सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Social and Economic Sectors

for the year ended 31 March 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

GOVERNMENT OF MEGHALAYA

Report No. 1 of 2021

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Comptroller and Auditor General of India
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for the year ended 31 March 2019

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PREFACE

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor of Meghalaya under Article 151 of the Constitution of India.

The Report contains significant results of the performance and compliance audit of the departments of the Government of Meghalaya under the Social and Economic Sectors including Health and Family Welfare, Tourism, Animal Husbandry & Veterinary, Agriculture, Power and Commerce and Industries Departments. Audit observations on Revenue Sector of the Government of Meghalaya are covered in a separate Report on Revenue Sector.

The cases mentioned in this Report are those which came to notice in the course of test audit of accounts for the year 2018-19, as well as those which came to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2018-19 have also been included, wherever necessary.

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

Overview

OVERVIEW

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

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

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

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

SOCIAL SECTOR

Compliance Audit Paragraph

Health and Family Welfare Department

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

(Paragraph 1.2)

ECONOMIC SECTOR

Performance Audit

Performance Audit of 'Development of Tourism Activities in the State of Meghalaya'

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

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

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

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

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

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

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

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

(Paragraph 2.2)

Compliance Audit Paragraphs

Animal Husbandry and Veterinary Department

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

(Paragraph 2.3)

Agriculture & Farmers' Welfare Department

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

(Paragraph 2.4)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

Functioning of Public Sector Undertakings

As on 31 March 2019, the State of Meghalaya had 17 PSUs (16 working and one non-working), which included 15 Government companies and two Statutory Corporation. As on 31 March 2019, the investment of the State Government (capital and long-term loans) in 17 PSUs was ₹ 2,736.21 crore consisting of 92.57 *per cent* (₹ 2,532.97 crore) towards capital and 7.43 *per cent* (₹ 203.24 crore) towards long-term loans. The combined investment of State and Other Stakeholders as on 31 March 2019 in PSUs under various important sectors stood at ₹ 6667.38 crore. The investment was highest in the Power Sector PSUs (₹ 6,053.64 crore) followed by Manufacturing Sector PSUs (₹ 347.36 crore).

(Paragraphs 3.1.1, 3.1.2.1 and 3.1.2.2)

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

(Paragraph 3.1.4)

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

(Paragraph 3.1.6)

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

(Paragraphs 3.1.8.1 and 3.1.8.2)

Compliance Audit Paragraphs

Mawmluh Cherra Cements Limited

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

(Paragraph 3.2)

Meghalaya Power Distribution Corporation Limited

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

(Paragraph 3.3)

Meghalaya Government Construction Corporation Limited

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

(Paragraph 3.4)

Follow up of Audit observations

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

(Paragraph 4.1)

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

(Paragraph 4.3)

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

(Paragraph 4.4)

CHAPTER-I

SOCIAL SECTOR

CHAPTER I: SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2019 deals with findings on audit of the State Government's auditable entities under Social Sector.

Table 1.1.1 provides the net budget provision and expenditure of major State Government departments under Social Sector during the year 2018-19:

Table 1.1.1

(₹ in crore)

Sl. No.	Name of Department	Budget Provisions (Original and Supplementary)	Expenditure
1.	Education, Sports & Youth Affairs & Arts and Culture	2327.48	2108.03
2.	Health & Family Welfare	1230.99	1065.26
3.	Public Health Engineering	1576.70	476.86
4.	Urban Development	228.94	92.50
5.	Social Welfare	763.41	558.11
6.	Labour	95.62	50.93
7.	Housing	71.88	62.06
8.	Revenue	32.80	16.52
	Total	**6327.82**	**4430.27**

Source: Budget Estimates, Appropriation Acts and Appropriation Accounts.

1.1.1 Planning and conduct of Audit

Audit process starts with risk assessment of various departments of Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns. During 2018-19, we conducted Audits involving expenditure of ₹ 1429.00 crore (including expenditure pertaining to previous years audited during the year) of the State Government under Social Sector. The chapter contains one Compliance Audit Paragraphs, as discussed in the succeeding paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE DEPARTMENT

1.2 Idle expenditure

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

Mention was made in Performance Audit on Select District Hospitals of the State of Meghalaya (Paragraph 3.2.2) of shortfall in availability of health facilities in the State with respect to population—The shortfall in Sub centres, Primary Health centres and Community Health centres was 54, 24 and 23 *per cent* respectively, of the requirement as of March 2019 based on State's population.

Primary Health Centre (PHC) is the first contact point between village community and the Medical Officer. PHCs provide integrated curative and preventive health care to the rural population with emphasis on preventive and promotive aspects of health care. It also acts as a referral unit for six Sub Centres.

Based on the proposals of the Government of Meghalaya under the Government of India (GoI) sponsored National Health Mission Programme, the GoI , Ministry of Health and Family Welfare approved (October 2014) upgradation of Sub Centre, Chibinang to PHC and construction of PHC at Jengjal for ₹ 14.00 crore. The State received initial instalment of ₹ 3.00 crore[1] in 2014-15 and another ₹ 11.00 crore[2] in 2015-16.

Notice inviting tenders for construction work of the two PHCs were floated by the Department in November 2014 while the work orders were issued between February 2015 and July 2017. **Table 1.2.1** shows details of construction and expenditure incurred on two PHCs.

Table 1.2.1: Status of work and expenditure incurred in Chibinang & Jengjal PHCs.

Sl. No.	Item	Date of issue of work order	Work value (₹ in crore)	Date of completion	Expenditure incurred (₹ in crore)
A	***Chibinang PHC***				
1	Main PHC Building	11.03.2015	2.38	15.06.2017	2.38
2	Staff's Quarters sanitary installation, internal electrification, *etc.*	11.03.2015	2.92	15.06.2017	2.92
3	Compound Fencing	11.04.2015	0.60	10.06.2015	0.59
	Total (a)		***5.90***		***5.89***
B	***Jengjal PHC***				
1	Main PHC Building	11.03.2015	2.49	13.06.2016	2.49
2	Providing external & internal water supply to main building, *etc.*	13.07.2017	0.51	9.08.2017	0.51

[1] ₹ 3.00 crores – Chibinang - ₹ 1.50 crore and Jengjal – ₹ 1.50 crore.
[2] ₹ 11.00 crores – Chibinang - ₹ 5.50 crore and Jengjal – ₹ 5.50 crore.

Sl. No.	Item	Date of issue of work order	Work value (₹ in crore)	Date of completion	Expenditure incurred (₹ in crore)
3	Staff's Quarters sanitary installation, internal electrification, *etc.*	11.03.2015	3.16	04.07.2016	3.16
4	Compound Fencing	19.02.2015	0.30	28.05.2015	0.30
	Total (b)		***6.46***		***6.46***
	Total: (*a*) + (*b*)		**12.36**		**12.35**

Source: Departmental records.

The table above shows that the upgradation work of Chibinang PHC was completed at a cost of ₹ 5.89 crore while construction of Jengjal PHC was completed at a cost of ₹ 6.46 crore in June 2017 and August 2017 respectively.

Scrutiny of records showed that while the construction work was in progress, the Director of Health Services (DHS) did not adequately plan for making the PHCs functional with the required manpower, equipment and other infrastructure. The District Medical & Health Officer (DHMO), West Garo Hills submitted the proposals belatedly in May 2018 for the equipment/ furniture, *etc.* required. The manpower proposal though submitted (36 posts) in July 2016 were sanctioned by the DHS only in June 2019. Appointment of Medical & Health Officers and other staff were yet to be made in the PHCs. It was seen that power supply required for the PHC buildings was not simultaneously provided for and as a result, the estimates for ensuring power supply to the PHCs were yet to be sanctioned (November 2019).

Thus, the Department failed to ensure holistic planning and execution of the construction of the PHCs which not only led to idle expenditure to the tune of ₹ 12.35 crore but also defeated the objective to provide curative, preventive, promotive and family welfare services to the targeted population covered by the designated PHCs for more than two years since completion of construction of the PHCs.

The matter was reported to the Government (December 2019); their reply is awaited.

CHAPTER-II

ECONOMIC SECTOR

CHAPTER II: ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2019 deals with findings on audit of the State Government units under Economic Sector.

Table 2.1.1 provides the net budget provision and expenditure of major State Government departments under Economic Sector during the year 2018-19:

Table 2.1.1

(₹ in crore)

Sl. No.	Name of Department	Budget provisions (Original and Supplementary)	Expenditure
1.	Public Works	1002.09	935.35
2.	Agriculture	354.40	228.37
3.	Community & Rural Development	1579.59	829.31
4.	Power	457.10	203.38
5.	Forest and Wildlife	237.06	138.24
6.	Industries	158.78	107.94
7.	Mining & Geology	97.92	94.68
8.	Fisheries	73.15	56.64
9.	Co-operation	72.55	64.52
10.	Soil & Water Conservation	274.86	99.15
11.	Animal Husbandry and Veterinary	159.38	124.77
12.	Tourism	89.70	22.90
13.	Irrigation	224.99	153.13
14.	Secretariat Economic Services	540.20	383.16
15.	Transport	77.11	67.80
		5398.88	**3509.34**

Source: Budget Estimates, Appropriation Acts and Appropriation Accounts.

2.1.1 Planning and Conduct of Audit

Audit process starts with risk assessment of various departments of Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns. During 2018-19, we conducted Audits involving expenditure of ₹ 1150.08 crore (including expenditure pertaining to previous years audited during the year) of the State Government under Economic Sector. The Chapter contains one Performance Audit on "Tourism Development in Meghalaya" and two Compliance Audit Paragraphs, as discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

TOURISM DEPARTMENT

2.2 Development of Tourism Activities in the State of Meghalaya

2.2.1 Introduction

Tourism is a major source of revenue for countries around the world. It has tremendous income and employment ripple effects that spread far beyond the actual tourism activity itself and have a positive bearing on almost all major economic activities of a State/ Country. Meghalaya is a land of immense natural beauty with rich cultural heritage and provides ample scope to attract tourists. The mountain ranges, valleys, forests and biodiversity, rivers, waterfalls, lakes and cultural diversities are basic resources with tremendous potential for development of tourism in the State through destination and product planning. For growth of tourism in the State, the Government of India (GoI) and the State Government have been funding several tourism projects for creation of infrastructure, brand promotion and human resource development.

2.2.1.1 Contribution of Tourism to the State's GSDP

Gross State Domestic Product (GSDP) is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of the robustness of the State's economy. Tourism being a multi sectoral activity has the capacity to stimulate different sectors and encourage growth of the economy. **Table 2.2.1** indicates the trends in the annual growth of State's GSDP at current prices and the contribution of Tourism Sector to it:

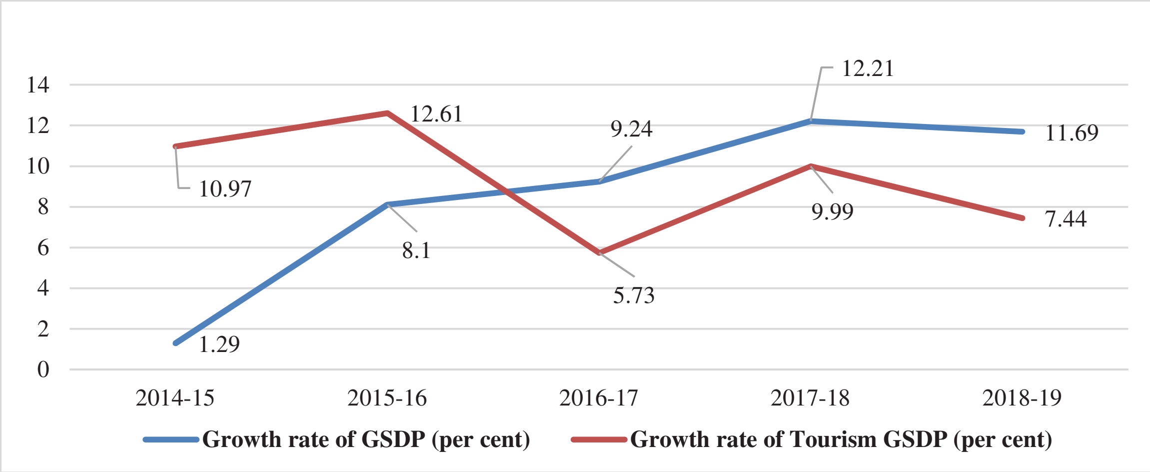
Table 2.2.1: Trends in Gross State Domestic Product and contribution of State Tourism Sector

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Gross State Domestic Product (₹ in crore)	23,235	25,117	27,439	30,790	34,389
Growth rate of GSDP (*per cent*)	1.29	8.1	9.24	12.21	11.69
Tourism GSDP (₹ in crore)	698	786	831	914	982
Growth rate of State Tourism GSDP (*per cent*)	10.97	12.61	5.73	9.99	7.44
Contribution of State Tourism Sector to Total GSDP (*per cent*)	3.00	3.13	3.03	2.97	2.86

Source: Directorate of Economics and Statistics, Government of Meghalaya.

The share of Tourism Sector to the State's Gross State Domestic Product (GSDP) remained static at around three *per cent* during the five year period 2014-19. While Meghalaya's Gross State Domestic Product (GSDP) grew at a Compounded Annual Growth Rate (CAGR) of 8.51 *per cent* between 2014-15 and 2018-19, the share of Tourism GSDP grew at a CAGR of 9.35 *per cent* during the period. Though, the CAGR of Tourism Sector was higher than the CAGR of GSDP of the State, its growth declined during the period 2014-19 from 10.97 to 7.44 *per cent* as can be seen from the following chart.

Chart 2.2.1: GSDP growth rate of the State and the State Tourism sector

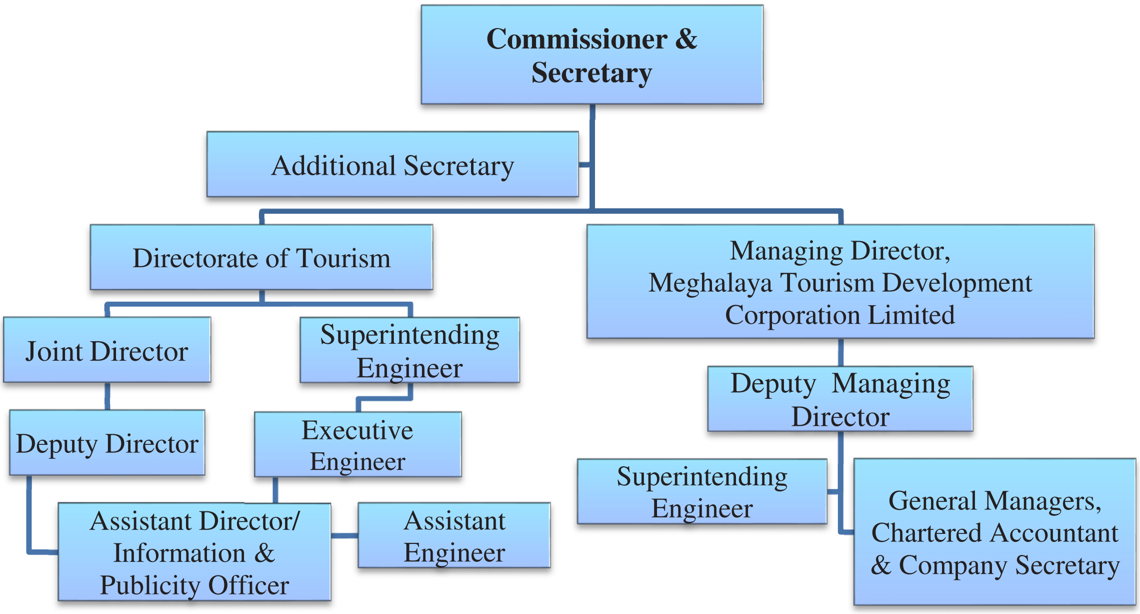


2.2.2 Organisational set up

Department of Tourism (Department), Government of Meghalaya (GoM) is the nodal agency for framing policies and programs for the development and promotion of tourism in the State headed by the Commissioner and Secretary, who is assisted by an Additional Secretary. At the Directorate level, the Director of Tourism (DoT), is the head functionary who is responsible for implementation/ execution of the policies of the Government.

The Meghalaya Tourism Development Corporation Limited (MTDC), a company fully owned by the Government, functions under the administrative control of Department of Tourism, GoM. MTDC is engaged in execution of projects as well as development of tourist infrastructure in the State. **Chart 2.2.2** depicts the organogram of the Department:

Chart 2.2.2: Organisational Chart of Department of Tourism



2.2.3 Audit Objectives

The Performance Audit (PA) was conducted with a view to assess whether strategies were developed to overcome constraints and realise the objectives of Meghalaya Tourism Policy (MTP), 2011 such as:

- creation of basic infrastructure for Tourism development were undertaken;
- adequate efforts were made to encourage and provide assistance to promote private investment and entrepreneurship development in Tourism sector;
- tourism development was undertaken in a manner so as to ensure sustainability and conservation of the State's environment and natural resources;
- projects were effectively implemented and managed; and
- Brand Promotion and marketing activities for various types of tourism *i.e.,* eco-tourism, rural tourism, adventure tourism, *etc.* were appropriate and adequate.

2.2.4 Audit Criteria

The following sources of audit criteria were identified:

- National Tourism Policy 2002 and Meghalaya Tourism Policy (MTP), 2011;
- State Budget;
- Directions/ Guidelines issued by Ministry of Tourism, GoI and GoM;
- Departmentally prescribed monitoring mechanism.

2.2.5 Audit Sampling and Methodology of Audit

The PA covered the activities of the Department, the DoT and MTDC during the period 2014-19. Audit also selected 90 (out of 174) tourism projects/ tourism properties, created in the State, for detailed audit scrutiny. The details of selection made are as under:

Table 2.2.2: Details of projects implemented and selected for audit

<table>
<tr><th>Projects</th><th colspan="2">No. of projects</th><th>Status of the project</th><th colspan="2">No & percentage of selection</th><th>Method of selection</th></tr>
<tr><td colspan="7">1. Project under the Directorate of Tourism (DoT)</td></tr>
<tr><td>a. Leased out property</td><td colspan="2">22</td><td>Completed</td><td colspan="2">22(100)</td><td>-</td></tr>
<tr><td>b. Other projects:</td><td colspan="2"></td><td></td><td colspan="2"></td><td rowspan="4">The projects were stratified based on monetary value and then selected based on three distinct geographical region of the State.</td></tr>
<tr><td>(i) ₹ 50 lakh & above</td><td>13</td><td rowspan="3">128</td><td>Completed</td><td>13*(100)</td><td rowspan="3">44</td></tr>
<tr><td>(ii) ₹ 10 lakh & above but below ₹ 50 lakh</td><td>60</td><td></td><td>20(33) **</td></tr>
<tr><td>(iii) Below ₹ 10 lakh</td><td>55</td><td></td><td>11(20) ***</td></tr>
<tr><td>Total of a+b</td><td colspan="2">150</td><td></td><td colspan="2">66</td><td></td></tr>
<tr><td colspan="7">Project under MTDC</td></tr>
<tr><td>c. leased out</td><td colspan="2">15</td><td>Completed</td><td colspan="2">15 (100)</td><td>-</td></tr>
<tr><td>d. owned</td><td colspan="2">09</td><td>Completed-07
Ongoing-02</td><td colspan="2">9 (100)</td><td>-</td></tr>
<tr><td>Total of c+d</td><td colspan="2">24</td><td></td><td colspan="2">24</td><td></td></tr>
<tr><td>Total of a+b+c+d</td><td colspan="2">174</td><td></td><td colspan="2">90</td><td></td></tr>
</table>

* *The completed projects were at East Jaintia Hills–2, East Khasi Hills–3, West Khasi Hills–3, West Garo Hills–1, South Garo Hills–1, Ri Bhoi–1, South West Garo Hills–1 and North Garo Hills–1.*

** *The projects were selected based on the region from the following districts: South Garo Hills-1, East Garo Hills-1, East Khasi Hills-10, West Khasi Hills-1, Ri-bhoi-2, West Garo Hills-3, West Jaintia Hills-1 and South West Khasi Hills-1.*

*** *East Khasi Hills-3, West Jaintia Hills-1, South Garo Hills-1, West Garo Hills-1, DoT organised festivals at Mumbai -3, Ahmedabad -1 and Dubai -1.*

The PA commenced with an Entry Conference (03 September 2019) wherein we explained audit objectives, scope, methodology and criteria to the representatives of the Tourism Department and officers of MTDC. Audit methodology included analysis of the data/ records with reference to the audit criteria, issue of audit queries, interaction with personnel of the auditee entity, issuing of draft Audit Report to the Management for their comments and Joint Physical Verification (JPV) of 12 projects[3]. The Exit Conference was held on 17 January 2020 to discuss the audit findings.

2.2.6 Acknowledgement

The Indian Audit & Accounts Department acknowledges the cooperation extended by the officers and staff of Department of Tourism and MTDC in carrying out this assignment.

Audit Findings

Significant Audit findings relating to the development of tourism activities in the State noticed during the PA are discussed in the succeeding paragraphs.

2.2.7 Tourist arrival

Tourism has a positive impact on local economy in terms of income generation and employment creation. It is linked with a chain of economic activities starting from major infrastructure development to local transport network where local people facilitate last mile connectivity. Hospitality industry along with activities related to road side shops to meet the day to day needs of the tourists, local indigenous production including food, souvenir items and other artisan products are also escalated with the development of tourism. Both skilled and unskilled labour find opportunity to be associated with tourism sector leading to employment generation in the local economy. The increase in arrival of the tourist benefits varied sectors of the economy.

2.2.7.1 Tourist arrival in the State vis-a-vis All India

Table 2.2.3 depicts inflow of tourists in India *vis-à-vis* the State during 2014-19:

Table 2.2.3: Inflow of Tourists in India and in Meghalaya *(in lakh)*

Year	Tourist inflow in India			Tourist who visited Meghalaya			
	Domestic	Foreign	Total	Domestic	Foreign	Total	Percentage of total tourist visiting the State
2014-15	12828	223	13051	7.18	0.09	7.27	0.06
2015-16	14320	233	14553	7.51	0.08	7.59	0.05
2016-17	16154	247	16401	8.31	0.08	8.39	0.05
2017-18	16525	269	16794	9.91	0.12	10.03	0.06
2018-19	18549	289	18838	11.98	0.18	12.16	0.06

Source: Ministry of Tourism Website (GoI) and Directorate of Tourism (GoM).

The table above shows that the number of tourists arriving in the State increased over the period from 2014-15 to 2018-19 and the average percentage growth was

[3] Eleven completed projects and 1 on-going project *viz.*-Orchid Restaurant, Polo, State Convention Centre, Pinewood Hotel, OLR-Umiam, Wards Lake, TIC, Shillong, TIC, Nongpoh, 3 Homestays, Water Sports Complex, Umiam (Completed) and Swadesh Darshan (Ongoing).

14 *per cent*. Thus, the State needed to evolve strategies to successfully attract a larger section of the tourists of both domestic and foreign categories arriving in India.

2.2.7.2 Tourist arrival in the North-Eastern States

Table 2.2.4 shows the tourist arrival (both domestic and foreign) to the North-Eastern States during 2014-15 to 2018-19.

Table 2.2.4: Inflow of Tourists in the North-Eastern States *(in lakh)*

State	2014-15		2015-16		2016-17		2017-18		2018-19	
	Tourist Arrival	Share *per cent*	Tourist Arrival	Share *per cent*	Tourist Arrival	Share *per cent*	Tourist Arrival	Share *per cent*	Tourist Arrival	Share *per cent*
Arunachal Pradesh	3.41	*4.76*	3.58	*4.44*	3.92	*4.96*	4.51	*4.64*	5.2	*5.19*
Assam	48.48	*67.68*	55.17	*68.46*	51.73	*65.41*	60.74	*62.52*	58.93	*58.87*
Manipur	1.18	*1.65*	1.49	*1.85*	1.54	*1.95*	1.57	*1.62*	1.83	*1.83*
Meghalaya[4]	7.25	*10.12*	7.59	*9.42*	8.39	*10.61*	10.03	*10.32*	12.16	*12.15*
Mizoram	0.69	*0.96*	0.67	*0.83*	0.68	*0.86*	0.69	*0.71*	0.78	*0.78*
Nagaland	0.61	*0.85*	0.67	*0.83*	0.61	*0.77*	0.68	*0.7*	1.07	*1.07*
Sikkim	6.12	*8.54*	7.44	*9.23*	8.13	*10.28*	14.25	*14.67*	14.97	*14.95*
Tripura	3.88	*5.42*	3.98	*4.94*	4.07	*5.15*	4.69	*4.83*	5.17	*5.16*
Total	**71.62**		**80.59**		**79.07**		**97.16**		**100.11**	

Source: India Tourism Statistics, MoT, GoI, Market Research Division.

The table above shows that Assam continued to be the largest attraction to tourists arriving in North East. Meghalaya had the highest number of tourist arrivals amongst the comparable seven North-Eastern states[5] during 2014-15 to 2016-17 which ranging from 9.42 to 10.61 *per cent* of the total tourist arrivals during the period. However, during 2017-18 and 2018-19, the State was relegated to the second spot after Sikkim with 10.32 *per cent* and 12.15 *per cent* respectively despite an increase in tourist footfall during the period. The State thus had a potential to improve upon tourism activity with improved promotional and infrastructure measures, as discussed hereafter.

Planning

2.2.8 Implementation of Meghalaya Tourism Policy, 2011

2.2.8.1 Planning

Planning is an essential process to develop strategies and schedule tasks to accomplish the objectives of the policy, which requires framing well thought out action plans with proper linkages to each objective. The detailed action plans help in achieving each of the objectives after analysing the strengths and the constraints of the organisation in the given scheme of things.

With the evolving role of the tourism sector as a major engine of economic growth and to provide economic opportunities to the local communities while preserving the eco-system and the ethnic identity of the people, Meghalaya formulated the MTP 2011

4 Although the information from India Tourism Statistics, MoT, GoI, Market Research Division is at a slight variance from the information furnished by the DoT (GoM), it is used here to compare all the North Eastern States for being from the same source and hence maintain uniformity.

5 Assam attracts a large number of tourist as it enjoys a large geographical area and has numerous areas of tourist interest as compared to other North Eastern states.

(February 2011). The policy aimed to encourage private investment, develop entrepreneurship, ensure sustainability and conserve the environment and natural resources while undertaking Tourism development projects. MTP also advocated preparation of a tourism plan in concurrence with the objectives of the policy.

Even after more than eight years of having a policy, the Department/ DoT/ MTDC had not prepared any plans to achieve its objectives as laid down in its policy document. Audit observed that, other than creating infrastructure, the Department had not fixed any specific targets nor had put any medium term/ long term action plan in place to measure the progress made in achieving the objectives laid down in its policy document such as plans to promote private investment and entrepreneurship, brand promotion and marketing activities for eco-tourism, rural tourism, adventure tourism, *etc*. The infrastructure created consisted of mainly Hotels and Way Side Amenities. The construction plans of these projects also did not address the issue of sustainability (pointed out in **paragraph 2.2.18.1**).

The Department (October 2019/ January 2020) while accepting the audit observation stated that it had no medium term/ long term action plan and assured to prepare short term and Medium term action plan within the framework of the policy.

2.2.8.2 Setting up an Advisory Board

Paragraph 5(j) of the MTP 2011 had envisaged setting up an Advisory Board to provide direction towards development of Tourism Industry in the State and take the responsibility of bringing in or facilitating synergy and co-ordination with other inter related departments.

The Department did not constitute the Advisory Board to avail the benefit of advice of the Board for achieving the goals of having a well-defined inter related departmental co-ordination. Thus a focussed direction for tourism development was found missing.

The Department in its reply (October 2019/ January 2020) agreed to examine the formation of the Advisory Board.

2.2.9 Reliable Database of Tourists

An accurate, up-to-date, and comprehensive database number of persons/ households engaged directly in the tourism sector would also lay the foundation for the development of a tourism master plan for the State, outlining the different tourism strands such as festivals, rural tourism, *etc*. that have potential and can be developed fruitfully. Creation of a reliable database, such as people engaged in rural tourism, footfalls of tourist during festivals, *etc*. will allow the appropriate plans and policy measures to be set up. Planning and appropriate policy measures are possible when the data allows a detailed analysis of trends, seasonality, and so on. A comprehensive data base would facilitate synergies towards achievement of goals.

In this regard, Audit noticed the following deficiencies:

2.2.9.1 During 2014-19, the State organised 54 festivals across the State by incurring an expenditure of ₹ 2.96 crore (details in **paragraph 3.2.20.1**). It, however, had no data of tourist footfalls during the time of festivals. In absence of data of footfalls of tourists at the time of festivals, the outcome of promotional plan to showcasing the State as a popular tourist destination remains unknown.

In its reply, the Department stated (January 2020) that the tourist footfall is collected from homestays, hotels, guest house, *etc*. located in the districts where the event/ festival is organised. It however, did not furnish any data showing the data of tourist footfalls at the time of the festivals.

2.2.9.2 Paragraph 8 of MTP 2011 points out that Rural Tourism has emerged as a new concept and in this context, Meghalaya is fast evolving as a responsible and sustainable tourism product with an important social objective through people's participation. The policy goes on to state that the prime objective is to harness the vast untapped rural tourism prospects of the State so that their multiplier benefit filters out directly to the rural communities.

Audit noticed that in spite of the policy declaration, the Department did not possess any data regarding number of persons/ households engaged directly in tourism sector in the State, even though this was for the development of rural tourism in the State.

The Department (January 2020) admitted the requirement of database and assured to do so after due examination. The Department also stated that they are in the process of creating Information Technology platform to capture and analyse the data.

2.2.10 Failure to create a Land Bank

Land is the most vital requisite for setting of tourism units. A study report[6] titled 'A Vision Document for the State of Meghalaya 2030' brought out (December 2012) by the National Institute of Public Finance and Policy, New Delhi, pointed out the constraint that tourism expansion is heavily dependent on roads as the State is landlocked, with no rail, water, or air transport infrastructure. The report also highlighted that this major issue of availability of land for tourism development needs to be tackled by the Department.

Land in Meghalaya may broadly be classified into three categories: (i) community land; (ii) private land; and, (3) Government land. Most of land are however, either owned by the community or privately owned. It is thus imperative that Government would acquire and create land bank at various places for the purpose of setting up tourism units. Paragraph 20 of MTP 2011 addressed the issue of land availability which states '*A land bank*[7] *for tourism development is to be created by acquiring land at various places*'.

[6] Study commissioned Government of Meghalaya vide Letter No. PLA.86/2008/23 dated 07 May 2009.

[7] A large area of land held by a public or private organisation for future development or disposal.

The Urban Affairs Department allotted the Tourism Department 61.79 acres[8] of land (21.79 acres at Mawdiangdiang, Shillong and 40 acres at Umsawli, Shillong) for tourism related projects. The Department did not create any land bank in other districts of the State for creation of tourism infrastructure till January 2020.

Audit observed that the projects '**Construction of cottages and food path at Mawlongbna**' and '**Construction of cottages and food path at Riwai village**' got delayed for over a year due to land issues. In other instances, two eco-camps[9] (sanctioned during March 2017) which were to be set up at Rengrigkgre and Rongrekgre had to be shifted to Chiokgre and Bolkinggre due to disputes over possession of land. Further, land acquisition problem delayed one more project (Sohpetbneng) under the 'Swadesh Darshan Scheme', which was to be completed by December 2018, but is still on-going (September 2019).

Thus, non-creation of land bank in the State for tourism development as envisaged in MTP, 2011 delayed completion of various projects within the scheduled time, impacting creation of infrastructure for tourism in the State.

Department stated that (January 2020) they are in the process of utilising the already created land bank at Umsawli for development of a five-star Hotel/ Resort. They did not state anything on non-creation of land bank.

2.2.11 Safety and Security of Tourists

The success or failure of a tourism destination largely depends on the administration's ability to provide a safe and secure environment for visitors. Paragraph 6 of the MTP 2011 planned forming of a specialised Tourist Police for providing effective security to tourists. Fifteen State Governments/ UT Administrations[10] have deployed tourist police in one form or the other for the security and safety of the tourists.

It was seen that the Police Department continued to deploy police personnel to tourist spots from local Police Stations and Outposts on a need basis. A committed force was not in place. The Department had also not put in place a structured framework of co-ordination between the police and the community on providing guidance to tourists.

Though the Assistant Inspector General of Police (Admn) brought (February 2019) to the notice of the Home Department, the need of having a dedicated manpower to exclusively function as Tourist Police since the present arrangement was very ad-hoc and was being made at the cost of normal duty of the local Police station/ outpost, the proposal remained on paper only. Information collected from the State Police

8 The Govt. of Meghalaya, Urban Affairs Department had acquired 914.54 acres of land as on 12.03.2007 for New Shillong Township for provision of infrastructure, housing, institutional, administrative and recreational uses.

9 Camps with facilities like Nok-Achik (dwelling of Garo families), Borang (Tree House), *etc.* in a traditional form for the experience of the tourists.

10 Delhi, Goa, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Odisha, Punjab, Madhya Pradesh, Uttar Pradesh, Rajasthan, Andhra Pradesh, Nagaland and Arunachal Pradesh.

Department (December 2019) revealed that during the period under review, 48 cases[11] of crimes/ accidents against tourists were registered in different districts of Meghalaya during the period.

No action was taken for creation of a dedicated Tourist Police force. Besides, there were also no provisions for *24X7* toll free help line number for tourists.

DoT, while accepting the Audit observation stated that the same is under examination (August 2019). Department further replied (January 2020) that they are taking the help of toll free helpline number of the Ministry of Tourism, GoI for safety of the tourists.

2.2.12 Absence of Trade Rules

Meghalaya is a landlocked State, with no rail, water, or air (except to Kolkata through Umroi Airport) transport to other parts of the country. The State's closest link to the rest of the country is through Guwahati. Thus, tourism expansion is heavily dependent on roads. In order to regulate tourism activities in the State specially to obviate exploitation of the tourists by private agencies/ traders/ hotels/ restaurants/ shops and Taxi operators and to help build a positive image of State Tourism, it was necessary to have Trade Rules[12] in place.

During the review period, the State had not formulated any Trade Rule in order to address these issues. It also did not have prepaid Taxi Services/ luxury buses at Government regulated rates between Shillong to Guwahati Railway station/ Airport and Umroi Airport and the tourists are left at the mercy of taxi operators.

The Department of Tourism, however have only in (June 2019) drafted the 'Meghalaya Registration of Tourist Trade Bill, 2019' and placed it in public domain for comments of stakeholders, and the same was yet to be finalised (January 2020). The Department in its reply (January 2020) reiterated these facts.

Funds Management

The development of tourism very much relies on the development of appropriate infrastructure, such as accommodation, restaurants, tours and transport, *etc.* Implementation of projects for creation of infrastructure envisages meticulous planning, effective execution and professional management to complete the projects in time within the cost and ensure performance.

Table 2.2.5 summarises the status of projects and budget and utilisation of funds by Tourism Department during 2014-19 for execution of projects:

[11] 27 theft, 1 burglary, 1 murder, 15 accident cases and 4 cases of harassment. The data from East Garo Hills could not be made available to audit.

[12] A Trade Rule should ideally have provisions to register persons/ service providers who deal with tourists such as Hotel, Tour operator and Online Service Providers; provisions for fixation of fair rates of hotels, tour operators; provisions for fixation of standards for sanitation and hygiene; provisions for blacklisting/ punishment for offences/ malpractices, *etc*.

Table 2.2.5: Status of Projects, budget provision and utilisation of fund (₹ in crore)

Year	Projects completed each year	Projects yet to be completed	Year-wise expenditure on completed projects	Budget Provision	Fund released and utilised	Percentage of fund released	Balance
2014-15	32	2	6.53	30.48	17.14	56	13.34
2015-16	16	-	3.75	113.91	19.91	17	94
2016-17	32	5	6.81	32.69	25.73	79	6.96
2017-18	14	4	2.08	42.00	23.53	56	18.47
2018-19	19	4	2.13	98.86	24.70	25	74.26
Total	**113***	**15****	**21.30**	**317.94**	**111.01**	**35**	**207.03**

Source:-Appropriation Accounts.

* Projects include projects of DoT *viz*., Infrastructure-46; Brand Promotion and Marketing–52; Capacity Building-2; and Others-13 funded by GoI, GoM and NEC excluding lease out properties.

** Infrastructure projects.

The table above shows that against the budget provision of ₹ 317.94 crore, only ₹ 111.01 crore (35 *per cent*) was released and utilised by the Department during the period of review. The Department replied (January 2020) that they keep a provision for Central Sector Schemes (CSS) in the budget; however, there is a delay in release of funds by the Government of India. Since all the projects/ schemes are not funded by GoI, the shortfall in release of funds of the State Government remained a cause for concern.

The audit findings in respect of the execution of projects and delay in utilisation of funds is brought out in the succeeding paragraphs.

2.2.13 Expenditure under Tourism Sector

The expenditure under Tourism Sector as compared to the State's total expenditure is given below:

Table 2.2.6: Expenditure under Tourism Sector *vis-à-vis* total expenditure of the State

(₹ in crore)

Year	Total Expenditure of the State	Expenditure under Tourism Sector	Percentage of expenditure under tourism sector
2014-15	7426.46	17.14	0.23
2015-16	7616.97	19.91	0.26
2016-17	9657.17	25.73	0.27
2017-18	9428.17	23.53	0.25
2018-19	11762.71	24.70	0.21

Source: Appropriation Accounts.

The impact of lack of medium term/ long term action plan coupled with declining percentage of expenditure on the tourism sector and ineffective implementation and management of tourism infrastructure projects have largely contributed to the reduction in the State's position in North Eastern states for attracting the highest number of tourist arrivals in the State.

2.2.14 Non release of State Share and delay in submission of Utilisation Certificates (UCs)

The major infrastructural projects funded under Centrally Sponsored Schemes (CSS) was to be shared between GoI (90 *per cent*) and the State Government (10 *per cent*). Due to delay in release of State Share and delay in submission of UCs, the ongoing projects of Eco-tourism in Garo Hills are also facing time over run. We also noticed delays in furnishing of UCs by DoT causing delay of projects as summarised below:

2.2.14.1 Eco-Tourism

The Eco-Tourism Circuit covering Garo Hills (East, West and South) was proposed in order to preserve the locations for tourists to provide the facilities in traditional forms and experience the joy of angling and living in natural surroundings. It was proposed to develop these locations as Eco camps with facilities like Nok-Achik (dwelling of Garo families), Borang (Tree House), *etc.* in a traditional form for the experience of the tourists. Out of the 12 locations[13] originally selected, two locations[14] were later on replaced due to disputes over the possession of land.

The DPR was prepared by MTDC at the project cost of ₹ 14.90 crore and forwarded to DoT and the same was vetted by Meghalaya Public Works Department (Buildings) and the project was approved for ₹ 14.39 crore. NEC released ₹ 3.75 crore as first instalment (March 2017) out of 90 *per cent* of its share.

As per the sanction order, State Government was to release its share immediately on receipt of this central share. It was however, observed that the State Government released its share of ₹ 0.38 crore after a lapse of two years (March 2019). Due to delay in submission of the UCs by MTDC, NEC did not release the 2nd Instalment for implementation of the project which was also one of the reasons for the slow progress of the work.

MTDC stated (September 2019) that due to delay in release of fund by GoM and also due to inhospitable geological condition during monsoon season, commencement of work got delayed. Department stated (January 2020) that release of State share did not cause delay; the works commenced only after completion of codal formalities in June 2017.

The fact remains that development of eco-friendly projects was not taken up seriously since only 45 *per cent* of the total works was completed up to September 2018. All these delays have impacted creation of tourist facilities and thereby increase in tourism.

2.2.14.2 Improvement of Marngar Lake into a Tourist spot

NEC accorded its approval (July 2012) for the revised project cost in which, ₹ 3.58 crore was to be NEC's share and ₹ 0.40 crore being the State share.

Scrutiny of records showed that the NEC had released ₹ 2.20 crore in two instalments amounting ₹ 0.29 crore (March 2008) and ₹ 1.91 crore (March 2009). The project was due for completion by July 2014 but till March 2014, Department could submit UC of ₹ 0.87 crore of NEC share only leaving the unspent balance as ₹ 1.33 crore. We further noticed that NEC conveyed (March 2016) a further sanction of ₹ 0.62 crore only as

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13 (i) Mandalgre, (ii) Ampahanggre, (iii) Rengrigre, (iv) Rongrekgre, (v) Jakopgre, (vi) Nengmandalgre, (vii) Gitokgre, (viii) Bawegre, (ix) Rapdikgre (under East Garo Hills), (x) Dalmagre (under West Garo Hills), (xi) Gambagre, (xii) Bolsalgre (under South Garo Hills).

14 Rengrigre and Rongrekgre were replaced with Chiokgre and Bolkinggre.

final instalment treating ₹ 0.76 crore[15] as lapsed due to delay in submission of UCs. It was also observed that DoT could submit the UC of the final instalment released by NEC only after November 2017. Audit also noticed that due to lapse of fund, three important components[16] of the work sanctioned (July 2012) could not be taken up by DoT.

Department stated (January 2020) that the project has been completed and made operational.

The fact however remained that due to delays in release of funds and submission of UCs the project which was scheduled to be completed in July 2014 could be completed after a lapse of more than five years. Moreover, the Department treated the work as completed even though three important components of work could not be taken up due to lapse of funds.

2.2.14.3 Holiday IQ content Generation campaign proposal

'HolidayIQ.com', an online travel community and information portal, submitted (July 2016) a proposal to the Tourism Department a scheme to promote Meghalaya Tourism by encouraging citizens of Meghalaya/ entrepreneurs to create digital tourism content for the State and run the content in its portal. Tourism Department forwarded (August/ September 2016) the proposal to NEC with a request to release ₹ 20.00 lakh for logistic and publicity for the entire campaign. NEC accorded its approval and released ₹ 8.27 lakh as first instalment (March 2017). The GoM also conveyed its sanction of ₹ 0.83 lakh in March 2017. It was seen that the Department ran the campaign for one and half years till August 2018 and the remaining funds of ₹ 10.90 lakh could not be utilised. There were delays in submission of UC of ₹ 9.10 lakh of more than one and a half year, which also impacted receipt of further funds of ₹ 9.73 lakh received only in January 2019. In the Exit Meeting (January 2020), Department accepted the fact and stated that remaining work valuing ₹ 10.90 lakh was still pending.

Programme Implementation

Various documents[17] indicate the State Government's intention to develop the tourism potential of the State by developing infrastructure and tourism-related assets and by exploring the State's tourism potential in water sports, wildlife, trekking, adventure tourism, and eco-tourism. The shortcomings noticed during audit are discussed in the succeeding paragraphs.

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[15] ₹ 138.27 lakh - ₹ 62 lakh.

[16] a. Hillock near water world, b. Arch Passage in rock garden and c. Waste water & Sewage Effluent Pipe leading to outlet *etc*.

[17] (i) MTP 2011, North Eastern Council's Integrated Tourism Master Plan for North Eastern Region, December 2011, (ii) Government of Meghalaya commissioned study - 'A Vision Document for the State of Meghalaya 2030' by National Institute of Public Finance and Policy, New Delhi December 2012 and (iii) documents and records of Department of Tourism and Directorate of Tourism/MTDC.

2.2.15 Facilities for Private Investment and Entrepreneurship Development

MTP 2011, stipulates that the Department will facilitate and has initiated the development of tourism infrastructure projects on a Public Private Partnership (PPP) basis. The MTP 2011 also envisaged drawing up of comprehensive plans to create a pool of trained manpower for realising the future tourism vision.

In this connection, the following observations are made:

2.2.15.1 Revenue loss on leased properties

Efficient utilisation of the available assets under the PPP mode, timely generation of revenue from the leased properties and enforcing the terms and conditions of the agreement with the lessees, are prerequisite for providing better facilities to the tourists and availability of resources for the future upkeep of the assets.

Scrutiny of records however, revealed that up to March 2019, DoT/ MTDC had leased out 37 properties to private parties for running and maintenance of assets. Audit observed issues such as revenue loss due to failure to award the lease/ enforcing the provisions of the agreement, undue favour to the lessee, short realisation of lease rent, failure to explore better offers for lease property and failure to realise revenue amounting to ₹ 0.80 crore from nine properties[18]. **Appendix 2.2.1** details these deficiencies.

The Department in its reply (January 2020) admitted that the operation and maintenance of these assets in many places given the location, *etc.* are not very attractive to private parties and it was the mandate of the Department to create public goods for the tourist even if they may not make a profit given the low footfall in some tourist locations. In respect of the properties leased by MTDC, the Department also gave properties-wise reply which have been incorporated in **Appendix 2.2.1**. The reply of the Department only indicates that properties were created without proper planning and in areas having low tourist footfall.

2.2.15.2 Operation of Crowborough Hotel Project under PPP mode

Mentioned was made in Paragraphs 7.2.11 and 4.7(ii) of the Reports of the Comptroller & Auditor General of India for the years 2005-06 and 2013-14 respectively regarding abnormal delay in completion of a proposed three-star, Hotel Crowborough in the heart of the city in Shillong, by MTDC although the project was to be completed by November 1988. After settlement of disputes, the Government decided to complete the building on a Public-Private Partnership mode and awarded the lease to one Lessly Shylla on a ‘build, operate and transfer’ basis (May 2008) for 33 years at an annual lease rent of ₹ 1.73 crore subject to escalation a block of every three years. The proposed hotel was to be a five-star hotel have 104 rooms and amenities such as a

[18] 1. Anogre Tourist Centre; 2. Mawlein Wayside Amenities; 3. Mawkdok Way Side Amenities; 4. Kutmadan Tourist Facilities; 5. Asanang Tourist Lodge; 6. Orchid Lodge; Tura; 7. Wards Lake Cafeteria; Shillong; 8. Drive Inn Restaurant; Nongpoh and 9. Baghmara Tourist Lodge.

restaurant, coffee shop, bar, disco, banquet hall, beauty parlour, health club with sauna and a shopping arcade and a state-of-the-art convention centre.

Scrutiny revealed that the lessee[19] was to complete the project by August 2014 but had not completed the same (July 2019). MTDC desired (July 2016) to terminate the lease and the matter was referred (July 2016) to the Arbitrators, who further granted (September 2017) an extension of three years (September 2020).

Thus, the project which was to be completed by November 1988, remained incomplete even after 31 years of its initial proposed date of completion and the objective of MTDC to provide luxurious accommodation to high-end tourists, businessmen, *etc*. remained unfulfilled. The Department in its reply (January 2020) stated that the progress of the project has picked up pace with a target to complete the hotel by September 2020.

2.2.15.3 Meghalaya Tourism Development and Investment Promotion Scheme

The MTP, 2011 intends to promote the sector through public-private partnerships by extending several incentives to encourage private entities to develop infrastructure and tourism-related assets. Accordingly, the Government promulgated Meghalaya Tourism Development and Investment Promotion Scheme, 2012 (MTDIPS), which provides subsidy of 30 *per cent* of the project cost of homestays and resorts, subject to a maximum limit of ₹ 16.00 lakh and ₹ 1.00 crore respectively.

Audit scrutiny (September 2019) showed that during 2014-19, GoM sanctioned 11 homestays/ resorts out of 23 applications received under MTDIPS 2012 for ₹ 0.98 crore. The reasons for rejection of applications were incomplete documentation, change of location and absence of bank support in some cases.

Given the fact that the scheme was conceived for boosting building up of tourism infrastructure and encouraging private sector participation, the number of beneficiaries under the scheme suggest that the incentives have not been very successful in attracting entrepreneurs.

2.2.15.4 Capacity Building Programme

Meghalaya Tourism Policy 2011 envisaged a well-designed plan for capacity building and manpower training that will help make tourism development successful. The aim of the HRD plan was to create an efficient and professional manpower base in the tourism sector.

It was observed that the Department did not take any action to prepare long term plan for training needs analysis (TNA) or setting of Annual target for number of persons to be trained. Besides, the DoT did not have robust mechanism to monitor the status of employment of local persons both in formal as well as informal sector as envisaged in the policy.

We noticed that during the period under review, the Tourism Department had trained 873 persons in four courses for a cost of ₹ 0.97 crore as shown in the following table.

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[19] Shri Lessly Shylla.

Table 2.2.7: Details of training programme undertaken by Tourism Department

(₹ in lakh)

Sl. No.	Work order date	Name of the provider/ service provider	Name of the course	Duration of the course	No. of Trainees trained	Amount
1.	29.06.15	1. IL&FS Skills Development Corporation Limited, Dhankheti, Shillong	Food and Beverage Services	2 months	150	46.52
		2. Basic Academy for Building Life Long Employability, Lachumiere, Shillong	Basic Front Office	2 months	100	
2.	15.02.16	Avenues Nongthymmai, Shillong	Basic House keeping	2 months	150	
3.	13.10.16	IL&Fs Skills Development Corporation Limited	Food and Beverage services	2 months	432	50.25
4.	25.07.18	Indian Institute of Tourism and Travel Management	Tourist Guide	2 months	41*	N.A
	Total				**873**	**96.77**

Program conducted by IITTM during 2018-19 on tourist guides.

DoT, however could not provide the data for actual number of trainees placed or who set up own enterprise after undergoing the training.

The Department replied (January 2020) that MSSDS has provided skill development training to 3128 persons after July 2018 and out of them, 2155 persons were placed in tourism/ hospitality sector. The details of the states where the placement was provided was not mentioned. The Department should prepare a database of the employment of persons trained by them.

2.2.16 Execution of projects and capacity utilisation

2.2.16.1 Delays in Project completion

As detailed in **Table 2.2.2**, the DoT had 128 tourism projects under it, excluding the 'leased out property' of which, DoT completed (May 2019) 113 tourism related projects undertaken by it during 2014-19. Audit reviewed 44 projects (completed 29; ongoing 15) and observed that there were delays of 3-36 months in case of 18 projects. In five projects the DoT attributed the delay to reasons such as non-availability of land, early monsoon and delay in signing agreement. Attributing the delay to monsoon is however, not acceptable as onset of monsoon is a known and recurring phenomenon and the Department should have planned for the same in advance. For the remaining 13 projects, the Department did not furnish any reasons for the delay despite being asked for (August 2019). The details of the 18 projects have been given in **Appendix 2.2.2.**

Similarly, MTDC had 24 tourism projects under it and out of these two were ongoing (May 2019). Audit reviewed all 24 projects[20] (completed 22; ongoing 02) and observed that there were inordinate delays in one on-going projects, apart from the **Crowborough Hotel Project**, which has been discussed in detail in **paragraph 2.2.15.2**, as detailed below.

[20] *Swadesh Darshan Scheme* has been counted as one project even though the scheme consisted of four projects under it.

***Swadesh Darshan Scheme*:** Ministry of Tourism (MoT), GoI, launched the *Swadesh Darshan Scheme* for integrated development of theme based tourist circuits in the country in 2014-15. This scheme is envisioned with the idea of positioning the tourism sector as a major engine for job creation, driving force for economic growth, building synergy with various sectors to enable tourism to realise its potential.

Under the Scheme, Ministry of Tourism, GoI sanctioned (July 2016) four projects[21] at an estimated cost of ₹ 99.13 crore in Meghalaya. Though, these were to be completed by December 2018, three projects under the scheme were still in-progress (September 2019).

Examination of records showed that time over-run of the projects was attributable to the delay in finalisation of tenders due to re-tendering for certain components of the work, delay in release of fund by the State Government and land acquisition problem in few cases. Though the projects were to be completed by December 2018, MTDC (implementing agency) had achieved a physical progress of 80 *per cent* and utilised ₹ 67.65 crore out of ₹ 79.31 crore disbursed by the MoT till September 2019. **Appendix 2.2.3** gives the present status of implementation of the four projects under the *Swadesh Darshan Scheme*.

Audit noticed that the Secretary, MoT, GoI, in her letter (February 2018) expressed concern about the slow progress of implementation of the Swadesh Darshan Projects. The Department while admitting the fact (January 2020) of time-overrun of the projects stated that due to problems of land issue with the local community, the work components at Sohpetbneng were delayed.

2.2.16.2 Tourist inflow and occupancy of MTDC operated hotels

The main objective of MTDC, (set up in 1977) was to manage and operate its four hotels[22], having a capacity of 120 rooms and also to adopt methods necessary to attract tourists in large numbers. The MTP, 2011 also stipulated that the Corporation should make efforts to increase its revenue to enable it to carry out promotional activities. As such, it is incumbent upon MTDC to play a major role in attracting tourists in its managed hotels/ lodges and thereby generate revenue and aid the process of promotional of tourist activities and growth of tourist inflow.

Table 2.2.8 shows year-wise details of domestic and foreign tourists who visited the State as well as number of tourists who availed accommodation in MTDC operated hotels/ lodges during 2014-19.

[21] 1. Lake View Complex, Umiam; 2. U Lum Sohpetbneng; 3. Mawdiangdiang and 4. Orchid Lake Resort and Water Sports Complex, Umiam.

[22] 1. Orchid Hotel, Polo - , 29 rooms. Pine Wood Hotel, Shillong – 40 rooms 3. Orchid Lake Resort, Umiam – 27 rooms and 4. State Convention Centre, Shillong 24 rooms.

Table 2.2.8: Details of Tourist who visited the State and stayed in MTDC operated hotels/ lodges

Year	(in lakh)						Percentage of tourists who stayed in MTDC's operated Hotels/ Lodges		
	Tourist who visited Meghalaya			Tourists who stayed in MTDC operated Hotels/ Lodges					
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
2014-15	7.18	0.09	7.27	0.26	0.004	0.264	3.62	4.44	3.63
2015-16	7.51	0.08	7.59	0.23	0.006	0.239	3.06	7.5	3.15
2016-17	8.31	0.08	8.39	0.19	0.004	0.194	2.29	5	2.31
2017-18	9.91	0.12	10.03	0.19	0.003	0.193	1.92	2.5	1.92
2018-19	11.98	0.18	12.16	0.18	0.007	0.187	1.50	3.89	1.54
Total	**44.89**	**0.55**	**45.44**	**0.87**	**0.017**	**0.89**	**1.93**	**3.09**	**1.96**

Source: Directorate of Tourism (GoM) and MTDC.

The table above shows that while tourist inflow in the State increased from 7.27 lakh in 2014-15 to 12.16 lakh (67 *per cent)* during 2018-19, the number of tourists who stayed in MTDC's operated Hotels/ Lodges decreased from 0.26 lakh to 0.18 lakh (30 *per cent)* during the same period.

Table 2.2.9 provides year-wise occupancy of four MTDC's operated Hotels/ Lodges during the review period:

Table 2.2.9: Details of year-wise occupancy of four MTDC's operated Hotels/Lodges

Year	Number of rooms available during the years	Number of rooms sold during the year	Percentage of occupancy of rooms
2014-15	39931	14030	35
2015-16	44194	19378	44
2016-17	42000	15833	38
2017-18	43268	17584	41
2018-19	40503	14266	35

Source: MTDC.

The table above shows that MTDC, which was a nodal agency of the Government responsible for development of tourism in the State, was able to achieve an occupancy rate of only 35 to *44 per cent* of the rooms available to it during 2014-15 to 2018-19.

2.2.16.3 Manpower management in MTDC

Meghalaya Tourism Development Corporation (MTDC) has been set up for development and promotion of Tourism in Meghalaya. Availability of skilled manpower is key for its success.

The person-in-position (PIP) against the sanctioned strength (SS) of MTDC revealed that there was acute shortage of manpower (both in Executive and Non-executive category) during the period 2014-19 as shown under:

Table 2.2.10: SS and MIP of MTDC

	Sanctioned		PIP[23]		Shortage (percentage of shortage)		Some important post vacant during the year
Year	Executives	Non Executives	Executives	Non Executives	Executives	Non Executives	
2014-15	15	221	6	172	9*(60)*	49*(22)*	GM (Personnel)
2015-16	15	221	7	171	8*(53)*	50*(23)*	GM (Personnel)
2016-17	15	221	7	157	8*(53)*	64*(29)*	GM (Personnel)

23 Includes both regular and contractual staff.

	Sanctioned		PIP[23]		Shortage (percentage of shortage)		Some important post vacant during the year
Year	Executives	Non Executives	Executives	Non Executives	Executives	Non Executives	
2017-18	15	221	8	161	7*(47)*	60*(27)*	-
2018-19	15	221	6	148	9*(60)*	73*(33)*	GM (Finance), GM (Personnel)

Source: MTDC.

The table above shows that that during 2014-19, the shortage in the executive cadre ranged between 47 and 60 *per cent* and in non-executive cadre between 22 and 33 *per cent*. Even important posts like GM (Finance) and GM (Personnel) were lying vacant during the review period. Coupled with other factors, the operations of MTDC were loss making, with an accumulated loss of ₹ 9.61 crore as on 31 March 2018. The MTDC had also outstanding statutory liabilities to the Taxation Department of ₹ 35.45 crore.

Thus, the performance of MTDC indicates that despite having an advantage over rest of the industry it failed to attract tourists and increase its revenue to enable it carry out promotional activities as envisaged in the MTP, 2011. On the other hand, it was found besieged with issues such as poor maintenance of its hotels and lodges, shortage of man-power, increasing financial liability and rising financial losses.

Department accepted (January 2020) the fact of shortage of manpower in executive as well as non-executive cadre during the review period due to constrained financial position of the company.

2.2.17 Management of properties

Proper project management is considered necessary for implementation of the projects economically, efficiently and effectively. We noticed following deficiencies in management of the projects.

2.2.17.1 Adventure tourism

Meghalaya has immense potential for adventure related activities including adventure sports like rock climbing, paragliding, parasailing, *etc*. The MTP 2011 highlights that at present caving is the most vibrant and visible tourism activity in the State, followed by nature walks and treks on the numerous living root bridges. The MTP 2011 also envisages promoting adventure tourism in the State and assigns the responsibility upon MTDC to support and promote water sports in the State.

Out of the four projects sanctioned under the *Swadesh Darshan Scheme*, three projects contained several components of adventure tourism such as development of floating barge, jogging trail and cycling track, development of canopy walk, speed boat, construction of rescue watch tower, procurement of rescue motor boat, *etc*. Though, the completion date of these projects was December 2018, they were still in-progress (September 2019). Thus, the Department has not yet been able to augment the adventure tourism infrastructure in the State to that extent.

Audit also scrutinised and physically verified the procurement of equipment for the Water Sports Complex, Umiam and the audit finding in respect of these are given in succeeding paragraphs.

(i) Ungainful utilisation of Parasailing equipment

Based on the proposal for setting up Adventure sports Parasailing activities at Umiam, GoM sanctioned (March 2014 and December 2016) the project for ₹ 38.63 lakh. After inviting tender, DoT issued (February 2015) the work order for supply and installation of parasailing equipment to M/s Pioneer Adventure Tours (M/s PAT). M/s PAT accordingly supplied (May 2015) the parasailing equipment costing ₹ 38.63 lakh and payment was made to the firm. The equipment were handed over (July 2016) to MTDC for operation.

Audit scrutiny however, showed that the parasailing activities could not be made operational at Umiam owing to following reasons:

- Feasibility study for operationalising parasailing activities at Umiam was not carried out before getting the proposal sanctioned;
- The parasailing boat has a power of 100 Horse Power (HP) whereas requirement was for higher capacity;
- Landing and take-off on the ground was not possible due to the difficult terrain at Umiam Water Sports Complex.

Till the date of audit (August 2019), the equipment was lying idle in the Water Sports Complex, Umiam for more than three years. Thus, not only the expenditure of ₹ 38.63 lakh incurred on procuring parasailing equipment has become infructuous but more importantly failure to conduct a feasibility study and procure equipment of correct specification has also resulted in the objective of the Department to set up an Adventure Sports Parasailing activities at Umiam remaining unfulfilled.

Department stated (January 2020) that M/s PAT will start trial run for operationalising the parasailing equipment. The Department's reply is not convincing and responsibility needs to be fixed for procuring equipment in haste without proper feasibility study.

(ii) Water Sports Complex at Umiam

Audit scrutiny (July 2019) showed that the agreement for supply of floating barge, rescue motor boat, speed boat, water scooters, body jorb and lifesaving equipment, *etc.* at Water Sports Complex, Umiam was signed with Cleghorn Meg Company Private Limited, Kolkata in August 2018. Work order valuing ₹ 6.47 crore for the supply was issued (September 2018) to the firm with a stipulation to supply the items within 12 months from the date of signing of agreement. The firm delivered all the items by May 2019.

During JPV (July 2019) of Water Sports Complex, Umiam and based on preliminary reply from MTDC, audit observed that four Water scooters (costing of ₹ 26.04 lakh), have remained un-operational, as the complex has no back-up for power source. Thus, indicating that equipment were procured without proper planning and due diligence.

Department stated (January 2020) that the water scooters supplied by Cleghorn Meg Company Private Limited had developed some technical problems which required service through the supplier. Action taken to resolve the problem was however not communicated, and the project remained a non starter.

2.2.18 Development of Tourism so as to ensure Sustainability

The NITI Aayog's Report of Working Group II on Sustainable Tourism in the Indian Himalayan Region published in August 2018 points out that tourism is one of the main development sectors for the Himalaya and it can be the engine to drive future development in the region. This would only be possible if the development adheres to principles of sustainability.

Audit examined the steps taken by the Tourism Department in promoting sustainable tourism. The findings are given in the succeeding paragraph.

2.2.18.1 Sustainability issues in implementation of tourism projects

As per Para 3 of MTP 2011, Tourism development will be undertaken in a manner so as to ensure sustainability and conservation of the State's environment and natural resources. The MTP 2011 spelt out its objective of 'going green' by encouraging hotel operators to strictly adhere to minimum standards with regards to environmental performance and health standard. The policy also envisages developing tourism by promoting a clean, healthy and safe environment.

Audit scrutinised 18 projects implemented by DoT during the review period, of which 17 projects had no provisions for preservation of environment and natural resources while executing them. The estimates **(Appendix 2.2.2)** had no provisions for sustainable measures such as installation of solar power, rainwater harvesting, *etc*. Moreover, none of the estimates contained the analysis regarding sustainability of the project undertaken.

Similarly, Audit also scrutinised the *Swadesh Darshan Scheme* being implemented by MTDC. The detailed project report of this scheme has taken into account issues such as bringing about sustainable development, solid waste management, construction of public toilets, solar lighting, *etc*. As mentioned in **paragraph 2.2.16.1**, the projects under the Scheme are however, yet to be completed.

Department accepted (January 2020) the audit observation on sustainability.

2.2.18.2 Waste management by homestays

The Meghalaya Tourism Development and Investment Promotion Scheme, 2012 (MTDIPS), which provides a subsidy of 30 *per cent* of the project cost for homestays and resorts, subject to a maximum of ₹ 16.00 lakh and ₹ 1.00 crore respectively, should have provision for solid waste management with incinerators and rain water harvesting.

During 2014-19, 11 homestays/ resorts were sanctioned under MTDIPS. Audit conducted Joint Physical verification (September 2019) of three homestays[24]. However, none of the homestays had provision of solid waste management with incinerators or rainwater harvesting despite subsidy of ₹ 14.26 lakh given to them. Department had not taken any action for the violation (September 2019).

On being pointed out the Department accepted (January 2020) the audit observation.

2.2.18.3 Non-compliance to directive of the CPCB/ SPCB on installation of Dustbins at Myntdu River

As the pollution level in Myntdu river at Jowai, Jaintia Hills had risen to unimaginable proportions because of high acidic content, National Green Tribunal (NGT) in its order (April 2017) directed the Central Pollution Control Board (CPCB) to work with the State Pollution Control Board (SPCB) for mitigating the level of pollution in the river. Pursuant to the order, a joint inspection was conducted (May 2017) by Regional Directorate, CPCB and SPCB, Meghalaya. The report castigated various Department/ Agencies including the Tourism Department for not taking any steps to provide requisite infrastructure for mitigating the level of pollution in the river. The report pointed out that Tourism Department which projects the pristine glory of the river had not taken any steps to provide requisite infrastructure to ensure that waste left behind by tourists is disposed of in a proper manner. It then directed the Department to place bins for waste in all the tourist spots in the area and make the necessary arrangement for collection of waste generated on regular basis.

Audit observed that, despite the directive, the Department has not installed (August 2019) waste bins in the tourist spots near the Myntdu River.

On being pointed out, the Department replied (August 2019/ January 2020) that the Tourist Officer, Jowai was instructed (August 2019) to approach the Chief Executive Officer, Jowai Municipal Board for installation of free dustbins. No further development in this regard was however, found on record.

2.2.19 Capacity of the Department to execute tourism projects

Audit findings indicate that DoT/ MTDC have neither been able to attract experienced contractors with good track records to execute tourism projects nor develop the competence themselves to execute projects successfully on time. Most of the schemes conceived by the DoT/ MTDC suffered from inordinate delays and infructuous execution, mainly due to deficient capacity, either technical or financial, of the contractors to execute these projects.

Audit has already commented on persistent delay in completion of important projects such as *Swadesh Darshan Scheme,* Eco-Tourism, Improvement of Marngar Lake into a Tourist spot, *Holiday IQ* content Generation campaign, Construction of cottages & footpath at Riwai and Mawlongbna villages, *etc*. in preceding paragraphs. These

[24] Shri Ian Andrew Khongmen, Baniun, Smti Merybell Khongsni, Pynursla and Smt R.B. Kharkongor, Nongshilliang, Nongthymmai.

projects were either running far beyond their scheduled date of completion or were completed after a delay of more than five years.

The inordinate delay of more than 32 years in completing the Crowborough Hotel also highlights serious capacity gap of the State in executing tourism related projects professionally. Not only did the Government fail to benefit from the 'BOT' model in attracting private investment for completing the five-star hotel project in the heart of the city, but instead they had to lend ₹ 45 crore (through Meghalaya Industrial Development Corporation) to the joint venture, created for execution of the project.

The Department has failed to provide any specific explanation of delays in most of the projects. However, reasons like re-tendering of certain work components, issues regarding land acquisition *etc.* in many cases, are pointers that DOT/ MTDC have been unable to attract investors/ developers of high calibre to deliver quality projects in time.

2.2.20 Physical verification of assets created

DoT and MTDC are responsible for repair and maintenance of assets created by it. Even the terms of sanction of GOI for various projects envisaged upon the State Government to undertake responsibility for maintenance and management of facilities created out of GoI funds. Audit conducted (July/ September 2019) JPV of 12 projects[25] and found that the DoT/ MTDC had not prioritised proper upkeep of assets created, as detailed below:

2.2.20.1 Orchid Hotel & Restaurant, Polo

The hotel had only 10 rooms, out of 29 rooms available, which are saleable. The remaining 19 rooms were in a shabby condition and had deficiencies such as flaky and damp walls, fungus formation inside the room, insufficient light because of damage electrical connection, damaged wooden floor, *etc*. The hotel did not have the facilities of wi-fi. The hotel had only one aqua-guard to cater to supply of drinking water to its guests and staffs, the electrical connections in some rooms were not working and hence had insufficient light.

Department in its reply admitted (January 2020) that many of the rooms are not saleable for want of maintenance. It also stated that MTDC has decided to float an 'Expression of Interest' for renovation of the building and that the Department is conducting a feasibility study through a consultant.

2.2.20.2 Tourist Information Centre, Shillong

Meghalaya has 13 Tourist Information Centres (TIC) all across the State. The TIC at Police Bazaar, Shillong besides providing information to tourists also conducts local package tours, booking of taxis and hotels. During physical verification (July 2019) of the TIC, Shillong, it was found that the centre had no provision of online booking and card payment for conducted tours, booking of taxis, hotels, *etc*., and was thus tourist unfriendly.

[25] 11 completed projects and one on-going project.

Department agreed (January 2020) to implement online booking/ card payment facilities at an early date.

2.2.20.3 Nokrek Biosphere Reserve

Nokrek National Park, the core area of Nokrek Biosphere Reserve, is a national park located approximately 35 kms from Tura in West Garo Hills district of Meghalaya. UNESCO declared this National park to its list of Biosphere Reserves in May 2009. Besides having wild animals, the area is also noted for 'Memang Narang' the original and the parent of all citrus fruits. A JPV was conducted (September 2019) to the last point of buffer zone of Nokrek Reserve. The approach road towards Nokrek was in extremely poor condition pointing towards lack of proper maintenance and indifference of the DoT to encourage tourists to the Reserve by creating proper approach road.

Photograph 2.2.1.: Poor road towards Nokrek.

Department while accepting the fact (January 2020) assured to look into the matter considering the feasibility.

2.2.21 Brand Promotion and Marketing

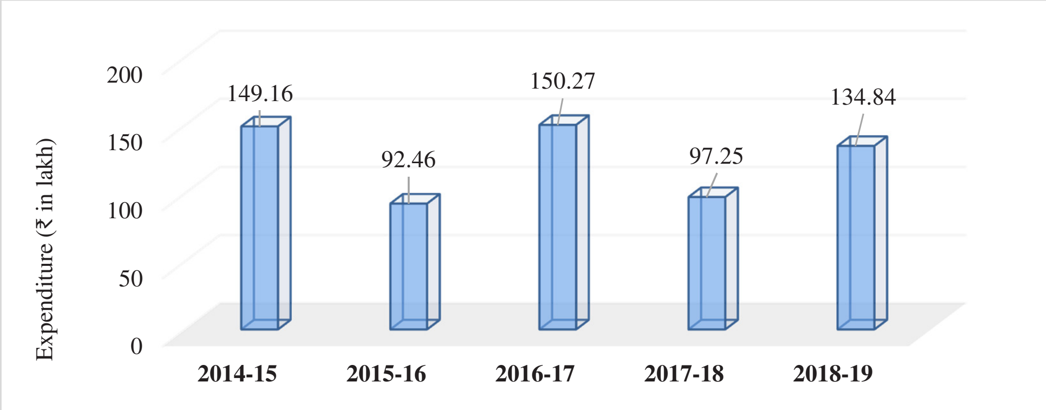
Para 5 (g) of MTP 2011 envisaged to develop an effective marketing strategy so as to provide a positive image for Meghalaya in the national and international market as a unique and preferred destination to visit. The marketing plan was to be developed after a thorough investigation of the tourism products in Meghalaya and the markets that it is targeting. The plan also included promotion of festivals and tribal sports, promotion of local handicrafts and cuisine, familiarisation tours for tour operators from outside the State for better knowledge of the places of tourist interest in Meghalaya. The audit findings in this regard is discussed in the succeeding paragraphs.

MTP 2011 envisaged promotion, publicity and marketing of tourism products in a well-planned manner at national and international level. Further, adequate advertisement and publicity is required to attract more and more number of domestic and foreign tourists.

It can be seen from the **table 2.2.5** above that the share of expenditure on the tourism sector ranged only between 0.21 and 0.27 *per cent* during 2014-19. This expenditure further showed a declining trend during 2017-18 and 2018-19, clearly limiting the scope for expansion of tourism infrastructure in the State.

We observed that the Department had spent only ₹ 6.24 crore (about two *per cent* of total budget of tourism) during 2014-19 towards advertisement and publicity as depicted in **Chart 2.2.3:**

Chart 2.2.3: Expenditure in advertisement and publicity



Audit observed that there was no consistency in advertisement and publicity as displayed by pattern of expenditure. Moreover, no fund was sanctioned for promotion of brand Meghalaya by the Department through electronic media during 2014-19.

Further, even though the share of expenditure on the tourism sector declined during 2017-18 and 2018-19, the Tourism Department further reduced its expenditure on advertisement and publicity from ₹ 1,50 crore in 2016-17 to ₹ 0.97 crore in 2017-18 and ₹ 1.35 crore in 2018-19, indicating the low priority it accorded to advertisement and publicity.

Department in its reply stated (January 2020) that on the question of consistency in advertisement, the Department has taken up publicity based on the proposals received considering their reach and also the area where the Department wants to promote its brand and that it also take up publicity during lean periods though radio and also through social media. The fact however, remains that the expenditure on the tourism sector declined during 2017-18 and 2018-19 indicating that advertisement and publicity did not get the financial support as during 2016-17.

2.2.21.1 Festivals

Meghalaya is home of numerous fairs and festivals that attract not only local people but also visitors from outside the state especially during the State's major festivals such as Behdienkhlam, Nongkrem Dance, Wangala Dance and Cherry Blossom[26].

During 2014-19, the State conducted 54 festivals across the State and the Department provided fund amounting ₹ 2.96 crore for organising the festivals during the same period **(Appendix 2.2.4)**. The DoT however, stated (December 2019) that they did not carry out any Impact Study/ Review of the festivals organised, for which financial support was provided by the Department. It however, did not furnish any data showing the data of tourist footfalls at the time of the festivals. In absence of data of footfalls of tourists at the time of festivals as well as study of impact assessment, the outcome of

[26] The **Cherry Blossom Festival** in **Shillong** celebrates the unique autumn flowering of Himalayan **Cherry Blossoms** with community events such as live music gigs, a beauty pageant, and stalls showcasing the cuisine, wine, arts and craft of the region. This festival being one of the unique kind in the country, has a potential for promoting the State as a tourist destination in a large scale.

promotional plan to showcasing the State as a popular tourist destination will remain unknown.

2.2.21.2 Web Portal of Tourism Department

The Department has initiated advertisement and publicity of Meghalaya Tourism through official web portal of the Department. However, Audit observed that the information as uploaded in the web portal are not being updated on a regular basis which gives misinformation to the potential tourists as well as other stake holders at large which are as detailed below:

1. The Population of Meghalaya, percentage of literacy, area in sq.km was not updated in the web portal as per latest census (2011).
2. As per data furnished by the DoT, there are 15 TICs including Guwahati, Kolkata and New Delhi. However, in the website, only 12 TICs are listed.
3. The information relating to number of hotels/ lodges, restaurants, banks, ATMs, hospitals, places of attractions also need to be updated for the benefits of the tourists.

No Tourist grievance redressal mechanism was also found to be available in the web portal. DoT while accepting the Audit observation (October 2019), stated that they have already taken corrective actions for updation of the website. In this regard, the Department also stated that a new website is under development with the assistance of National e-Governance Division (NeGD) under the Ministry of Electronics and Information Technology for providing up- dated and detailed information on tourist destinations in Meghalaya.

2.2.22 Good Practices

The infrastructure maintained by the community at the Chandigre resort gave a pleasant experience while conducting JPV (September 2019) by the Audit team considering the apiculture activities and cultivation of organic fruits and vegetables.

Photograph 2.2.2: Chandigre Eco-Resort.

The initiative taken by the Department to use Solar Energy at the cottages constructed at Nongkhnum River Island in West Khasi Hills is a good step towards sustainability.

2.2.23 Conclusion

The Performance Audit brought out that despite the State being known for its exotic tourist locations and 'Shillong' being referred to as 'Scotland of the East', the State lost its position as the top tourist destination in North-East. Lack of focused planning and absence of any medium term/ long term action plan for development of tourism activities in the State led to non-achievement of objective enumerated in MTP, 2011 despite the State having a huge potential for eco-tourism, rural tourism, adventure tourism, *etc*. The implementation of the tourism related projects both of the Department and MTDC was marred by inordinate delays mainly due to poor project management and delays in execution of projects though funds were available. The 37 properties leased by the Department to private parties saw revenue losses in nine properties instead of gains due to failure to enforce provisions of the lease agreements. The Crowborough Hotel project in Shillong, for providing luxury accommodation to high end tourists under PPP mode continued to be non-operational though it was to be completed by August 2014. Tourism development activities were undertaken without factoring issues of sustainability and conservation of the State's environment and natural resources. The MTDC's operated Hotels/ Lodges witnessed decrease in the number of boarders even while the tourist inflow in the State had increased during the review period. No review of impact assessment for organising the festivals were conducted neither the data of tourist footfalls during festivals were maintained. Advertisement and publicity initiatives were inadequate. The Department had not provided environment friendly measures of rain water harvesting, solar power in the test checked 18 projects despite policy statement to encourage environment sustainable tourism.

2.2.24 Recommendations

- *The Department needs to adopt a focused strategy for broad stakeholder engagement and sustainable development principles for ensuring inclusive growth in the Tourism Sector by providing economic development opportunities in both urban and rural areas.*
- *The Department may ensure timely completion of tourism related projects. The Department may review the Crowborough Hotel project to make it operational.*
- *The Department needs to improve its fund management on projects and activities to avoid lapse/ loss of funds.*
- *The Department needs to put in place action plan to measure the progress made in encouraging private investment and in developing entrepreneurship including rural tourism.*
- *The Department needs to regulate the taxi related services in the State in general and at Guwahati Railway Station and Airport in particular to improve road connectivity to tourists coming to the State.*
- *The MTDC needs to manage its leased properties professionally to earn revenue to sustain itself and to carry out promotional activities.*
- *Impact assessment for organising the festivals should be conducted and data of tourist footfalls attending State managed festivals should be collected and feedback solicited from visitors to improve organising of such events to attract more tourists.*
- *The State may ensure sustainability and conservation of the environment and natural resources while undertaking tourism development, in keeping with its own policy.*

COMPLIANCE AUDIT PARAGRAPHS

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

2.3 Unproductive expenditure

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

Government of Meghalaya accorded (29 March 2014) administrative approval and sanctioned an amount of ₹ 51.29 lakh to the Director, Animal Husbandry & Veterinary Department (AH&VD) for 'Construction of Livestock Demonstration Farm for Trainees at Kyrdemkulai'. The purpose of establishing this farm was to impart training on piggery, dairy and poultry. The Executive Engineer (Civil Engineering Wing) (EE (CEW)), AH&VD invited (May 2014) tender for the work and work orders were issued to 20 contractors for different item of works between July to November 2014.

Scrutiny of records (April-May 2017) revealed that the work was completed in June 2015 at an expenditure of ₹ 51.29 lakh and the Livestock Demonstration Farm was handed over (August 2015) by the EE, CEW, AH&VD to the Manager, Cattle/ Pig/ Poultry Farm, Kyrdemkulai, Ri-Bhoi District. Audit conducted (May 2017) a joint physical verification of the Livestock Demonstration Farm along with officials of the AH&VD and noticed that the Department had not procured any livestock nor had any training/ demonstration on piggery, dairy and poultry been conducted.

Audit noticed that the Demonstration Farm was lying idle and has not been put to use since the Department has not made any budget provision for funds to make the Livestock Demonstration Farm functional. Thus, it could be observed that non-provisioning of funds by the Department resulted in the Livestock Demonstration Farm lying idle since June 2015, besides rendering the entire expenditure of ₹ 51.29 lakh unproductive. Further, the possibility of deterioration of the infrastructure in the absence of maintenance and operation cannot be ruled out.

In reply (May 2020), the State Government stated that the Department can impart training and knowledge to the Veterinary Assistants and Farmers with the existing staff and also assured that budget proposals will be made during 2020-21 to make the Demonstration Farm functional.

AGRICULTURE & FARMERS' WELFARE DEPARTMENT

2.4 Unproductive expenditure

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

The Fruit Processing Unit (FPU) at Shillong, Meghalaya was set up in 1955 and is run by the Directorate of Horticulture, Government of Meghalaya. The existing range of products of this FPU includes fruit squashes, fruit jam, canned fruits, pickle, *etc.* and it has an installed capacity of 60 tonnes per annum (TPA). A large number of processing and packaging machinery had however, become defunct due to prolonged use leading to a decline in production.

The Director of Horticulture requested (March 2009) the Meghalaya Industrial Development Corporation[27] (MIDC) to prepare a Detailed Project Report (DPR) for modernisation of the FPU. MIDC expressed its willingness (June 2009) and submitted (July 2012) the DPR[28] to the Director, Horticulture for which an amount of ₹ 7.61 lakh was paid as professional fees in February 2013.

The DPR suggested enhancement of capacity of the FPU from 60 TPA to 136 TPA by replacing the defunct machinery and inclusion of additional machinery as well as taking up some civil works to enable the unit to improve its performance and to operate successfully as a standalone profit centre. Further, based on the nature of industry, capacity of the unit, types of machinery, utilities and services involved, the DPR assessed the total implementation period of the modernisation & expansion project as five months from the zero date *i.e.*, disbursement of fund by the State Government.

Government of Meghalaya, Agriculture Department sanctioned (March 2012) ₹ 184.27 lakh for Modernisation and Upgradation of FPU at Shillong as per following details:

Table 2.4.1: Abstract of cost of the project

Sl. No.	Particulars	Amount (₹ in lakh)
1	Building & Civil	44.25
2	Plant & Machinery	32.95
3	Utilities, Services & Misc. Fixed Assets	27.35
4	Preliminary & Post-operative expenses	6.60
5	Provision for contingency expenses @ 5 *per cent*	5.56
Total Capital Cost		***116.71***
6	Margin Money for working capital (1st year)	29.95
7	Professional fee for preparation of DPR	6.90
Total		***153.56***
8	Contingencies @ 10 *per cent*	15.36
9	Cost escalation @ 10 *per cent*	15.35
Grand Total		**184.27**

Source: Sanction Order.

27 MIDC was incorporated (1971) under the Companies Act, 1956 with the objective to promote and advance the industrial development of the State of Meghalaya.

28 MIDC had commissioned the services of West Bengal Consultancy Organisation Limited, Kolkata for preparation of the DPR.

Audit observed that even after more than seven and half years of sanction, the Department was unable to enhance the installed capacity of the unit, because of the following reasons:

- Director of Horticulture withdrew the sanctioned amount of ₹ 184.27 lakh in October 2012 but instead of releasing the amount to the implementing unit[29], the amount was initially kept idle till September 2014, after which, Director of Horticulture transferred funds of ₹ 176.66 lakh (₹ 184.27 *minus* ₹ 7.61 lakh[30]) Secretary, Meghalaya State Agricultural Marketing Board (MSAMB[31]), Shillong. Reasons for transferring the funds to the MSAMB was neither indicated in the release order nor found on record.

  In October 2015, the Director of Horticulture again went back on their decision and instructed MSAMB to transfer the money to the ADH (FP), Shillong who received the amount of ₹ 176.66 lakh in November 2015. Thus, the Director of Horticulture took three years to release the funds to the implementing unit for the project.

- Building & Civil works of the project were executed by the Meghalaya Power Generation Corporation Limited[32] (MePGCL). There was, however nothing on record produced to audit to indicate the basis on which the MePGCL was selected for execution of the project work. The ADH (FP) released an amount of ₹ 112.59 lakh from December 2015 to March 2019 to MePGCL after which the MePGCL handed over the completed civil works to the ADH (FP) in February 2019. Audit, however, observed that the expenditure on civil works had exceeded the sanctioned estimate on civil works by ₹ 68.34 lakh[33]. Further, as of November 2019, the Directorate still had the remaining funds of ₹ 64.07 lakh[34], which was adequate to procure Plant & Machinery, Utilities, Services & Misc. Fixed Assets[35] but the funds earmarked as margin money for working capital had been diverted towards civil works.

In the meantime, the actual quantity of fruits processed by the unit has come down from 33.94 TPA in 2011-12 to 26.70 TPA in 2018-19.

Thus, inordinate delay in release of funds by Director of Horticulture and lack of proper planning and lacklustre approach of the Director of Horticulture and the ADH (FP) in execution of the project has not only delayed the project by more than six years but also led to unproductive expenditure of ₹ 112.59 lakh.

In reply (June 2020), the Joint Secretary, Agriculture & Farmers' Welfare Department stated that MePGCL was a Government Company and therefore the work was given to

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[29] Assistant Director of Horticulture, Fruit Processing (ADH (FP).

[30] The amount of ₹ 7.61 lakh was retained for making payment to MIDC being professional fee for preparation of DPR which was paid to the MIDC in December 2011 & February 2013.

[31] Meghalaya State Agricultural Marketing Board was set up in 1983 with its headquarter at Shillong, to develop marketing infrastructural facilities and to provide marketing support to the farmers in the State

[32] Subsidiary of the Meghalaya Energy Corporation Limited a Government of Meghalaya's PSU.

[33] ₹ 112.59 lakh *minus* ₹ 44.25 lakh.

[34] ₹ 176.66 lakh *minus* ₹ 112.59 lakh.

[35] ₹ 32.95 lakh *plus* ₹ 27.35 lakh.

them directly. The reply was however, silent regarding other observations such as, outcomes of the modernisation of the FPU and reasons for delay in release of fund by the Director of Horticulture, reasons for incurring expenditure in excess (₹ 68.34 lakh) of the estimate cost of civil works as well as diversion of working capital (₹ 29.95 lakh) towards civil works and failure to replace the required additional machinery.

The Government may institute an enquiry on the project and fix responsibility/ accountability for the delays and failure of the project.

CHAPTER-III

ECONOMIC SECTOR

(PUBLIC SECTOR UNDERTAKINGS)

CHAPTER III: ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

3.1 Functioning of Public Sector Undertakings

3.1.1 Introduction

As of 31 March 2019, State of Meghalaya had 17 PSUs (15 Government Companies and two Statutory Corporations) as detailed below:

Table 3.1.1: Total number of PSUs as on 31 March 2019

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies[36]	14	1	15
Statutory Corporations	2	Nil	2
Total	**16**	**1**	**17**

None of these companies was listed on the stock exchange which means that the shares of the PSUs cannot be traded in the stock exchange. During the year 2018-19, no new PSU was incorporated and no existing PSU was closed down.

3.1.2 Investment in PSUs

3.1.2.1 State Government's investment in PSUs

The State's investment in its PSUs was by way of share capital/loans and special financial support by way of revenue grants.

As on 31 March 2019, the investment of the State Government (capital and long-term loans) in 17 PSUs was ₹ 2,736.21 crore[37] as per details given in **Table 3.1.2**:

Table 3.1.2: Details of State's investment in PSUs

(₹ in crore)

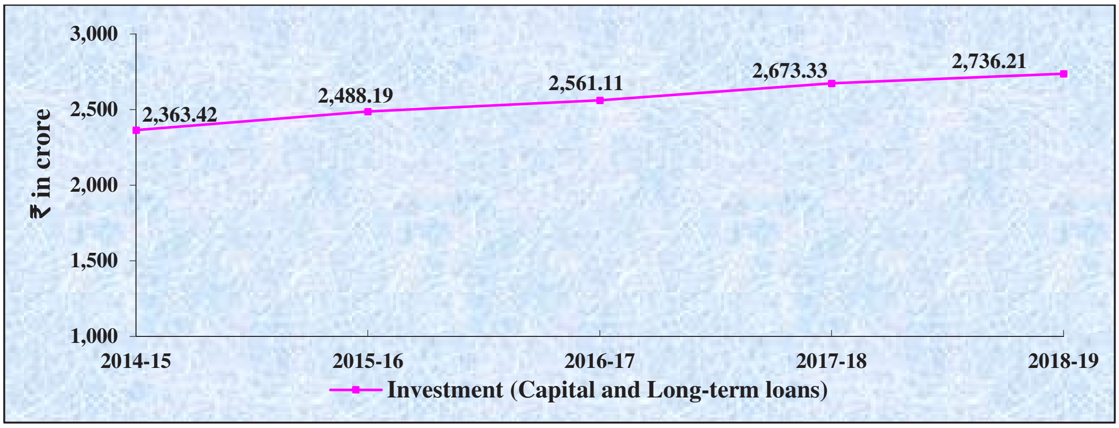
Year	Equity Capital	Long term Loans	Total
2018-19	2,532.97	203.24	**2,736.21**
2014-15	2,319.28	44.14	**2,363.42**

The State Government investment as on 31 March 2019 consisted of 92.57 *per cent* towards capital, 7.43 *per cent* in long-term loans as against 98.13 *per cent* (capital) and 1.87 *per cent* (long-term loans) as on 31 March 2015. A graphical presentation of State Government investment in PSUs during last five years (2014-15 to 2018-19) has been given in **Chart 3.1.1**:

[36] Government Companies include other companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

[37] Investment figures are provisional and as per the information provided by the PSUs as none of the 17 PSUs has finalised accounts for 2018-19 as of September 2019.

Chart 3.1.1: State's total investment in PSUs



As can be noticed from the **Chart** above, the State Government's investment in PSUs during last five years showed an increasing trend. The State's investment grew by 15.77 *per cent* from ₹ 2,363.42 crore in 2014-15 to ₹ 2,736.21 crore in 2018-19.

During 2018-19, out of 15 working PSUs where State Government had made direct investment, 10 PSUs incurred loss and only four PSUs[38] earned profit (₹ 9.61 crore) as per their latest finalised accounts. None of the four profit making PSUs had declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the PSUs.

The State Government's investment (historical value) in PSUs had eroded by 12.62 *per cent* in 2018-19, and the losses of nine PSUs[39] (accumulated losses of ₹ 1,839.14 crore) had completely eroded the State's investment in their paid-up capital (₹ 1,077.58 crore), as per their latest finalised accounts.

3.1.2.2 Total Sector-wise investment in PSUs

Total investment of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, *etc*.) in PSUs under various important sectors at the end of 31 March 2015 and 31 March 2019 were as under:

Table 3.1.3: Sector-wise details of total investments in PSUs

(₹ in crore)

Name of Sector	Government/Other Companies		Statutory Corporations		Total Investment	
	2014-15	2018-19	2014-15	2018-19	2014-15	2018-19
Power	4298.38	6053.64	0	0	4298.38	6053.64
Manufacturing	167.31	347.36	0	0	167.31	347.36
Infrastructure	96.42	143.34	0	0	96.42	143.34
Service	7.96	7.96	89.83	99.44	97.79	107.40
Agriculture & Allied	2.45	2.45	0	0	2.45	2.45
Miscellaneous	9.03	9.83	3.36	3.36	12.39	13.19
Total	**4581.55**	**6564.58**	**93.19**	**102.80**	**4674.74**	**6667.38**

It can be noticed from the **Table** above that as compared to 2014-15, the combined investment of State Government and Other Stakeholders increased significantly during 2018-19 in Power sector (₹ 1755.26 crore), Manufacturing sector (₹ 180.05 crore) and

38 Excluding one PSU (serial no. 14 of **Appendix 3.1.1)** functioning on '*no profit no loss*' basis.
39 Sl. No. 1, 2, 4, 6, 7, 10, 12, 13 & 15 of **Appendix 3.1.1.**

Infrastructure sector (₹ 46.92 crore). The increase in investment under power sector was mainly on account of the long terms borrowings (₹ 710.99 crore) of two power sector companies availed during 2014-18 for construction of two hydro power projects.

3.1.3 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out reconciliation of differences.

As on 31 March 2019, there were unreconciled differences in the figures of equity (₹ 7.24 crore) and loans (₹ 449.04 crore) as per two sets of records. The difference in equity occurred in respect of eight PSUs[40]. The difference in loan figures mainly pertained to power sector PSUs (₹ 447.78 crore) as the Finance Accounts figures included the loans sanctioned to erstwhile Meghalaya State Electricity Board prior to its unbundling (March 2010) into power sector companies, which remained unreconciled.

Though the Principal Secretary, Finance Department, Government of Meghalaya as well as the Management of the PSUs concerned were appraised regularly about the differences impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

The Government and the PSUs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the PSUs and the accounts be updated.

3.1.4 Special support and guarantees to PSUs during the year

State Government provides financial support to PSUs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/ subsidies in respect of PSUs for three years ended 2018-19 are given in **Table 3.1.4**:

Table 3.1.4: Details of budgetary support to PSUs

(₹in crore)

Particulars	2016-17		2017-18		2018-19	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo from budget	3	38.90	4	90.47	1	9.73
Loans given from budget	4	10.43	3	1.38	3	31.69
Grants/ Subsidy from budget (including Capital Grants)	6 3	(G) 68.76 (S) 28.37	8 2	(G)109.53 (S) 6.00	10 2	(G)222.02 (S)0.29
Total Outgo[41] (1+2+3)	**11**	**146.46**	**13**	**207.38**	**13**	**263.73**
Guarantees issued during the year	1	325.00	Nil	Nil	1	230.00
Guarantee Commitment (Cumulative)	3	1136.78	3	1087.78	3	1096.78

Source: As furnished by Companies/Corporations. **(G): Grants; (S): Subsidies**

[40] Sl. No. 1, 3, 5, 6, 8, 13, 14 and 15 of **Appendix 3.1.1.**

[41] Actual number of PSUs, which received equity, loans, grants/subsidies from the State Government.

As can be noticed from **Table** above, the budgetary support provided by State Government to PSUs increased from ₹ 146.46 crore in 2016-17 to ₹ 263.73 crore in 2018-19, mainly due to grants (₹ 174.71 crore) provided to one PSU[42] for execution of externally aided projects.

The State's guarantees of ₹ 230.00 crore issued during 2018-19 pertained to one power sector company (Meghalaya Power Generation Corporation Limited) against the borrowings availed from Power Finance Corporation Limited (a Central PSU).

3.1.5 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 01 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

3.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations in Meghalaya, CAG is the sole auditor for Meghalaya Transport Corporation. In respect of the other Corporation (*viz*. Meghalaya State Warehousing Corporation), Chartered Accountants conduct the audit and the CAG conducts the supplementary audit.

3.1.5.2 Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs through its administrative departments. The Government appoints the Chief Executives and Directors on the Board of these PSUs.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted

[42] Meghalaya Basin Management Agency, a company incorporated (July 2012) under section 25 of the Companies Act, 1956 for channelizing investments from multi-lateral agencies, central government, UN organizations and other stakeholders, for implementation of specialised development projects. As per section 25 of the Act, the Company is exempted from adding the word 'Limited' in its name.

to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.6 Arrears in finalisation of accounts

The financial statements of the companies are required to be finalised within six months after the end of the financial year *i.e.* by September end in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Timely finalisation of accounts is important for the State Government to assess the financial health of the PSUs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

Table 3.1.5 provides the details of progress made by the working PSUs in finalisation of their annual accounts as on 30 September 2019.

Table 3.1.5: Position relating to finalisation of accounts of working PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Number of Working PSUs	15	16	16	16	16
Number of accounts finalised during the year	13	35	13	30	16
Number of accounts in arrears	60	43[43]	46	32	32
Number of Working PSUs with arrears in accounts	14	15	16	16	16
Extent of arrears (numbers in years)	1 to 16	1 to 14	1 to 11	1 to 7	1 to 5

GOC: Government/ Other Companies; SC: Statutory Corporations.

As can be seen from the **Table** above, although the situation improved gradually during last five years in terms of number of accounts finalised and extent of arrears, 32 accounts of 16 PSUs were still in arrears as on 30 September 2019. The earliest Accounts in arrears was since 2014-15 (five Accounts), which related to Meghalaya Transport Corporation.

The Accountant General (Audit), Meghalaya had been regularly pursuing with the Chief Secretary of Meghalaya and the administrative departments concerned for liquidating the arrears of accounts of PSUs. However, the State Government and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time bound manner.

[43] Including two accounts of new Company (Meghalaya Infrastructure Development and Finance Corporation Limited) added during 2015-16.

3.1.7 Investment by State Government in PSUs whose accounts are in arrears

The State Government invested ₹ 288.31 crore in 8 PSUs {equity: ₹ 143.07 crore (five PSUs) and long term loans: ₹ 145.24 crore (four PSUs)} during the years for which the accounts of these PSUs had not been finalised as detailed in **Table 3.1.6**.

Table 3.1.6: Investment by State Government in PSUs having accounts in arrears

(₹ in crore)

Name of PSU	Accounts finalised up to	Accounts pending finalisation	Investment by State Government during the period of accounts in arrears	
			Equity	Loans
Meghalaya Industrial Development Corporation Limited	2016-17	2017-18 to 2018-19	50.00	-
Mawmluh Cherra Cements Limited	2017-18	2018-19	34.61	113.55
Meghalaya Energy Corporation Limited	2016-17	2017-18 to 2018-19	46.80	-
Meghalaya Power Generation Corporation Limited	2016-17	2017-18 to 2018-19	-	30.11
Meghalaya Power Distribution Corporation Limited	2016-17	2017-18 to 2018-19	-	1.22
Meghalaya Power Transmission Corporation Limited	2016-17	2017-18 to 2018-19	-	0.36
Meghalaya Handloom & Handicraft Development Corporation Limited	2016-17	2017-18 to 2018-19	0.30	-
Meghalaya Transport Corporation	2013-14	2014-15 to 2018-19	11.36	-
Total:			**143.07**	**145.24**

In the absence of accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of PSUs. Where there is lack of staff expertise, Government may consider outsourcing the work relating to preparation of accounts and take punitive action against Company Management responsible for arrears of accounts. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

3.1.8 Performance of PSUs as per their latest finalised accounts

The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Appendix 3.1.1**. **Table 3.1.7** provides the comparative details of working PSUs turnover and State GDP for a period of five years ending 2018-19.

Table 3.1.7: Details of working PSUs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover[44]	640.05	935.69	1,108.66	1,136.88	1,121.40
State GDP[45]	23234.53	25117.36	27438.62	30789.65	34388.91
Percentage of Turnover to State GDP	2.75	3.73	4.04	3.69	3.26

44 Turnover of working PSUs as per the latest finalised accounts as on 30 September of respective year.
45 Source: Ministry of Statistics & Programme Implementation, Government of India.

From the above **Table** above it can be seen that contribution of PSUs to the State GDP ranged from 2.75 *per cent* (2014-15) to 4.04 *per cent* (2016-17) during the period.

The PSUs' turnover registered an overall growth of ₹ 481.35 crore (75 *per cent*) during the last five years from ₹ 640.05 crore (2014-15) to ₹ 1,121.40 crore (2018-19). There was an overall increase of ₹ 495.88 crore in the turnover of four power sector companies[46] from ₹ 529.26 crore (2014-15) to ₹ 1025.14 crore (2018-19).

3.1.8.1 Key parameters

Some other key parameters of PSUs performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table 3.1.8**.

Table 3.1.8: Key Parameters of PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt	1,310.44	1,231.99	1,418.51	1,756.87	1,768.72
Turnover[47]	640.05	935.69	1,108.66	1,136.90	1,121,40
Debt/ Turnover Ratio (DTR)	2.05:1	1.32:1	1.28:1	1.55:1	1.58:1
Interest Payments	41.98	137.13	139.90	154.94	166.87
Accumulated losses	576.93	1,113.47	1,533.80	2,182.97	2,229.77

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments.

PSU Debt

During the period of five years, the PSUs debt increased by ₹ 458.28 crore (35 *per cent*) from ₹ 1,310.44 crore (2014-15) to ₹ 1,768.72 crore (2018-19). This had correspondingly increased the interest expenditure of PSUs from ₹ 41.98 crore (2014-15) to ₹ 166.87 crore (2018-19), which was also one of the factors contributing towards increase in the accumulated losses of PSUs during the five years.

However, as can be seen from **Table 3.1.8**, there was overall improvement in the DTR in last five years from 2.05:1 (2014-15) to 1.58:1 (2018-19), mainly due to overall growth in PSU-turnover (75.21 *per cent*) during last five years from ₹ 640.05 crore (2014-15) to ₹ 1,121.40 crore (2018-19).

3.1.8.2 Erosion of capital due to losses

The paid-up capital and accumulated losses of 16 working PSUs as per their latest finalised accounts as on 30 September 2019 were ₹ 4,425.05 crore and ₹ 2,229.77 crore respectively (**Appendix 3.1.1**).

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[46] Meghalaya Energy Corporation Limited, Meghalaya Power Generation Corporation Limited, Meghalaya Power Distribution Corporation Limited and Meghalaya Power Transmission Corporation Limited.

[47] Turnover of working PSUs as per the latest finalised accounts as on 30 September of respective year.

The Return on Equity (RoE) in respect of 7 out of 16 working PSUs was (-) 0.88 *per cent* as per their latest finalised accounts. The accumulated losses (₹ 1,839.14 crore) of remaining nine[48] working PSUs had completely eroded their paid-up capital (₹ 1,077.58 crore) as per their latest finalised accounts. Of these nine PSUs, the primary erosion of paid-up capital was in respect of three PSUs as detailed in **Table 3.1.9**:

Table 3.1.9: PSUs with primary erosion of paid up capital

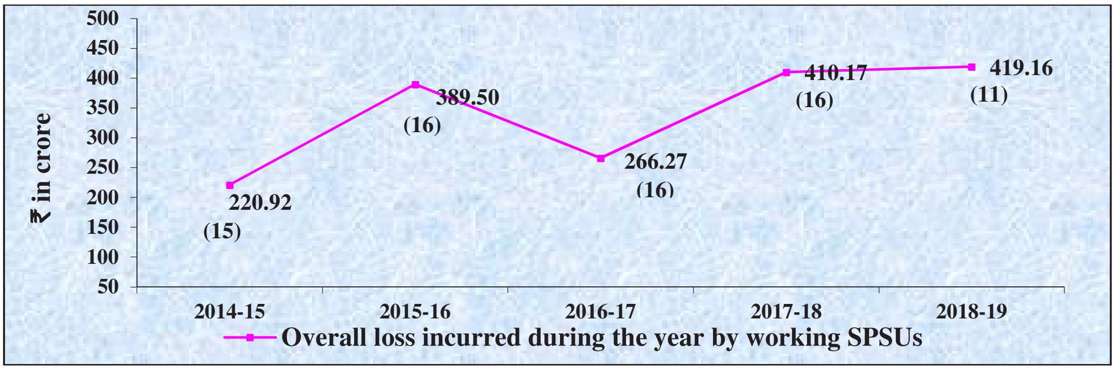
(₹ in crore)

Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Meghalaya Power Distribution Corporation Limited	2016-17	811.62	1492.04
Mawmluh Cherra Cement Limited	2017-18	162.90	208.88
Meghalaya Transport Corporation	2013-14	88.08	99.63

The Accumulated losses of these PSUs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these PSUs to either improve their profitability or close their operations.

The overall position of losses incurred by the working PSUs during 2014-15 to 2018-19 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 3.1.2:**

Chart 3.1.2: Overall losses of working PSUs[49]



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

From the **Chart** above, it can be observed that overall losses of working PSUs during last five years had shown an increasing trend (except during 2016-17). The high losses of the working PSUs during 2017-18 (₹ 410.17 crore) and 2018-19 (₹ 419.16 crore) were contributed by the power sector companies to the extent of 90 *per cent* (₹ 369.72 crore) and 88.07 *per cent* (₹ 369.19 crore) respectively.

During 2018-19, out of 16 working PSUs, four PSUs earned profits of ₹ 9.61 crore while 11 PSUs incurred losses of ₹ 428.77 crore. The remaining one PSU (Meghalaya Basin Management Agency) was functioning on 'no profit no loss' basis. The details of major contributors to overall losses of working PSUs as per their latest finalised accounts are given in **Table 3.1.10**:

48 Sl. No. 1, 2, 4, 6, 7, 10, 12, 13 & 15 of **Appendix 3.1.1.**
49 As per the latest finalised accounts as on 30 September of the respective year.

Table 3.1.10: Major contributors to profits and losses of working PSUs

(₹ in crore)

Name of PSU	Latest finalised accounts	Profit (+)/ loss (-)
Meghalaya Power Distribution Corporation Limited	2016-17	(-) 343.21
Mawmluh Cherra Cements Limited	2017-18	(-) 39.08
Meghalaya Power Generation Corporation Limited	2016-17	(-) 19.88
Meghalaya Energy Corporation Limited	2016-17	(-) 14.25
Meghalaya Power Transmission Corporation Limited	2016-17	(+) 8.15

3.1.9 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the RORR on Government Investment in the State PSUs, the investment of State Government in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less the disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) of PSUs by the sum of the PV of Government investment.

During 2018-19, as per their latest finalised accounts out of 15 working PSUs[50] where State Government had made direct investment, 10 PSUs[51] incurred loss and only four PSUs[52] earned profit. On the basis of return on historical value, the State Government investment had eroded by 12.62 *per cent* during 2018-19. As per the RORR where the PV of investment is considered, the State Government investment eroded by 8.70 *per cent* as shown in **Appendix-3.1.2**. This difference in percentage of investment erosion was on account of adjustment made in the investment amount for time value of money.

3.1.10 Impact of Audit Comments on Annual Accounts of PSUs

During October 2018 to September 2019, 10 working companies had forwarded 15 audited accounts to the Accountant General (Audit), Meghalaya (AG). Of these, nine accounts of six Companies were selected for supplementary audit while six accounts of four Companies[53] were issued 'non-review certificates'. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG are given in **Table 3.1.11**:

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[50] Including one PSU (serial no. 14 of **Appendix 3.1.1***)* functioning on '*no profit no loss*' basis.

[51] Sl. Nos. 3, 4, 6, 7, 8, 9, 10, 12, 13 and 15 of **Appendix 3.1.1**.

[52] Sl. Nos 1, 5 11 and 16 of **Appendix 3.1.1**.

[53] Meghalaya Infrastructure Development and Finance Corporation Limited, Meghalaya Tourism Development Corporation Limited, Meghalaya Handloom & Handicrafts Development Corporation Limited and Meghalaya Basin Management Agency.

Table 3.1.11: Impact of audit comments on working Companies

(₹ in crore)

Particulars	2016-17		2017-18		2018-19	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
Decrease in profit	1	1.48	2	0.13	4	4.47
Increase in loss	1	1.00	7	61.31	5	42.06
Non-disclosure of material facts	7	4,736.04	12	332.52	13	402.99
Errors of classification	4	164.51	8	570.28	7	593.60

Source: As per latest finalised annual accounts of PSUs.

During the year, the statutory auditors had given qualified certificates for all 15 accounts of 10 companies. In addition, CAG had also issued qualified certificates on nine accounts of six companies selected for supplementary audit. No adverse certificates or disclaimers were issued by the CAG or statutory auditors on any of the accounts during the year. The compliance of companies with the Accounting Standards (AS) remained inadequate as there were 47 instances (16 instances by CAG and 31 instances by statutory auditors) of non-compliance with AS relating to eight accounts of seven companies.

Similarly, during the year 2018-19, one working Statutory Corporation (Meghalaya State Warehousing Corporation) forwarded one year accounts for supplementary audit to PAG which was completed. The statutory auditors and the CAG had given qualified certificates on the accounts of the Corporation.

Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the PSUs are as under:

3.1.10.1 Meghalaya Industrial Development Corporation Limited (2016-17)

Government Scheme Funding not routed through Accounts

The Company did not account the funds (₹ 48.20 crore) received for execution of projects under 'Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE)' Scheme in the books of accounts. This led to understatement of 'current liabilities' and 'cash and bank balances' to that extent.

Treating the interest earned on unspent Scheme fund as own income

The Company booked the interest income (₹ 3.77 crore) earned against investment of unspent funding received from State and Central Governments for implementing various Schemes, as its 'own income' instead to adding the said income to the respective Scheme Fund. This resulted in overstatement of 'Interest Income' and understatement of 'loss for the year' to the same extent.

3.1.10.2 Mawmluh Cherra Cements Limited (2017-18)

Wrong classification of interest payable on Government Loans

The Company had wrongly classified the interest accrued (₹ 22.45 crore) against State Government Loans under 'Non-Current liabilities' instead of 'Other Current

Liabilities' contrary to the provisions of the Companies Act, 2013 (General Instructions, Part-I of Schedule).

3.1.10.3 Meghalaya Energy Corporation Limited (Consolidated Financial Statements) (2016-17)

Short provisioning against unpaid dues of consumers

The Company had kept provisions of 3 *per cent* (₹ 0.99 crore) against the dues (₹ 32.84 crore) receivable from 4,561 consumers whose power supply was disconnected for more than 2 years (February 2002 to March 2015). Since the unpaid dues of these consumers were doubtful of recovery, Company should have provided for the entire outstanding dues. Short provisioning against doubtful debts resulted in overstatement of 'current assets-trade receivables' and understatement of 'loss for the year' by ₹ 31.85 crore each.

3.1.10.4 Meghalaya Power Transmission Corporation Limited (2016-17)

Double booking of capital assets

The Company purchased capital assets valuing ₹ 8.27 crore (Battery bank & battery charge: ₹ 2.97 crore and lines & cables head: ₹ 5.30 crore) for capital works under 'System Development Division' and booked the same under CWIP. While making partial payments (₹ 6.39 crore) against the above purchases, the Company (System Protection Umiam PSDF division), had erroneously accounted the capital assets purchased under CWIP for ₹ 6.39 crore. This double booking to CWIP, resulted in overstatement of assets (CWIP) and liabilities (dues payable to vendors for purchase of capital goods) by ₹ 6.39 crore each.

Reasons for writing off the receivables (wheeling charges) not disclosed

The Company has written off wheeling charges (₹ 17.02 crore) receivable from Meghalaya Power Distribution Corporation Limited (a sister concern) without adequate disclosure on the reasons/ justification for the same under 'notes on accounts'.

3.1.10.5 Meghalaya Power Distribution Corporation Limited (2016-17)

Short provisioning against Trade Receivables

The Company kept a provision of 3 *per cent* (₹ 10.90 crore) against 'unsecured receivables' as on 30 September 2016 (₹ 363.43 crore) instead of the closing balance of 'unsecured receivables' as on 31 March 2017 (₹ 554.33 crore). As per Conservative Principles of Accounting, the Company should have provided for doubtful debts against the closing balance of 'debtors' (unsecured receivables) outstanding at the close of the year (31 March 2017).

COMPLIANCE AUDIT PARAGRAPHS

COMMERCE & INDUSTRIES DEPARTMENT

MAWMLUH CHERRA CEMENTS LIMITED

3.2 Unproductive modernisation of Cement Plant

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

Mawmluh Cherra Cements Limited (Company) was incorporated in the year 1955 and started production (November 1966) of Ordinary Portland Cement (OPC) using wet process technology. The Government of Meghalaya (GoM) had invested an amount of ₹ 162.79 crore in the Company, which was 99.93 *per cent* of the total paid up share capital (₹ 162.90 crore) as on 31 March 2019. The Company decided (October 2004) to augment its existing wet process production capacity[54] by adding a new 600 Tonnes Per Day (TPD) dry process plant (annual capacity: 1,80,000 MT). The Company planned the Project based on the Techno Economic Feasibility Report (TEFR) prepared (August 2004) by M/s Holtec Consulting Private Limited[55]. The Company targeted completion of the modernisation project by October 2007 at an estimated cost of ₹ 62 crore. The Company, however, could commission the plant after nine years (September 2016) of the scheduled date (October 2007) at a revised cost of ₹ 143 crore[56], entailing a cost overrun of ₹ 81 crore (131 *per cent*). The GoM financed the project significantly by providing (December 2007 to March 2016) a total funding of ₹ 158.06 crore[57] (equity: ₹ 91 crore and loan: ₹ 67.06 crore).

The Company had been a profit earning entity for 18 consecutive years from 1989-90 to 2006-07 and had accumulated profits of ₹ 9.52 crore at the close of the accounting year 2006-07. The Company turned into a loss making entity from 2007-08 onwards and as per the latest accounts finalised (2018-19), the Company had a negative net worth due to complete erosion of shareholders' equity (₹ 162.90 crore) by the accumulated losses (₹ 234.79 crore).

The Company's average[58] cement production per year prior to taking up the modernisation project was 99,084 MT. The Techno Economic Feasibility Report

54 Existing capacity: 930 MT per day (TPD) comprising two kilns (340 TPDx2) and one kiln (250 TPD).

55 A consultancy firm selected by the Company on nomination basis.

56 This represents the total project cost as capitalised by the Company in its Accounts and includes the direct costs towards civil works (₹ 19.01 crore), plant & machineries (₹ 39.40 crore), electrical works (₹ 12.10 crore) as well as indirect proportionate costs towards interest on loans, Consultant fees, *etc.*

57 ₹ 138.06 crore for the project and ₹ 20 crore for working capital.

58 Average production for 5 years from 2002-03 to 2006-07.

projected a capacity utilisation of 60 to 75 *per cent* with estimated production of 3,07,800 MT[59] of cement (final product) from the new plant during first three years of its commissioning (September 2016 to March 2019). As against this, the plant could achieve average capacity utilisation of 22 *per cent* only with total actual production of 98,638 MT of cement (shortfall in production: 2,09,162 MT). The sale value of cement during the said period was 97,085 MT (98.43 *per cent* of production) which was sold mostly to private parties through its authorised distributors.

On the execution of the project, the Compliance Audit done in October/ November 2019 revealed the following:

3.2.1 Time and cost overrun of the project

The Company entered into four major contracts[60] with four different Contractors for the modernisation project. The major reasons for delay of nine years in completion of project have been discussed in the following paragraphs:

Performance of the Consultant

3.2.1.1 Deficient Project Report

The Company who had previously engaged M/s Holtec Consulting Pvt. Ltd (Consultant) for preparation of the Techno Economic Feasibility Report (TEFR) for the project, again engaged (December 2004) them as the Consultant for implementation of the project. The scope of their work included basic engineering, procurement services, evaluation of the soil investigation and topographic survey results, preparation of drawings for civil works and project supervision, *etc.* Based on the TEFR, the Company planned execution of the project with installation of new as well as re-use of existing equipment/ machineries after necessary modifications/ upgradation. Audit observed that the TEFR failed to properly assess the life and suitability of the existing machineries/ equipment for re-use in the new plant, and the Company had to provide for new equipment/ machineries in place of existing equipment/ machineries initially planned for re-use in the project. This led to major revision in the project cost from ₹ 62.00 crore to ₹ 84.94 crore (37 *per cent* increase) at tendering stage itself leading to a liquidity crisis for the Company.

The Company and the Government replied (January 2020) that the Consultant had envisaged reduction in the Project Cost by utilising some of the portions of existing machinery after necessary modifications. However, this had to be shelved considering the age and the outdated technology of the old machineries/ equipment.

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[59] Projected production for 2016-17 (60 *per cent*) (6 months): 54,000 MT; 2017-18 (66 *per cent*): 1,18,800 and 2018-19 (75 *per cent*): 1,35,000 MT.

[60] Separate contracts for Technical consultancy (M/s Holtec Consulting Pvt. Limited); Civil works (M/s Tuscon Engineer); Supply/installation of plant & machinery (M/s Promac Engineer Industries Ltd) and Electrical, Control & Automation work (M/s Larson & Toubro Ltd).

The replies of the Government/ Company only corroborate the fact that the TEFR was faulty having not assessed the potential utility of the existing old and outdated technology of the equipment.

Further, a specialist firm[61] had conducted (June 2006) the geo-technical investigation work under the technical supervision of the Consultant. As per the agreement, the Consultant was required to supervise and evaluate the results of investigation work conducted by such firm. While executing civil works (September 2006), the Civil Contractor encountered presence of unanticipated rocks and old structures at the foundation area, which necessitated revision of faulty civil drawings prepared by the Consultant. The Consultant submitted revised civil drawings in phases up to June 2009. The deficient supervision of the Consultant and delayed submission of revised civil drawings had hampered the pace of civil works, which had cascading effect on execution of mechanical and electrical works, and delayed the overall project completion.

3.2.1.2 Ineffective supervisory performance

As per the contract terms, the Consultant was required to depute Engineers/ Supervisors to oversee the execution of project work to ensure quality work within the scheduled time. The Consultant, however, had not deputed any Engineer/ Supervisor at the project site for about one year since March 2008. This had adversely impacted the quality and timeliness of on-going civil works as per schedule.

3.2.1.3 Faulty defect liability clause

As per the terms of the Consultancy Contract (*clause 1.8*), the defect liability of the Consultant was limited only to the rectification of errors/ omissions in the drawings/ specifications. Thus, the Consultant was not liable to compensate the Company against any losses, caused due to defects in the services provided by them. Consequently, the Company could not take any action against the Consultant despite serious deficiencies in their performance as discussed above. The Consultant was paid total fees of ₹ 3.30 crore[62] till March 2015 against the contract cost of ₹ 0.72 crore *plus* per diem fees, travelling expenses and testing/ analysis costs.

3.2.1.4 Funding issues

Based on the assurance of GoM to provide ₹ 15.00 crore[63] towards project funding, Company executed (May 2008) contracts for civil works and installation of plant & machineries and also enhanced the Bank term loan from ₹ 37.38 crore to ₹ 50.96 crore to finance the revised project cost. The GoM, however, released (December 2007/ September 2008) the first and second instalments (₹ 5.00 crore and ₹ 10.00 crore) after delay of eight and six months from the committed dates respectively. Due to delay in

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[61] M/s Driltech Consultant Private Limited (DCPL), a firm of specialists engaged for the purpose.

[62] ₹ 2.78 crore (Reports & Project Consultancy) *plus* ₹ 0.52 crore (Travelling expenses), which included unpaid bills (₹ 0.12 crore) of the Consultant.

[63] GoM had assured to provide ₹ 15.00 crore in two instalments of ₹ 7.50 crore each during 2006-07 and 2007-08.

receipt of funds, the Company could not contribute the proportionate margin money[64] towards project cost to avail the term loan from the Bank. Resultantly, the Company was unable to honour its obligations towards payment to the Consultant as per the agreed payment schedule. As observed from the correspondence between the Consultant and the Company, the Consultant had delayed submission of revised civil drawings mainly due to delay in release of their payment, which adversely impacted the progress of work.

3.2.1.5 Cascading effects of delay in civil works

The Company could complete (August 2015) the civil works after a delay of more than eight years of scheduled date (April 2007). Further, due to delay in civil works, the Company issued (July 2011) the work orders for electrical and instrumentation works after more than three years of the targeted date (2007) with scheduled completion by May 2012. As a result, the electrical works could be completed (August 2015) after more than three years of the scheduled date (May 2012) with a cost overrun of ₹ 2.37 crore over the original contract value (₹ 9.73 crore).

3.2.2 Sub-optimal utilisation of capacity

As mentioned above, the plant achieved average capacity utilisation of 22 *per cent* during first three years of its operations (up to 2018-19) as against the projected capacity utilisation of 60, 66 and 75 *per cent* for three years respectively. The plant suffered a shortfall in production of 2,09,162 MT of cement. The reasons for poor performance of plant as seen in audit are discussed below:

3.2.2.1 Machine Hour Utilisation - Frequent breakdown

Audit examined the utilisation of machine hours during first three years of plant operations (October 2016 to March 2019) and noticed as under:

3.2.2.2 Excessive Machine stoppages

The production process had four production machineries (namely, limestone crusher, vertical roller mill, kiln and cement mill). During first three years of operations, the production machineries had excessive stoppage hours ranging between 43 *per cent* (cement mill) and 90 *per cent* (limestone crusher) of the available machine hours. Thus, during this period, the actual machine hour utilised in four production machineries ranged from 57 *per cent* (cement mill) to 10 *per cent* (limestone crusher) only.

The Company, however, had not recorded the reasons for 58 to 79 *per cent* of machine stoppages, due to which factors responsible for high production stoppage could not be identified. Hence, Audit could not comment whether excessive machine stoppages were on account of mechanical, electrical or instrumentation faults, general maintenance issues, power failure or any other operational reasons.

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[64] As per Terms and conditions for sanction of Term Loan, the Company should bring in proportionate margin money as envisaged in the means of financing of the project.

The Company/ GoM stated (January 2020) that the reasons for frequent breakdowns of the equipment of the new Dry Process Plant are examined in detail and steps to rectify them are taken whenever such incidents occur. These experiences are taken as learning tools to prevent further occurrences in those affected areas.

The reply is not tenable as a new plant would not be facing such frequent breakdowns since its commissioning in September 2016 and the Company is yet to come up with a comprehensive plan to solve the problem.

3.2.2.3 Idling of machineries/ equipment

As per the supply agreement entered into (February 2006) between the Supplier and the Company, supply of machineries/ equipment was to be completed between June 2006 and June 2007. Although completion of civil works was pending, the Company had not asked the Supplier to re-schedule the delivery of the machineries by linking the supplies with the progress of civil works. In absence of the civil structure, major components of the plant and machineries (cost: ₹ 28.91 crore) supplied during 2006 to 2009 remained idle at project site for approximately 36 months. By the time commercial production under the new plant started (October 2016), nine years of the useful operational life of these machineries had lapsed. Further, due to poor storage and upkeep of these equipment, most of these machineries/equipment were found in a bad condition and the Company had to get them repaired to make them commission worthy. As a result, machineries faced frequent breakdowns and actual machine hour utilisation during the period remained significantly low between 10 and 57 *per cent.*

3.2.2.4 Absence of skilled staff

The Company embarked upon this major modernisation project without assessing their existing human resources capacity and planning for revised staff requirements. As a result, the Company faced shortage of experienced and skilled technical staff in the factory to operate the new modernised plant. The Board of Directors of the Company had also recorded (May 2018) the inexperience of staff deployed in the production process as one of the major factor for long stoppages of new plant.

The Company, however, had neither hired the desired technical staff nor conducted any training for developing the skills of the existing staff to operate the new plant. As per the contract terms, the Supplier of mechanical equipment of modernised plant was under obligation to arrange for necessary training of the operational staff to operate the plant. The Company failed to enforce the clause on the Supplier for arranging training of its technical staff.

The Company/ Government stated (January 2020) that the disrupted operations had been a handicap for recruiting personnel in the senior managerial category and that a proposal had been sent (December 2018) to the Government for sanction of funds so that the Company could bring a team of experts to assist in operating the plant. Till such time, the plant management is confident of operating on its own.

The reply is not tenable as failure on part of the Company to arrange proper technical training to its operational staff for more than three years of commissioning (September

2016) of the modernised plant was one of the major factors responsible for dismal performance of the plant.

3.2.3 Conclusion

The Company's decision to augment its existing cement production capacity suffered due to inefficient planning and execution of the project. The Project Consultant prepared a faulty Techno Economic Feasibility Report and was also ineffective in supervising the project. The project initially planned at a cost of ₹ 62 crore was completed at a cost of ₹ 143 crore with a cost overrun of ₹ 81 crore (131 *per cent*) and time overrun of nine years. Despite this major capital investment, the Company could achieve only a 22 *per cent* capacity utilisation (actual production: 98,638 MT of cement) of the plant during first three years of its operations, as against a projected capacity utilisation of 60 to 75 *per cent* with estimated production of 3,07,800 MT of cement. The Company sold 98.43 *per cent* (97,085 MT) of the cement produced mostly to private parties through its authorised distributors. The Company's financial position did not improve and as per the latest accounts finalised (2018-19), the net worth of the Company was negative due to complete erosion of shareholders' equity (₹ 162.90 crore) by the accumulated losses (₹ 234.79 crore).

3.2.4 Recommendations

Government/ Management may consider to:

- *carry out an in depth analysis of the causes of excessive break-downs and low capacity utilisation and take appropriate measures to improve capacity utilisation;*
- *properly assess and address the requirement of technical and skilled manpower for efficient operations of the modernised plant; and*
- *ensure effective monitoring of production operations at the top management level by identifying problems and promptly taking corrective measures to increase sales turnover of the Company.*

POWER DEPARTMENT

MEGHALAYA POWER DISTRIBUTION CORPORATION LIMITED

3.3 Unrecovered revenue dues of electricity charges

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

Meghalaya Electricity Supply Code, 2012 (MESC 2012) (Clause 6.11) authorises Meghalaya Power Distribution Corporation Limited (MePDCL) to recover the charges for electricity supplied in accordance with such tariffs as may be fixed from time to time by Meghalaya State Electricity Regulatory Commission. For this purpose, reading of meters installed at the premises of the consumers shall be taken (Clause 7.1) periodically (monthly/bi-monthly) and billing shall be done. Section 56 (1) of the Electricity Act, 2003 as well as Clause 9.2 of the MESC 2012 provides that if the consumer neglects to pay the bills within due date, the MePDCL is empowered to cut off the supply of electricity to the consumer after giving not less than 15 days' notice in writing without prejudice to the rights to recover the dues by filing suit. The Act further provides (Section 56 (2)) that the arrears of electricity charges beyond a period of two years cannot be recovered if the supply of electricity to the consumer is cut off. Therefore, it is essential to promptly disconnect the supply of defaulting consumers as per the prescribed procedure and take quick action to recover the outstanding dues once the supply of such consumers is cut off.

While providing of service connections in areas other than Shillong was being taken up by Distribution Sub-division(s), the billing and serving of disconnection notices was being taken up by the Revenue Sub-division(s). Audit noticed[65] that the outstanding electricity charges against 8463 consumers[66] as on February 2020 amounted to ₹ 27.60 crore (**Appendix 3.3**). Further, out of these dues, an amount of ₹ 11.93 crore was due from 3876 consumers[67] whose power supply was disconnected during the period from April 2015 to March 2018 and which as per Section 56 (2) of the Electricity Act, 2003 have become time-barred[68] (March 2020). Hence, the chance of recovery of the said amount is nullified as per the extant provisions of the Act. Thus, MePDCL had failed to act early as per Section 56 (1) of the Electricity Act, 2003/Clause 9.2 of the MESC 2012 from the time they first became receivable as well as towards their recovery after disconnection.

Audit observed that during April 2018 to February 2020, the number of defaulting consumers with disconnected supply had increased by 4587 defaulting consumers[69]

65 Audit was conducted from 13-17 November 2017 and 6-16 March 2018.

66 Consumers falling under Jowai Revenue Division (3248) and Central Revenue Division (5215).

67 Consumers falling under Jowai Revenue Division (1442) and Central Revenue Division (2434).

68 Time-barred debts are those receivables from a consumer (defaulting), which are no longer legally collectable due to lapse of a certain number of years as specified under the applicable statute.

69 Consumers falling under Jowai Revenue Division (1806) and Central Revenue Division (2781).

with corresponding increase of ₹ 15.67 crore (131 *per cent)* in the unrecovered dues of such consumers. This trend of increase in the unrecovered dues of defaulting consumers indicated the failure of MePDCL in not disconnecting the power supply of consumers in time.

Audit observed that MePDCL has been incurring losses consistently during the last five years (2014-15 to 2018-19) ranging from ₹ 191.83 crore to ₹ 343.21 crore. As per the latest finalised accounts (2018-19[70]), MePDCL had negative net worth due to complete erosion of shareholders' equity (₹ 846.86 crore) by the accumulated losses (₹ 1,981.78 crore). Besides, the 'trade receivables' of MePDCL during last five years ending 2018-19 had also registered a significant increase of 27 *per cent* from ₹ 465.06 crore (2014-15) to ₹ 591.36 crore (2018-19). However, despite increasing arrears of revenue (trade receivables) and poor financial condition, MePDCL had not been alert and vigilant in recovering its legitimate dues from defaulting consumers.

Thus, on account of poor monitoring, belated disconnection of supply and not initiating prompt action for recovery of outstanding dues of defaulting consumers, MePDCL's dues of ₹ 11.93 crore pending recovery from disconnected consumers for more than two years have become time-barred.

In reply, MePDCL stated (February 2020) that to speed up the process of disconnection, administrative control of Revenue had been brought under the Chief Engineer (Distribution) and special disconnection drives are being undertaken to avoid accumulation of unpaid dues. It was further stated that for recovery of outstanding dues, efforts are being made to trace defaulters to come forward for settlement of outstanding dues.

The fact remains that unless MePDCL puts in place an effective monitoring system and regularly follows-up consumers' dues at Sub-divisional level, the unpaid dues situation may not improve significantly. Further, MePDCL may face difficulties in recovering the time-barred dues of ₹ 11.93 crore pending against disconnected consumers, which are no longer legally collectable as per the provisions of the Electricity Act, 2003.

The matter was reported (December 2019) to the Government; their replies had not been received.

Recommendations

To address the issue increasing dues of defaulting consumers, MePDCL needs to devise an effective system to:

- *monitor outstanding dues of consumers on regular basis, from the time they first become due for payment and act instantly for recovery of these dues;*
- *disconnect supply of defaulting consumers without delay as per the prescribed procedure;*

[70] MePDCL finalised its accounts for 2018-19 on dated 20 January 2020.

- *take all possible action against defaulters, (including sending notices, tracing consumers, recovering unpaid dues from available deposits, etc.) before filing suits for recovery of dues; and*
- *file recovery suit against all defaulting consumers whose supply had been disconnected due to non-payment of electricity dues.*

PUBLIC WORKS DEPARTMENT

MEGHALAYA GOVERNMENT CONSTRUCTION CORPORATION LIMITED

3.4 Appointment of Consultants without competitive bidding process

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

Meghalaya Government Construction Corporation Limited (MGCC) was incorporated as a Government Company for carrying out works and convenience of all kinds which include construction of buildings, roads, bridges, roadways, reservoir, embankment, water supply, *etc.* of Government departments/undertakings and any other organisation on agency/ contract/ negotiation/ competition basis. Where detailed drawings and estimates were required, architectural firms were appointed by MGCC for providing such services.

Rule 257 of the Meghalaya Financial Rules, 1981 (MFR) apart from other things states that *"Sealed tenders should invariably be invited in the most open and public manner possible, by advertisement in the Government Gazette or the Press, or by public notice in English and in Vernacular; tenderers should have free access to the contract documents"*. It also stated that *"Original as well as repair works up to a limit of ₹ 20,000 in each case may be allowed to local people of the district or region affected by flood at scheduled or estimated rate without calling for tender"*.

Chapter 5.4 read with Chapter 1.5 of the Manual of Policies and Procedure of Employment of Consultants issued by CVC lays down the procedure for appointment of architectural consultancy based on '*percentage contract*'[71] commonly used for architectural services. As per the Manual, selection of architectural consultants is to be made based on two-stage bidding. The final selection should be made among the technically qualified consultants who have quoted the lowest percentage. However, use of such a contract for architectural services is recommended only if it is based on a fixed target cost and covers precisely defined services. As MGCC is a state government public sector undertaking, it is bound by the rules/directions of the Government.

During the course of audit (July-September 2019), it was observed that MGCC appointed six Consultants for architectural services based on 'percentage contract' for various scheme projects during 2013-14 to 2019-20 at the rate (percentage) ranging between 1.50 and 7.50 *per cent* of the project cost as detailed in **Table 3.4**.

[71] Under 'percentage contract' or 'cost plus contract', a client agrees to pay a contractor the direct cost of the work, in addition to a percentage of the cost of the project to cover profit and overhead expenses. Such contracts ensure the contractor receives a fair return, and also allows more flexibility in the scope of work.

Table 3.4: Details of consultancy works awarded without following the tendering procedure

Project	Consultancy Firm	Date of appointment	Rate (%)	Base cost of project	Fee payable	Fee paid
				(₹ in crore)		
Construction of Meghalaya Police Academy at Umran.	M/s Spacescapes	05-07-2013	1.69	40.00	0.68	0.62
Construction of Cultural Complex cum District Library at Nongpoh.	Anderson Structural Consultants	15-07-2013	3.00	2.42	0.07	0.07
Construction of Muga SSPC in West Garo Hills, Tura .	M/s Design & Development	26-11-2015	2.00	4.53	0.09	0.09
Construction of Phase A work at JNV South West Khasi Hills.	Architect Harish Tripathi & Associate	06-10-2017	1.50	17.86	0.27	0.25
Construction of Phase B work at JNV Dhubri, Assam.	M/s Design & Development	24-07-2018	1.50	9.55	0.14	0.04
Beautification of NEC Secretariat Complex at Nongrim Hills at Shillong.	Reshmi Jyrwa	25-09-2019	7.50	0.83	0.06	0.03
Total				**75.19**	**1.31**	**1.10**

Audit observed that MGCC appointed all the six architectural firms on nomination basis without following the procedure of tendering and competitive bidding prescribed under the MFR and CVC guidelines.

This clearly indicates that MGCC had violated the MFR and CVC guidelines and thus failed to ensure transparency in the process of selection and appointment of consultancy firms.

In reply, MGCC stated (January 2020) that it did not have in-house architecture and structural engineer and hence, architects were engaged on verbal request with a condition that payment would be made only if the Scheme is sanctioned by the concerned department. They also opined that if open bids were invited from Architects, MGCC would have to bear the cost of Architect fee from its own sources in the event of the Scheme not being sanctioned or delayed.

The reply is not tenable as appointment of architectural firms without following the tendering procedure is a violation of the provisions of MFR and CVC guidelines. The reply also indicate that the Company has been hiring consultants when the project had not been sanctioned by the competent authority.

The matter was reported (November 2019) to the Government, their replies had not been received (November 2020).

The Government may advise MGCC to appoint the consultants for architectural services only after projects are sanctioned and after following the due procedures for appointment of consultants by complying with tendering and competitive bidding as prescribed under the MFR and CVC guidelines.

CHAPTER-IV

FOLLOW UP OF AUDIT OBSERVATIONS

CHAPTER IV: FOLLOW UP OF AUDIT OBSERVATIONS

4.1 Failure to submit *suo motu* explanatory notes

The Reports of the Comptroller and Auditor General of India are prepared and presented to the State Legislature. To ensure accountability of the Executive to the issues contained in these Audit Reports, the Public Accounts Committee (PAC) of the 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 in the State Legislature. **Table 4.1.1** shows the position of *suo motu* explanatory notes not received as on 31 December 2019:

Table 4.1.1: Explanatory notes not received (as on 30 December 2019)

Year of Audit Report	Date of placement of Audit Report in the State Legislature	Total performance audits (PAs) and Paragraphs in the Audit Reports		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	23 March 2012	3	14	Nil	1
2011-12	09 October 2013	2	13	Nil	5
2012-13	16 June 2014	3	12	1	2
2013-14	24 September 2015	3	16	Nil	1
2014-15	23 March 2016	3	13	Nil	4
2015-16	24 March 2017	3	9	1	3
2016-17	27 September 2018	3	7	2	1
2017-18	19 December 2019	2	8	2	8
Total		**22**	**92**	**6**	**25**

4.2 Discussion of Audit Reports by PAC/COPU

Of the 22 PAs and 92 compliance audit paragraphs listed in **Table 4.1.1**, as of 31 December 2019, the PAC discussed 17 compliance audit paragraphs and the Committee on Public Undertakings (COPU) discussed 16 paragraphs. While the PAC had not discussed any of the PAs, the COPU discussed two PAs that featured in the Audit Reports for the period 2010-11 to 2017-18.

4.3 Response of the departments to the recommendations of the PAC/ COPU

The Administrative departments were required to take suitable action on the recommendations made in the Report of PAC/ COPU presented to the State Legislature. Following the circulation of the Reports of the PAC/ COPU, the departments were to prepare action taken notes (ATNs) indicating action taken or proposed to be taken on the recommendations of PAC/ COPU and submit them to the Assembly Secretariat. The PAC specified the time frame for submission of ATNs as six weeks up to its 32nd Report (December 1997) and six months in its 33rd Report (June 2000).

Review of 17 Reports[72] of the PAC involving 15 departments[73] presented to the Legislature between April 1995 and March 2018, showed that none of these departments had sent the ATNs to the Assembly Secretariat as of March 2019.

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72 Between April 1995 and December 1997 (10 Reports), June 2000 (one Report), April 2005 (one Report), April 2007 (one Report), March 2010 (one Report), March 2011 (one Report), March 2012 (one Report) and March 2017 (one Report).

73 Containing recommendations on 59 paragraphs of Audit Reports.

Similarly, review of six Reports of COPU involving four departments, *viz.* Transport, Commerce & Industries, Tourism and Power presented to the Legislature between April 2008 and March 2018 also showed that none of these departments had sent the ATNs to the Assembly Secretariat as of March 2019.

Thus, the fate of the recommendations contained in the Reports of the PAC/ COPU and whether they were being acted upon by the Administrative departments could not be ascertained in audit.

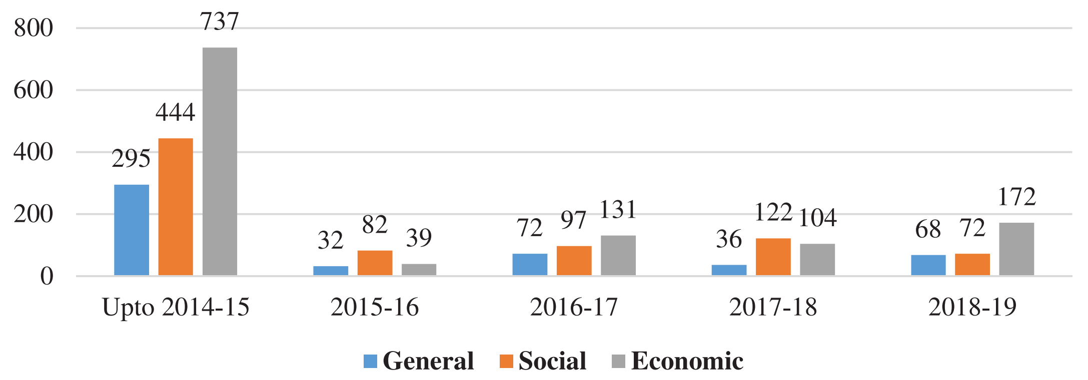
During 2018-19, PAC/ COPU did not submit any Report to the State Legislature.

4.4 Outstanding Inspection Reports and Paragraphs

The Meghalaya Financial Rules, 1981 provide for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General (Audit) 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 Audit observations and for taking appropriate corrective action.

At the end of October 2019, 3,003 paragraphs pertaining to General, Social and Economic Sectors for the period 1988-89 to October 2019 were outstanding. The year-wise break-up of the outstanding paragraphs up to 2018-19 is given below:

Chart 4.1: Number of Outstanding paragraphs



4.5 Committees for disposal of outstanding audit observations

The following Committees have been formed at the Government level to review the follow up action on Audit Reports and explanatory notes.

4.5.1 Apex Committee

An Apex Committee (State Audit and Accounts Committee) has been formed (August 2009) at the State level under the Chairmanship of Chief Secretary to review the progress in disposal of outstanding audit observations, timely furnishing of explanatory notes to PAC/ COPU, other accounts or audit related matters, *etc.* The Apex Committee was to meet at half yearly intervals.

During 2018-19, one Apex Committee meeting was held on 07 September 2018 wherein, the Chief Secretary directed all the Administrative departments to convene the meeting of the Departmental Audit and Accounts Committee to dispose of the outstanding IRs and paragraphs.

4.5.2 Departmental Audit & Accounts Committee

Departmental Audit and Accounts Committees (DAAC) have been formed (August 2009) by all departments of the Government under the Chairmanship of the Departmental Secretaries to review the progress in disposal of pending IRs, audit matters pertaining to Public Sector Undertakings, follow up action on Audit Reports and explanatory notes to PAC/ COPU, *etc*. The DAAC were to hold meetings quarterly.

During 2018-19, two DAAC meetings were held with the Sports and Youth Affairs (including State Sports Council) and Tourism Departments, where two IRs and 12 paragraphs were settled.

4.5.3 Audit Committees

For expeditious settlement of outstanding audit observations and IRs, the State Government constituted 'Audit Committees' consisting of Secretary to the State Government in the Administrative Department concerned, a senior officer from the Finance Department and a representative of the Accountant General (Audit). During 2018-19, eight Audit Committee meetings were held with Education, Border Area Development, Health and Family Welfare, Animal Husbandry & Veterinary and Community and Rural Development Departments where 16 IRs and 143 paragraphs were settled.

Shillong
The 08 February 2021

(SHEFALI SRIVASTAVA ANDALEEB)
Accountant General (Audit), Meghalaya

Countersigned

New Delhi
The 16 February 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

APPENDICES

Appendix – 2.2.1

Statement showing details of idle assets

(Reference: Paragraph 2.2.15.1)

- **Anogre Tourist Centre** at West Garo Hills was handed over to MTDC by GOM in January 2016. MTDC floated tenders for leasing the property (March 2016 and November 2016), however no bids were received. In June 2017 IL&FS skill offered to pay ₹ 0.50 lakh per month as lease rent for developing the property as *Pradhan Mantri Kaushal Kendra*, a restaurant and a Tourist Information Centre for 10 years. Action taken on the offer made was however, not on record. During November 2018, the Tourist Centre was leased out to Shri A. Momin at a monthly rent of ₹ 0.06 lakh after a gap of 18 months of receiving the offer from IL&FS. By not awarding the lease to IL&FS, MTDC suffered revenue loss of ₹ 9.00 lakh (18 x ₹ 0.50 lakh) up to October 2018 and a perpetual revenue loss of ₹ 0.44 lakh per month for awarding the lease to Shri A Momin at a monthly rent of ₹ 0.06 lakh.
- **Mawlein Wayside Amenities**: For operation and maintenance of the Mawlein Wayside Amenities, MTDC received three bids of offering a monthly lease rent of ₹ 1500, ₹ 3000 and ₹ 4000 quoted by G. Jyrwa, T. Marthong and Smt. B. Nongkhlaw respectively. MTDC selected (July 2016) Smt. B. Nongkhlaw as the successful bidder for quoting the highest rate of ₹ 4000 pm. Scrutiny of records however, revealed that the agreement with Smt. B. Nongkhlaw was signed (July 2019) at a lowest monthly lease rent of ₹ 1500 pm quoted by G. Jyrwa. Thus, till the period of review (from July 2016 to March 2019), MTDC has not only lost revenue ₹ 0.83 lakh (33 months x ₹ 2500) but has also extended undue favour to the lessee. Reasons for signing the agreement below the quoted rate was also not on record.
- **Mawkdok Wayside Amenities:** DoT handed over (January 2014) the Mawkdok Wayside Amenities to Alan West Kharkongor, for 10 years for a monthly lease rent of ₹ 0.15 lakh only payable from June 2014. DoT further permitted the lessee to pay the monthly rent at the rate of ₹ 0.10 lakh per month from July 2014 to March 2015 on the ground plea that there was an electrical post located in front which disturbed the view of the leased property. Audit however, noticed that even after March 2015, the lessee paid lease rent at the rate of ₹ 0.10 lakh per month up to till July 2016 resulting in short realisation of ₹ 0.80 lakh (16 months x ₹ 0.05 lakh). On being pointed out (June 2019) DoT recovered (August 2019) an amount of ₹ 0.65 lakh from the lessee.
- **Kutmadan Tourist Facilities:** The agreement for furnishing, operation and maintenance of Kutmadan Tourist Facilities was signed with M/s Baba Tourist Lodge for a monthly lease rent of ₹ 2.05 lakh for 10 years (October 2014). Audit observed, despite the agreement allowing a period of two months only to make the property operational, the lessee, was given undue advantage of beginning payment of lease rent after February 2017 when the project was finally made operational.

Thus, by not enforcing the terms of the contract, DoT lost revenue amounting to ₹ 53.30 lakh for the period from January 2015 to February 2017 (26 months x ₹ 2.05 lakh).

- **Asanang Tourist Lodge:** The lease Agreement for a period of four years beginning from March 2014 was signed between DoT and Nickseng A Sangma for Asanang Tourist Lodge for a monthly lease rent of ₹ 0.08 lakh. The validity of the agreement was up to March 2018. Audit noticed (September 2019) that even after expiry of 18 months of the lease period, the lessee is still operating the lease at the original rate of ₹ 0.08 lakh per month. DoT has also not taken any steps to float fresh tender and has thus lost the opportunity to explore better offers for the lodge during the given period.
- **Orchid Lodge, Tura:** The agreement (April 2013) for furnishing, operation and maintenance of Orchid Lodge, Tura was signed between Smt. Cormai Laloo in consortium with Hotel Polo Towers, Shillong at a monthly lease rent of ₹ 0.28 lakh, to be escalated by 10 *per cent* in every block of three years, for the period of ten years. The agreement provided the lessee a period of 30 days to begin the project. The lessee could, however, make the property functional only from October 2014 and accordingly started paying the lease rent from the same month only for ₹ 0.08 lakh. Thus, by not enforcing the terms of the contract, DoT lost revenue amounting to ₹ 4.76 lakh for the period from May 2013 to September 2014 (17 months x ₹ 0.28 lakh).
- **Wards Lake Cafeteria:** MTDC leased (March 2011) the Wards Lake Cafeteria, Shillong to Shri B. Lyngdoh for a period of five years against a security deposit of ₹ 0.50 and a monthly lease rent of ₹ 0.07 lakh. The lessee defaulted in paying the monthly lease rent from November 2011 to December 2014 and MTDC terminated (October 2014) the agreement and requested the lessee to clear his outstanding dues. The lessee vacated the property only at the end of January 2015 and MTDC issued a demand notice (September 2016) for payment of outstanding dues of ₹ 5.19 lakh being the outstanding lease rent from November 2011 to December 2014 and interest at the rate of 18 *per cent.* Till the date of audit (July 2019), the lessee has neither paid the amount demanded nor has MTDC taken further action for recovering the outstanding amount. After vacation of the property by Shri B. Lyngdoh, the Wards Lake Cafeteria was leased to Bamboo Hut at a monthly lease rent of ₹ 0.32 lakh in May 2016.
- **Drive Inn Restaurant, Nongpoh:** MTDC leased (February 2011) the Drive Inn Restaurant, Nongpoh to Shri B. Lyngdoh for a period of five years against a security deposit of ₹ 0.21 and a monthly lease rent of ₹ 0.08 lakh. The lessee defaulted in paying the monthly lease rent from December 2011 to December 2014 and MTDC terminated (October 2014) the agreement and requested the lessee to clear his outstanding dues. The lessee vacated the property only at the end of January 2015 and MTDC issued a demand notice (September 2016) for payment of outstanding dues of ₹ 6.07 lakh being the outstanding lease rent from December 2011 to

December 2014, interest at the rate of 18 *per cent* and outstanding electricity bills. Till the date of audit (July 2019), the lessee has neither paid the amount demanded nor has MTDC taken further action for recovering the outstanding amount. After vacation of the property by Shri B. Lyngdoh, the Drive Inn Restaurant, Nongpoh was leased to Baba Tourist Lodge at a monthly lease rent of ₹ 0.49 lakh in May 2016.

- **Baghmara Tourist Lodge:** DoT leased (February 2017) the Baghmara Tourist Lodge to M/s Alian Vincy M.S. Marak at a monthly lease rent of ₹ 0.08 lakh. The Lodge was made operational from May 2017. Records however, revealed that the lessee has failed to pay the lease rent from December 2018 onwards up to August 2019 and an amount of ₹ 0.80 lakh was outstanding. Action taken to recover the outstanding amount was however, not on record of the DoT.

Appendix 2.2.2

Delay in implementation of projects executed by Directorate of Tourism

(Reference: Paragraphs 2.2.16.1, 2.2.18.1)

Sl. No.	Name of the Project/ Completed/ ongoing	Estimated cost (₹ in lakh)	Successful bidder (Shri)	Value of work (₹)	Date of			Date of Completion of work		Delay		Remarks	Manage-ment reply
					NIT	Agree-ment	Award of work	Scheduled	Actual	Period	Reasons		
1	Construction of Public and VIP viewing gallery at AitnarTuberkmai, East Jaintia Hills , A state Assisted scheme/completed.	150.00	Thomas Nongtdu	1,50,00,000	03.12.14	27.05.15	08.06.15	18 months/ 08.12.16	29.06.17	> 6mths	Reasons not specified	No penalty was imposed and no reasons was recorded for granting provisional time extension	Management accepted the observation.
		70.00	Pyrkhat Hinge	70,00,000	10.08.16	28.11.16	19.01.17	06 months/ 19.07.19	23.10.17	3 mths	Reasons not specified		
2	Construction of approach road, compound fencing, Culvert *etc*. at Tourist Lodge Balpakram/ state funded/ completed.	52.26	Sanggra K. Sangma	40,00,000	16.04.15	21.07.15	20.08.15	12 months/ 20.08.16	15.09.17	> 12 mothns	Reasons not specified		
3	Construction of cottages, Boathouse, view point including footpath at Rongmesek village, Ri-Bhoi District.	55.00	Angelus Sun	55,00,000	04.06.14	21.01.15	03.02.15	12 months/ 03.02.16	13.06.17	>16 months	Reasons not specified		
4	Construction of Chain Link, Fencing, Entrance Gate, Approach Road & Retaining Wall at Nongkhnum, West Khasi Hills/completed.	54.76	Kymenlin Marngar	48,00,000	27.02.17	-	13.06.17	12 months/13.06.18	28.09.18	>3 months	Reasons not specified	-do-	Management noted the observation.

Sl. No.	Name of the Project/ Completed/ ongoing	Estimated cost (₹ in lakh)	Successful bidder (Shri)	Value of work (₹)	Date of			Date of Completion of work		Delay		Remarks	Manage-ment reply
					NIT	Agree-ment	Award of work	Scheduled	Actual	Period	Reasons		
5	Construction of compound Fencing for wayside Amenities at Pynursla, East Khasi Hills.	9.89	Prastar Nongsteng	9,00,000	17.09.14	-	19.01.15	3 months/ 19.04.15	15.12.15	> 8 months	Final Bill was ₹9,52,240 . ₹52,240 given over and above work order value	No penalty was imposed and no reasons was recorded for granting provisional extension	-do-
6	Development of Hot spring at Jakrem, SWGH.	36.00	Bungsing Sohphoh	30,00,000	10.08.16	-	16.01.17	6 months/ 16.07.17	15.03.18	> 8 months	Not stated	-do-	-do-
7	Construction of cottage and wooden bridge at Tasek Lake, East Garo Hills , on going, state aided.	32.71	Eric Ch Momin	32,00,000	16.01.17	-	01.09.17	12 months/ 01.09.18	Ongoing	>9 months as on June '19	No specific reasons stated	-do-	-do-
8	Construction of toilet facility at Lake view, Mawiong Rim, Mawlai.	25.58	Nangwanlam-bok Nongsiej	24,00,000	11.10.18	-	25.02.19	3 months/ 25.05.19	Ongoing	>1 month as on 31.06.19	-do-	-do-	-do-
9	Installation of solar PV with Battery Bank including diesel Generator etc at Nongkhnum Resort, West Khasi Hills./ state funded /completed.	47.13	Daniel Rapsang	45,00,000	20.09.17	-	09.03.18	3 months/ 09.06.18	25.03.19	>9 months	Early non-seasonal rains which made it impossible to work, transport n installation of the solar PV system with generator back-up	-do-	-do-
10	Getaway at Zigzak Block (Construction of Traditional cottages, nokpante, *etc*. SWGH, Meghalaya.	50.00	Trenistone D Sangma	50,00,000	04.06.14	-	15.06.15	12 months/ 15.006.16	ongoing	>36 months	Land issue	-do-	-do-

Sl. No.	Name of the Project/ Completed/ ongoing	Estimated cost (₹ in lakh)	Successful bidder (Shri)	Value of work (₹)	Date of			Date of Completion of work		Delay		Remarks	Manage-ment reply
					NIT	Agree-ment	Award of work	Scheduled	Actual	Period	Reasons		
11	Eco Resort at Nongkhlaw, WKH.	128.87	Shri Mostophar Kharkongor	128.00	31.03.17		13.10.17	13.02.19	Only 80% of the work is completed till 12thSept. 2019.	More than 8 months as on 13.09.19.		Till 12thSeptember, the physical progress of the work is only 80%.	Reply awaited.
12	Construction of cottages and footpath at Mawlongbna village, East Khasi Hills.	43.50	Shri Kansing Lyngshiang of Jyllep		16.01.17	07.05.18	24.05.17	12 months/ 24.05.18	Ongoing	>1 yr	The agreement was signed after one year of issue of work order with Dorbar Shnong, Mawlyngbna, the owner of the land.	No penalty was imposed and no reasons was recorded for granting provisional extension.	Manage-ment stated that the project got delayed due to land issue.
13	Construction of cottages & footpath at Riwai village.	35.26	Smt. Teinam Khonglam		16.01.17	-	09.05.17	08.05.18	Ongoing	>1yr	Reasons for delay & stage of completion not recorded.	-do-	Project delayed due to land issue
14	Construction of chainlink fencing, entrance/exit gates, approach road and parking at Phulbari Tourist Lodge & WSA, WGH.	21.79	Shri Zahsnnu		16.01.17	-	26.05.17	25.11.17	Ongoing	>1yr	The reason for delay and stage of completion is not there in the file.	-do-	Reply awaited
15	Construction of retaining wall, parking and drain at FCI building, Tura.	27.92	Shri Rellingtone Sangma		03.05.18	-	20.06.18	19.12.18	Ongoing	>3 months	Management stated that the project got delayed due to early monsoon.	-do-	While accepting the observation.
16	Construction of Coffee shop and gate at Mawlynnong.	33.74 lakhs	Smt. Teinam Khonglam		17.09.14	-	19.01.15	18.01.16	11.07.16	6 months (money receipt date)	No reason for granting provisional time extension given.	-do-	Manage-ment accepted the observation.

Sl. No.	Name of the Project/ Completed/ ongoing	Estimated cost (₹ in lakh)	Successful bidder (Shri)	Value of work (₹)	Date of			Date of Completion of work		Delay		Remarks	Manage-ment reply
					NIT	Agree-ment	Award of work	Scheduled	Actual	Period	Reasons		
17	Eco tourism, construction of cottages and footpath at Nohwet village.	35.26 lakhs	Shri Phrastar Nongsteng		31.03.17	-	20.10.17	19.10.18	Ongoing	>8 months	Reasons not recorded.	Stage of completion not there, First the w/o was issued to N Beliris Kharduai, however, he could not submit the EMD @2% of ₹. 35.lakh. Hence given to Shri P Nongsteng.	Manage-ment accepted the obser-vation.
18	Construction of rain shelter, cobbled footpath, cooking shed and entrance gate at KaBri Ki Synrang, Laitmawsiang, Sohra.	32.74 lakh	Shri Homi Khongsit	-	08.04.16	-	06.03.17	05.09.17	March 2019	>1yr 6 months	No reasons stated.	No penalty imposed, no reasons for granting provisional time extension was on record.	Manage-ment noted the observation.

Appendix 2.2.3

Statement showing status of project completion

(Reference: Paragraph 2.2.16.1)

Sl No.	Name of the project	Physical Progress (in *per cent*)	Date of Completion	Expenditure till date (₹ in crore)
1.	Lake View Complex, Umiam	100	Development of retaining wall completed on 22.10.2018. 10 nos of fully furnished log huts completed and handed over to GoM only on 09 September 2019.	24.41
2.	U LumSohpetbneng	45	Work-in-Progress.	4.94
3.	Mawdiangdiang	90	Work-in-Progress.	25.88
4.	Orchid Lake Resort and Water Sports Complex, Umiam	90	Work-in-Progress.	16.20

Appendix 2.2.4

Statement showing number of festivals and expenditure during 2014-19

(Reference: Paragraph 2.2.21.1)

(Amount in ₹)

Year(a)	No. of Festivals during the year(b)	Expenditure in on Festivals during the year		Total expenditure of Central and State on Festivals during the year(c+d)
		State share(c)	Central share (d)	
2014-15	09	2480000	0	2480000
2015-16	09	3630000	0	3630000
2016-17	18	4284200	4222000	8506200
2017-18	04	350000	5000000	5350000
2018-19	14	4585000	5000000	9585000
Total	**54**	**15329200**	**14222000**	**29551200**

Appendix 3.1.1
Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised accounts as on 30 September 2019
(Reference: Paragraphs 3.1.8, 3.1.8.2)

(Figures in columns (5) to (12) are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which accounts finalised	Paid-up capital	Loans outstand-ing at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[74]	Capital employed[75]	Return on capital employed[76]	Percentage of return on capital employed	Man-power
A. WORKING COMPANY													
AGRCULTURE AND ALLIED													
1	Forest Development Corporation of Meghalaya Limited	2014-15	2018-19	1.97	0.00	-1.98	1.50	1.29	0.01(DP) 2.89(IL)	-0.01	1.29	**	41
2	Meghalaya Bamboo Chips Limited	2015-16	2017-18	0.48	1.16	-1.44	-	-0.39	0.00	0.20	-0.39	-195.00	NIL
Sector Wise Total				**2.45**	**1.16**	**-3.42**	**1.50**	**0.90**	**0.01(DP)** **2.89(IL)**	**0.19**	**0.90**	**473.68**	**41**
INFRASTRUCTURE													
3	Meghalaya Industrial Development Corporation Limited	2016-17	2018-19	91.59	0.00	-46.31	0.60	-0.33	2.24(DP) 2.34(IL)	45.28	-0.33	-0.73	83
4	Meghalaya Government Construction Limited	2017-18	2018-19	0.75	0.00	-13.23	44.24	-4.56	0.07(DP) 2.84(IL)	-12.48	-4.53	**	105

74 DP: Decrease in profits; IL: Increase in losses.
75 Capital employed represents Shareholders' Fund plus Long Terms Borrowings.
76 Return on capital employed has been worked out by adding back the interest charged to profit and loss account to the profit or loss for the year.
** Not workable as capital employed is negative.

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[74]	Capital employed[75]	Return on capital employed[76]	Percentage of return on capital employed	Man-power
5	Meghalaya Infrastructure Development and Finance Corporation Limited	2017-18	2018-19	1.00	0.00	-0.08	0.00	0.04	0.00	0.92	0.04	4.35	2
Sector Wise Total				**93.34**	**0.00**	**-59.62**	**44.84**	**-4.85**	**2.25(DP)** **5.18(IL)**	**33.72**	**-4.82**	**-14.29**	**190**
	MANUFACTURING												
6	Mawmluh Cherra Cement Limited	2017-18	2018-19	162.90	135.93	-208.88	24.03	-39.08	17.60(IL)	89.95	-28.57	-31.76	336
7	Meghalaya Mineral Development Corporation Limited	2017-18	2018-19	2.32	0.00	-6.89	0.00	-0.21	0.00	-4.57	-0.21	**	17
Sector Wise Total				**165.22**	**135.93**	**-215.77**	**24.03**	**-39.29**	**17.60(IL)**	**85.38**	**-28.78**	**33.71**	**353**
	POWER												
8	Meghalaya Energy Corporation Limited	2016-17	2018-19	2033.50	0.00	-137.48	0.00	-14.25	2.21(DP) 16.39(IL)	1896.02	-3.85	-0.20	269
9	Meghalaya Power Generation Corporation Limited	2016-17	2018-19	796.78	999.76	-200.16	236.97	-19.88	0.00	1596.38	75.62	4.74	710
10	Meghalaya Power Distribution	2016-17	2018-19	811.62	537.23	-1492.04	686.61	-343.21	0.00	-143.19	-304.15	**	1827

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[74]	Capital employed[75]	Return on capital employed[76]	Percentage of return on capital employed	Man-power
	Corporation Limited												
11	Meghalaya Power Transmission Corporation Limited	2016-17	2018-19	421.19	86.26	-6.35	101.56	8.15	0.00	501.10	19.27	3.85	362
Sector Wise Total				**4063.09**	**1623.25**	**-1836.03**	**1025.14**	**-369.19**	**2.21(DP)** **16.39(IL)**	**3850.31**	**-213.11**	**-5.53**	**3168**
	SERVICE												
12	Meghalaya Tourism Development Corporation Limited	2016-17	2018-19	7.96	7.99	-10.22	16.52	-0.95	0.00	5.73	-0.75	-13.09	318
Sector Wise Total				**7.96**	**7.99**	**-10.22**	**16.52**	**-0.95**	**0.00**	**5.73**	**-0.75**	**-13.09**	**318**
	MISCELLANEOUS												
13	Meghalaya Handloom & Handicrafts Development Corporation Limited	2016-17	2018-19	1.50	0.39	-4.83	0.04	-0.18	0.00	-2.94	-0.18	6.12	9
14	Meghalaya Basin Management Agency	2017-18	2018-19	0.05	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	362
Sector Wise Total				**1.55**	**0.39**	**-4.83**	**0.04**	**-0.18**	**0.00**	**-2.89**	**-0.18**	**6.23**	**371**
Total A (All sector wise working Government Companies)				**4333.61**	**1768.72**	**-2129.89**	**1112.07**	**-413.56**	**4.47(DP)** **42.06(IL)**	**3972.44**	**-246.74**	**-6.47**	**4441**

Sl. No.	Sector/Name of the Company	Period of Accounts	Year in which accounts finalised	Paid-up capital	Loans outstand-ing at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss(-)	Net impact of Audit comments[74]	Capital employed[75]	Return on capital employed[76]	Percentage of return on capital employed	Man-power
B. WORKING STATUTORY CORPORATION													
SERVICE													
15	Meghalaya Transport Corporation	2013-14	2015-16	88.08	0.00	-99.63	8.41	-5.73	0.00	-11.55	-5.73	**	248
Sector Wise Total				**88.08**	**0.00**	**-99.63**	**8.41**	**-5.73**	**0.00**	**-11.55**	**-5.73**	**	**248**
MISCELLANEOUS													
16	Meghalaya State Warehousing Corporation	2017-18	2018-19	3.36	0.00	-0.25	0.92	0.13	5.16(IL)	3.11	0.22	7.07	9
Sector Wise Total				**3.36**	**0.00**	**-0.25**	**0.92**	**0.13**	**5.16(IL)**	**3.11**	**0.22**	**7.07**	**9**
Total B (All sector wise working Government Companies)				**91.44**	**0.00**	**-99.88**	**9.33**	**-5.60**	**5.16(IL)**	**-8.44**	**-5.51**	**	**257**
Grand Total (A+B)				**4425.05**	**1768.72**	**-2229.77**	**1121.40**	**- 419.16**	**4.47(DP) 47.22(IL)**	**3964.00**	**-252.25**	**-6.36**	**4698**
C. NON-WORKING GOVERNMENT COMPANY													
MANUFACTURING													
17	Meghalaya Electronics Development Corporation Limited	2017-18	2018-19	0.00	0.00	0.00	0.00	0.00	2.32(DP) 10.90(IL)	0.00	0.00	0.00	0
Sector Wise Total				**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.32(DP) 10.90(IL)**	**0.00**	**0.00**	**0.00**	**0**
Total C (All sector wise non-working Government Companies)				**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2.32(DP) 10.90(IL)**	**0.00**	**0.00**	**0.00**	**0**
Grand Total (A+B+C)				**4425.05**	**1768.72**	**-2229.77**	**1121.40**	**- 419.16**	**6.79(DP) 58.12(IL)**	**3964.00**	**-252.25**	**-6.36**	**4698**

Appendix – 3.1.2
Statement showing Rate of Real Return on Government Investment
(Reference: Paragraph No. 3.1.9)

(₹in crore)

Financial Year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Net interest free loan given by the State Government during the year	Interest free loan convert-ed into equity during the year	Grants/ subsidies given by the State government for operational and administrative expenditure	Disinvest-ment by the State Govern-ment during the year at face value	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings/ profit after tax (PAT) for the year*
A	B	C	D	E	F	G	H	I	J	K K=I x (1+J)	L L= I + ((I x J) ÷100)	M
Up to 2012-13**		2136.62	0.00	0.00	62.33	0.00	2198.95	2198.95	6.24	2336.16	137.21	-82.08
2013-14	2336.16	89.56	0.00	0.00	100.52	0.00	190.08	2526.24	6.61	2693.23	166.98	-128.11
2014-15	2693.23	164.38	0.00	0.00	165.39	0.00	329.77	3023.00	6.22	3211.03	188.03	-221.84
2015-16	3211.03	3.31	0.00	0.00	25.02	0.00	28.33	3239.36	6.70	3456.40	217.04	-390.16
2016-17	3456.40	38.90	0.00	0.00	97.12	0.00	136.02	3592.42	6.47	3824.85	232.43	-266.93
2017-18	3824.85	90.47	0.00	0.00	115.52	0.00	205.99	4030.84	6.40	4288.81	257.97	-410.83
2018-19	4288.81	9.73	0.00	0.00	222.31	0.00	232.04	4520.85	6.53	4816.06	295.21	-419.16
		2532.97			**788.21**		**3321.18**	**23131.66**				

** worked out in respect of 15 PSUs where State Government made direct investment on the basis of profit/loss as per their latest finalised accounts.*

***these are cumulative figures upto 2012-13 for Columns C, D, E, F, G and H.*

Year	Total earnings/ loss in 2018-19	Investment by the State Government as per total of the column H above	Return on State Government investment on the basis of historical value	Present value of State Government investment at the end of 2018-19	Real return on State Government investment considering the present value of investments
	A	B	C	D	E
	Value of column M of above table	Total of the column H of above table	A*100/B	Value of column K of above table	A*100/D
2018-19	-419.16	3321.18	-12.62	4816.06	-8.70

Appendix 3.3

Statement showing details of outstanding dues against disconnected consumers under Jowai and Central Revenue Divisions for the period from April 2015 to February 2020

(Reference: Paragraph 3.3)

(₹ in lakh)

Name of Sub-Division	Particulars	Total dues recoverable (April 2015 to March 2020)	Time-barred dues against consumers disconnected for more than two years (April 2015 to March 2018)	Dues pending against other disconnected consumers
Jowai Revenue Division				
Jowai	No. of Consumers	1361	737	624
	Amount	536.35	282.24	254.11
Khliehriat	No. of Consumers	1887	705	1182
	Amount	1065.04	411.23	653.81
Total(A)	**No. of Consumers**	**3248**	**1442**	**1806**
	Amount	**1601.39**	**693.47**	**907.92**
Central Revenue Division				
Mairang	No. of Consumers	667	197	470
	Amount	84.34	23.11	61.23
Mawkyrwat	No. of Consumers	450	255	195
	Amount	81.48	40.19	41.29
Mawryngkneng	No. of Consumers	874	442	432
	Amount	251.93	118.99	132.94
Mawsynram	No. of Consumers	47	45	2
	Amount	8.58	8.57	0.01
Nongstoin	No. of Consumers	1158	759	399
	Amount	191.65	122.09	69.56
Pynursla	No. of Consumers	395	223	172
	Amount	50.07	23.75	26.32
Sohiong	No. of Consumers	698	9	689
	Amount	185.58	12.72	172.86
Sohra	No. of Consumers	926	504	422
	Amount	304.83	150.23	154.60
Total(B)	**No. of Consumers**	**5215**	**2434**	**2781**
	Amount	**1158.46**	**499.65**	**658.81**
Grand Total (A+B)	**No. of Consumers**	**8463**	**3876**	**4587**
	Amount	**2759.85**	**1193.12**	**1566.73**

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