60 *per cent* as PLF
[7] Converted capacity of MW into MU and considered 60 *per cent* as PLF



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