



सत्यमेव जयते

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 1997

GOVERNMENT OF NAGALAND



REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1957

GOVERNMENT OF INDIA

TABLE OF CONTENTS

	Reference to
	Paragraph(s) Page(s)
Prefatory remarks	(vii)
Overview	(ix)-(xxiii)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

Introduction	1.1	1-2
Summarised financial position	1.2	2-13
Assets and liabilities of the State	1.3.1	13
Financial position of the State	1.3.2	14
Consolidated Fund	1.3.3	15
Revenue receipts	1.4	15-17
Revenue expenditure	1.5	17-20
Capital expenditure	1.6	20-22
Surplus/Deficit	1.7	22
Public Debt	1.8	23-24
Ways and Means Advances and Overdrafts	1.9	24-25

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

General (Budget demands and expenditure)	2.1	26
Results of appropriation audit	2.2	27
Savings or excess over provisions	2.2.1	27-28
Significant cases of excess	2.2.2	28
Persistent excess	2.2.3	28
Unutilised provision	2.2.4	29-30
Non-surrender of savings	2.2.5	30-31
Persistent savings	2.2.6	31-33
Trend of recoveries and credits	2.2.7	33-34
Unnecessary, inadequate and excessive supplementary grants	2.2.8	34-40
Non-reconciliation of departmental figures	2.2.9	40
Excess over grants in previous years not regularised	2.3	41

POWER DEPARTMENT

Internal Control Mechanism in Power Department	2.4	41-55
--	-----	-------

AGRICULTURE/HOME/FINANCE DEPARTMENT

Review on Persistent excess	2.5	55-61
-----------------------------	-----	-------

PLANNING AND CO-ORDINATION DEPARTMENT

Money kept out of Government Accounts	2.6	61-62
---------------------------------------	-----	-------

INDUSTRIES AND COMMERCE DEPARTMENT

Drawal of money in advance of requirements	2.7	62
--	-----	----

IRRIGATION AND FLOOD CONTROL DEPARTMENT

Locking up of Government money	2.8	62-63
--------------------------------	-----	-------

CHAPTER III

CIVIL DEPARTMENTS

HOME DEPARTMENT

Review of the Members of Parliament Local Area Development Scheme	3.1	64-73
Irregular payment of wages to contingent paid staff with retrospective effect	3.2	73-74

IRRIGATION AND FLOOD CONTROL DEPARTMENT

Misutilisation of Government money	3.3	74-75
------------------------------------	-----	-------

FINANCE DEPARTMENT

Review on Calamity Relief Fund	3.4	75-83
Loss due to fraudulent drawal of pension etc.	3.5	83-84

LABOUR AND EMPLOYMENT DEPARTMENT

Injudicious purchase and locking up of Government money	3.6	84-85
---	-----	-------

AGRICULTURE DEPARTMENT

Review on Production and Distribution of Seeds and Development Schemes for Major Crops	3.7	85-99
--	-----	-------

INDUSTRIES AND COMMERCE DEPARTMENT

Excess release of subsidy on sugarcane and its misutilisation	3.8	99
Non-realisation of lease rent from private parties	3.9	100

PUBLIC HEALTH ENGINEERING DEPARTMENT

Appointment and deployment of work charged manpower	3.10	100-113
---	------	---------

RURAL DEVELOPMENT DEPARTMENT

Locking up of funds under Rural Artisan Development Programme	3.11	113
---	------	-----

FOREST, ECOLOGY AND ENVIRONMENT AND WILD LIFE DEPARTMENT

Human Resource Management	3.12	114-122
Infructuous expenditure on idle staff	3.13	122

PLANNING AND CO-ORDINATION DEPARTMENT

Misappropriation of funds under "District Plan Scheme"	3.14	122-123
Expenditure on construction of gallery shed kept out of Government Accounts	3.15	123-124

HEALTH AND FAMILY WELFARE DEPARTMENT

Payment made without receipt of materials	3.16	124
Extra expenditure on transportation of insecticides	3.17	124-125

	<u>Reference to</u>	
	<u>Paragraph(s)</u>	<u>Page(s)</u>
AGRICULTURE AND SOIL AND WATER CONSERVATION DEPARTMENTS		
Outstanding Inspection Reports	3.18	125-126
GENERAL		
Non-production of records to Audit	3.19	126-127

CHAPTER IV

WORKS EXPENDITURE

PUBLIC HEALTH ENGINEERING DEPARTMENT		
Rajiv Gandhi National Drinking Water Mission	4.1	128-149
Double payment to supplier	4.2	149-150
HOME (POLICE) DEPARTMENT		
Loss due to injudicious planning	4.3	150-151
Irregular and unauthorised expenditure	4.4	151-152
Irregular expenditure on procurement of building materials	4.5	152
Unnecessary purchase of stores	4.6	152-153
Payment without receipt of materials	4.7	153-154
Double payment for purchase of pressed steel tanks	4.8	154
Excess payment on procurement of boulders/stone metals	4.9	154-155
HOME (GENERAL ADMINISTRATION) DEPARTMENT		
Irregular drawals and disbursement of money	4.10	155
Excess payment due to inflated measurement and non-levy of departmental charges	4.11	155-156
WORKS AND HOUSING DEPARTMENT (HOUSING)		
Irregularities in construction of office complex of the Chief Engineer, Housing	4.12	156-158
Expenditure on fictitious procurement of building materials and road metal	4.13	158-159
WORKS AND HOUSING DEPARTMENT (ROADS AND BRIDGES)		
Infructuous expenditure on employment of idle work charged staff	4.14	159
Fraudulent refund of security deposit	4.15	159-160
Loss of Government money due to non-compliance of Government instructions	4.16	160

CHAPTER V

STORES AND STOCK

WORKS AND HOUSING/PUBLIC HEALTH ENGINEERING/ POWER DEPARTMENTS

Closing of stock registers	5.1	161
Physical verification of stores	5.2	161
Reserve stock limit	5.3	161-162
Tools and Plant	5.4	162
PUBLIC HEALTH ENGINEERING DEPARTMENT		
Material Management	5.5	162-179

CHAPTER VI

REVENUE RECEIPTS

SECTION -A-

GENERAL

Trend of revenue receipts	6.1	180
Analysis of revenue receipts	6.2	181-182
Variations between budget estimates and actuals	6.3	182-183
Cost of collection	6.4	183

SECTION -B-

POWER DEPARTMENT

Review on Purchase and Sale of Power and collection of revenue thereunder	6.5	183-200
---	-----	---------

FOREST, ECOLOGY AND ENVIRONMENT AND WILD LIFE DEPARTMENT

Recurring loss of revenue due to revision of modalities of realisation of Forest royalty	6.6	200-201
Loss of revenue due to under assessment of forest royalty and irregular exemption	6.7	201-202
Loss of Government revenue due to irregular settlement of sand mahal and non-realisation of kist money	6.8	202

WORKS AND HOUSING AND HEALTH AND FAMILY WELFARE DEPARTMENT

Non-deduction of sales tax on works contract	6.9	203
--	-----	-----

HOME DEPARTMENT

Misappropriation of Government revenue	6.10	204
--	------	-----

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

Irregular and unauthorised utilisation of Departmental receipts	6.11	204-205
---	------	---------

TRANSPORT AND COMMUNICATION DEPARTMENT

Short/non-realisation of penalty	6.12	205
----------------------------------	------	-----

CHAPTER VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

Assistance to autonomous bodies and others	7.1	206
Delay in furnishing utilisation certificates	7.2	206
Delay in submission of accounts	7.3	207
Audit arrangements	7.4	207

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Introduction	8.1	208
Government Companies- General view	8.2	208
Guarantees for loans	8.2.2	208
Finalisation of accounts	8.2.3	208-209
Working results	8.2.4	209

Departmentally managed Government
Commercial/Quasi-Commercial Undertakings

HORTICULTURE DEPARTMENT

Review on Nagaland Plantation Crops Development
Corporation Ltd., Kohima

Reference to	
Paragraph(s)	Page(s)
8.3	209-210

8.4 211-216

APPENDICES

I.	Persistent non-reconciliation of Departmental expenditure	2.2.9	218
II.	Statement showing the details of power generation, purchase, sale and T&D losses during the period 1994-95 to 1996-97	2.4.7	219
III.	Statement showing the details of progress of major schemes under Plan during 1994-95 to 1996-97	2.4.8	220
IV.	Statement showing details of recommended rates and approved rates for procurement of transformers	2.4.11	221
V.	Statement showing details of purchase of stores made by EE (E). Store Division during 1994-95 to 1996-97	2.4.12	222
VI.	Statement showing the outstanding medical advances for treatment outside the State	2.4.13	223
VII.	Statement showing the details of Inspection Reports where first replies not furnished	2.4.14(d)	224
VIII.	Statement showing the details of delay in submission of pension cases from field units to CE and CE to AG	2.4.14(c)	225-226
IX.	Statement showing the details of Store materials issued during 1994-95 to 1996-97 (upto February 1997)	2.4.18	227
X.	Statement showing percentage of excess over final grants	2.5.1	228-230
XI.	Statement showing fraudulent drawal of pension and ORB during January 1995 to March 1997	3.5	231
XII.	Statement showing physical targets and achievements of the various components of NPDP and ICDP-R	3.7.7	232
XIII.	Statement showing expenditure made on purchase of seeds under NPDP and ICDP-R	3.7.8	233
XIV.	Statement showing the non-production of records	3.10.9	234
XV.	Statement showing the targets and achievement under Rural water supply during VIIIth Plan period	4.1.7.2(b)	235
XVI.	Statement showing the excess over estimated cost	4.1.7.2(c)	236-237
XVII.	Statement showing expenditure incurred on abandoned schemes	4.1.7.2(c)(ii)	238
XVIII.	Statement showing overall stock holding of PHE Divisions of Nagaland	4.1.8.1(a)	239
XIX.	Statement showing incurring of extra expenditure due to erroneous fixation of procurement rates and payment of additional charges	4.1.8.2(a)	240-241
XX.	Statement showing non-receipt of materials against advance payments	4.1.8.4	242

		Reference to Paragraph(s)	Page(s)
XXI.	Statement showing supplier-wise receipt/non-receipt of materials and advance outstanding	4.1.8.4 & 5.5.5.3(b)	243-244
XXII.	Statement showing receipt and distribution of materials	4.1.8.5	245
XXIII.	Statement showing expenditure directly charged to Works	4.13	246-247
XXIV.	Statement showing position of Stores held by different Divisions	5.5.5.1	248
XXV.	Statement showing the number of consumers, power sold, amount realisable, realised and outstanding revenue, average State tariff rate	6.5.5(c)	249
XXVI.	Statement showing the particulars of paid up capital, outstanding loans, working results etc. of Government companies	8.2.2 & 8.2.4	250-251
XXVII.	Summarised financial results of Government companies for the year for which accounts were finalised	8.2.3 & 8.2.4	252-253
XXVIII.	Statement showing the Capital structure of the Nagaland Plantation Crops Development Corporation from 1981-82 to 1991-92	8.4.6.2	254
XXIX.	Summarised financial position of Nagaland Plantation Crops Development Corporation Limited, Kohima declined at the end of each year for the years ending 1990-91	8.4.7	255
XXX.	Statement showing the working results of Nagaland Plantation Crops Development Corporation Limited, Kohima for the years ending 1990-91	8.4.7.2 & 8.4.7.3	256
XXXI.	Statement showing expenditure for abandoned projects	8.4.11	257

PREFATORY REMARKS

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1996-97 together with other points arising from audit of the financial transactions of the Government of Nagaland. It also includes certain points of interest arising from the Finance Accounts for the year 1996-97.

2. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 1996-97 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1996-97 have also been included, wherever considered necessary.

A synopsis of the significant audit findings is contained in the Overview which forms a part of this Report.

OVERVIEW

OVERVIEW

This Report includes two chapters containing the observations of Audit on the State's Finance and Appropriation Accounts for the year 1996-97 and six other Chapters, comprising 11 Audit Reviews and 39 paragraphs based on audit of certain selected schemes and programmes and financial transactions of the Government. A synopsis of the Audit findings contained in the Reviews and the more important paragraphs is presented in this overview.

I. Accounts of the State Government

The revenue receipts during 1996-97 amounted to Rs.855.13 crore representing 69 *per cent* increase over 1992-93. Increase in revenue expenditure during the same period was 111 *per cent* (from Rs.401.31 crore to Rs.847.31 crore). In relation to the preceeding year the increase in revenue receipts was 17 *per cent* and increase in revenue expenditure was 1.54 *per cent*. The expenditure under Non-Plan increased by Rs.339.22 crore (101 *per cent*) over 1992-93 against the increase of 163 *per cent* in Plan expenditure during the same period.

The revenue receipts of the State Government had increased by Rs.121.34 crore (17 *per cent*) from Rs.733.79 crore in 1995-96 to Rs.855.13 crore in 1996-97. The increase was mainly due to receipt of more State's share of Union Excise Duties (Rs.84.19 crore) and grants-in-aid from the Government of India (Rs.25.98 crore). While the tax revenue increased by 40 *per cent* as compared to previous year, non-tax revenue decreased by 7 *per cent*.

While the revenue receipts increased by 69 *per cent* from Rs.506.65 crore in 1992-93 to Rs.855.13 crore in 1996-97, the aggregate of amounts received by the State from Central Government on account of share of net proceeds of taxes and duties and grants-in-aid increased by 70 *per cent* from Rs.465.35 crore to Rs.789.09 crore i.e. Rs.323.74 crore during the corresponding period. Of this Rs.221.94 crore (69 *per cent*) were accounted for by grants-in-aid.

Fiscal deficit being the excess of revenue and capital expenditure over the revenue receipts during 1996-97 was Rs.137.07 crore.

Internal borrowings decreased from Rs.85.69 crore in 1995-96 to Rs.76.54 crore in 1996-97. More than 101 *per cent* of the borrowed funds were utilised for repayment of these borrowings and payment of interest thereon. Net inflow of funds from Small Savings, Provident Funds, Deposits etc. registered a decrease of 27 *per cent* from Rs.135.68 crore in 1995-96 to Rs.99.34 crore in 1996-97. 82 *per cent* of the total receipts under these funds during 1996-97 was set off towards repayment of principal and payment of interest.

Loans and advances from the Central Government increased from Rs.26.29 crore in 1995-96 to Rs.35.75 crore in 1996-97. The aggregate amount of repayment of principal (Rs.11.62 crore) and payment of interest on such loans (Rs.27.11 crore) during the year 1996-97 amounted to Rs.38.73 crore (108 *per cent* of fresh loans taken during 1996-97) indicating that entire fresh loans together with another Rs.2.98 crore out of States' own resources were adjusted against repayment of outstanding loans and payment of interest thereon.

The State Government had availed Ways and Means advances of Rs.13 crore during 1996-97. Interest payments on Ways and Means advances

during the year aggregated to Rs.0.03 crore. No such advance was outstanding at the close of the year.

During 1996-97, Government invested Rs.3.52 crore in the share capital of Government Companies (Rs.1.46 crore) and other Co-operative Societies (Rs.2.06 crore) with which the total investment at the end of March 1997 stood at Rs.35.61 crore. Besides, long term loans of Rs.30.79 crore advanced by the State Government to the Government Companies (Rs.16.74 crore) and Co-operative Societies (Rs.14.05 crore) were outstanding as of March 1997. A sum of Rs.0.71 crore was received as interest during the year 1996-97 from Government Companies. Amount of dividends received, if any, from the above investments was not intimated by the Government.

The State had 5 Government Companies. Accounts of all the 5 Companies were in arrears for period ranging between 12 and 19 years. One Company had not rendered accounts since its incorporation in May 1981. The cumulative loss in respect of 5 loss making companies (Government investment upto March 1997: Rs.37.84 crore including Rs.16.74 crore as long term loans) was Rs.34.05 crore as on the date of finalisation of the respective accounts by these companies.

(Paragraph 1.2 to 1.9)

II. Appropriation Audit and control over expenditure

Against gross total budget provision of Rs.1216.99 crore, the actual expenditure was Rs.1057.96 crore resulting in overall savings of Rs.159.03 crore. This net saving was the result of saving of Rs.192.46 crore in 61 grants and 5 appropriations offset by excess of Rs.33.43 crore in 31 grants. This excess requires regularisation under Article 205 of the Constitution.

The supplementary provision of Rs.163.91 crore obtained during 1996-97 constituted 16 *per cent* of the original budget provision of Rs.1053.08 crore against 11 *per cent* in the previous year. Supplementary provision of Rs.26.44 crore obtained in 12 cases exceeding Rs.10 lakh in each grant during the year proved wholly unnecessary as the actual expenditure in all these cases was Rs.82.01 crore only which was less by Rs.51.77 crore than even the original provision of Rs.133.78 crore. Savings exceeding Rs.25 lakh in each case and by more than 10 *per cent* of the total provision occurred in 34 grants and 1 appropriation and ranged between 11 *per cent* and 100 *per cent*.

In 16 grants and one appropriation where savings exceeded more than rupees one crore in each case, savings amounting to Rs.141.13 crore (73 *per cent* of the overall savings of Rs.192.46 crore) were not surrendered resulting in non re-appropriation of surplus funds for schemes where these were needed.

Persistent excess over the budget provision was noticed in 2 grants during the three years 1994-95 to 1996-97 and ranged between 7 *per cent* and 270 *per cent*.

Expenditure of Rs.836.55 crore for the year 1996-97 (79 *per cent* of the total expenditure of Rs.1057.96 crore) was not reconciled by 45 of the 75 Controlling Officers. Major defaulting departments were: Civil Police: Rs.116.54 crore, School Education: Rs.101.28 crore, Power Projects: Rs.64.49 crore, Roads

& Bridges: Rs.52.79 crore, Rural Development: Rs.38.79 crore, Planning Machinery: Rs.31.85 crore and Housing: Rs.20.66 crore. Eight Controlling Officers had not persistently reconciled expenditure aggregating Rs.555.87 crore for the last 3 years from 1994-95 to 1996-97.

(Paragraph 2.2.1 to 2.2.8)

III. Audit Reviews

1. Internal control mechanism in Power Department

Efficient functioning of a Department depends upon its healthy administrative and financial management with reference to various rules and regulations framed by the Government/Department. A review conducted on the internal control mechanism in Power Department revealed that:-

Budgeting practice and expenditure control of the Department lacked credibility that resulted in mismatching of annual budget provision and expenditure during 1994-96. During 1994-95, the Department could utilise only 49 *per cent* of its budget provision and during 1995-96, the Department had exceeded the budget provision under Revenue section by Rs.13.70 crore due to inadequate provisions provided under salaries and other heads. The Chief Engineer made centralised budget provisions on hypothetical basis without calling for budget proposals from Drawing and Disbursing Officers.

Revenue expenditure fell short of revenue realisation by 31 *per cent* in 1994-95, 81 *per cent* in 1995-96 and 45 *per cent* in 1996-97 which was due to increased cost of establishment and non-existence of norms in the Department to assess the actual requirement of manpower.

Lack of internal controls and effective positive measures not having been taken resulted in Transmission and Distribution losses of Rs.7.68 crore in excess of prescribed norms, during 1994-95 to 1996-97.

The Department had not followed the codal procedures for monitoring the monthly and annual expenditure. There was unauthorised booking of non-plan expenditure of Rs.1.78 crore under Plan at the instance of Chief Engineer and resulted in inflated booking of expenditure under the Project.

Slack internal controls also facilitated the Divisional Officers to make unauthorised purchases of Rs.4.15 lakh in violation of delegated powers and to incur an extra liability of Rs.13.72 lakh on irregular acceptance of tenders.

Store materials worth Rs.18.57 crore were issued by the Store Division Dimapur to 15 Executive Divisions during 1994-95 to 1996-97 without receipt of bank draft/cheques from them and the cost of which had remained unrealised as of March 1997.

(Paragraph 2.4)

2. Persistent excess

With a view to pinpoint the areas where the Departments were persistently incurring excess expenditure over the Budget provisions a review of

such expenditure was conducted in respect of three Departments viz., Agriculture, Home (Police Engineering Project) and Finance (Servicing of Debt), which had incurred a total excess expenditure of Rs.12.95 crore during the years 1992-93 to 1996-97. Results of review were as under:-

Excess expenditure was found mainly due to operation of identical major heads by more than one department, non-reconciliation of expenditure by the heads of departments with the Accounts figures booked by the Sr. Deputy Accountant General (A&E), inadequate Budget Provisions and fraudulent drawal of money.

In violation of Constitutional provisions the Agriculture Department incurred an expenditure of Rs.7.56 crore during 1995-96 without budget provisions and Legislative authority.

During the period 1994-97, 75 Drawing and Disbursing Officers of the Agriculture Department incurred an expenditure of Rs.16.19 crore against the allotment of Rs.11.67 crore leading to unauthorised expenditure of Rs.4.52 crore.

During the period 1992-96 the Finance Department incurred an expenditure of Rs.12.16 crore towards payment of interest and repayment of Central Government loans and State's internal debts without budget provisions.

(Paragraph 2.5)

3. Members of Parliament Local Area Development Scheme

The Scheme aimed at creation of durable community assets in the respective constituencies of Members of Parliament (MPs) and was introduced from 23 December, 1993. Under the scheme each MP had a choice to get the works executed to the annual ceiling of Rs.1 crore for the whole constituency and Rs.10 lakh for each work. Nagaland has 2 MPs- one each for the Lok Sabha and the Rajya Sabha. The Deputy Commissioners of the Districts were the implementing authorities of all developmental works as suggested by the respective MPs. A review of implementation of the scheme during the years 1993-94 to 1996-97 revealed that:-

There was no transparency in the implementation of the scheme in the State because 54 *per cent* (Rs.272.95 lakh) of the total funds of Rs.510 lakh spent on Social Forestry/Horticulture (Rs.178 lakh), construction of roads (Rs.69.77 lakh), Minor Irrigation projects (Rs.25.18 lakh) were not supported with the details of locations/areas and technical estimates etc. Besides, 41 *per cent* (Rs.207 lakh) of the funds was also spent on items like grants-in-aid, cash relief, construction of private buildings and Churches, which were not durable community assets as envisaged under the scheme.

As suggested by the MPs, work orders worth Rs.108.18 lakh were issued to 112 beneficiaries during 1994-97 but payments for the said works were made to 3 individuals who were not the beneficiaries. The concerned Deputy Commissioners/Additional Deputy Commissioners could not confirm whether payments released to third parties had actually reached the beneficiaries.

Additional Deputy Commissioner, Dimapur and Deputy Commissioner, Kohima exhibited Rs.9 lakh advanced in March 1995 and November 1996 to a Society and an individual respectively, as final expenditure without obtaining supporting vouchers and actual payees' receipts.

Of the funds of Rs.510 lakh released by Government of India during 1993-97, the Deputy Commissioner, Kohima deposited between May 1994 and October 1996, Rs.410 lakh in a current account with the State Bank of India, Kohima instead of depositing the same in the personal ledger account to be opened separately for each MP. This resulted in loss of interest of Rs.2.52 lakh.

During 1995-96 funds amounting to Rs.1.06 lakh were misappropriated by the Deputy Commissioner, Mon (Rs.0.31 lakh) and Additional Deputy Commissioner, Dimapur (Rs.0.75 lakh).

No system was evolved for monitoring the progress of the scheme by the implementing agency. Besides, prescribed inspection/test-check of execution of works had also not been conducted by the designated officers.

(Paragraph 3.1)

4. Calamity Relief Fund

To provide relief during natural calamities a Calamity Relief Fund of Rs.100 lakh was created in the State during 1990-91 with cost sharing between the Central and the State Governments in the ratio of 72:25. As per modalities for administration of the Fund, contributions received from both the Governments were to be invested in the manner as prescribed by the Government of India and income from investments was to be utilised for meeting expenditure on relief works. A review of the working of the Scheme revealed the following :-

Total contribution to the Fund during the years 1990-97 was Rs.560 lakh, of which expenditure incurred on relief measures was only for Rs.330.11 lakh. Despite release of Rs.831 lakh, transfer of money from Revenue Account to the Fund and investment therefrom was delayed for periods ranging between 2 and 12 months.

Against the permissible limit of 15 *per cent* of the Fund balances that could be invested in State Co-operative Bank (NSCB), 100 *per cent* of the Fund balances were invested in NSCB. Investment of 85 *per cent* funds in other gainful securities would have earned an additional income of Rs.51.25 lakh to the Fund.

Claims worth Rs.171 lakh for relief measures were entertained during the years 1990-97 without proper authentication and receipt of certificates of disbursements. Thus, expenditure of Rs.171 lakh incurred for providing relief to 16,682 beneficiaries could not be verified in audit.

There was extra expenditure/excess payment of Rs.23.65 lakh due to irregular allowance of transportation/handling charges and acceptance of higher purchase rate of the suppliers for procurement of relief materials during December 1993 and January 1994. Besides, three Departments could not substantiate utilisation of Rs.85 lakh placed with them for distribution of seeds

and fertilisers (Rs.50 lakh) to farmers and repairs/restoration of roads, bridges etc. (Rs.35 lakh).

(Paragraph 3.4)

5. Production and Distribution of Seeds and Development Schemes for Major Crops

Under various Central Plan Schemes introduced by the Ministry of Agriculture for production and distribution of seeds, two programmes viz. National Pulses Development Programme (NPDP) and Integrated Cereal Development Programme- Rice (ICDP-R) were taken up in Nagaland during the VIIIth Plan period. The expenditure on these programmes was to be shared on the basis of 75:25 between the Centre and the State Government but on certain components of ICDP-R the Central assistance was 100 *per cent*. Both the Programmes were aimed at improving the production through adoption of improved production technology and High Yielding Varieties (HYV) Seeds. A review of the implementation of these Programmes revealed that:-

The Programmes were not implemented in the State during 1994-95 as the Central assistance of Rs.28.40 lakh was released by the State Government only in 1995-96. The delay in release of Central and State shares by State Government ranged between 2 and 10 months.

An amount of Rs.98 lakh drawn by the Director of Agriculture through proforma bills in 1995-96 (Rs.43.42 lakh) and 1996-97 (Rs.54.58 lakh) was kept in Civil Deposits and had remained unutilised till April 1997.

Scheme funds of Rs.15.64 lakh were diverted for execution of activities not covered under the approved components of the schemes.

Central assistance of Rs.16.12 lakh was irregularly claimed and obtained by submitting grossly inflated progress reports by the Director of Agriculture (DOA).

Eighty *per cent* of the certified seeds (2312.50 quintals) valued at Rs.42.33 lakh were purchased from private suppliers without ensuring that the same were actually certified seeds of genetic purity and requisite quality.

515 quintals of paddy seeds valued at Rs.4.65 lakh were distributed in Kohima and Mon district (May 1994 and July 1996) after the sowing and transplanting seasons and 364.60 quintals of seeds valuing Rs.4.98 lakh issued to the DOA by the Sub Divisional Officer, Stores, between October 1994 and June 1996, remained unaccounted for in the books of DOA.

The Director of Agriculture had reported distribution of 15,000 minikits valuing Rs.20 lakh to the farmers during 1992-97, against the distribution of 5602 minikits at a cost of Rs.5.13 lakh indicating inflated reporting of progress under the scheme.

(Paragraph 3.7)

6. Appointment and deployment of work charged manpower in Public Health Engineering Department

According to codal provisions of Works Department the Divisional Officers (EEs) of the Department, subject to general or special restrictions of the

Government, were empowered to appoint and deploy non-industrial workers/staff called Work Charged (WC) staff on actual execution of works or sub-works and on repair/renovation of existing works. As the Government/Department had not prescribed any norms/limit for appointment of WC staff until September 1990, the powers delegated to the EEs were misused. Accordingly, Government banned appointment of WC staff from August 1990 and from July 1996, held the provisions in suspended animation. A review of the topic revealed that:-

Without prescribing any norms for appointment of WC staff prior to September 1990, 7401 WC staff were on the pay rolls of the Department as of March 1997. In the absence of specific budget provision, expenditure on salaries/wages of these staff was met out of the budget provisions meant for operation and maintenance of water supply schemes.

For operation and maintenance of water supply schemes, the Department incurred excess expenditure of Rs.90.93 crore during 1992-97 over the norms of 10 per cent fixed by GOI. 80 per cent of this expenditure (Rs.72.39 crore) related to indiscriminate appointment of WC staff and led to increase in the operation/maintenance cost by 20 times of the prescribed norms.

During the years 1992-93 to 1994-95 expenditure of Rs.35.56 crore was incurred by the Department on WC establishment against the funds of Rs.22.77 crore released by the Government leading to unauthorised expenditure of Rs.12.79 crore.

Four Divisions had entertained 2109 WC staff in excess of the norms prescribed by the Government in September 1990, and thereby incurred an extra expenditure of Rs.21.57 crore during 1992-97. Besides, the Department had also spent another Rs.4.05 crore on deployment of 477 WC staff in 83 not-covered category villages having no water supply.

Two Divisions had incurred an unauthorised expenditure of Rs.1.47 crore as of March 1997 on 208 WC staff appointed between August 1990 and March 1996 in violation of Government order of August 1990.

Three Divisions had incurred a doubtful expenditure of Rs.1.45 crore (Rs.1.16 + Rs.0.29 crore) on entertainment of 100 WC staff without service particulars and payment of salaries/wages to WC staff (1876 cases) without obtaining actual payees' receipts.

(Paragraph 3.10)

7. Human Resource Management

Human Resource Management plays a vital part in the all round improvement and productivity of an Organisation/Department. A review of the topic in Forest Department revealed that:-

The Department had not specified the sanctioned strength of staff *vis-à-vis* men in position and staffing pattern for its various Divisions/Ranges/Beat offices.

The Department had incurred unfruitful expenditure of Rs.14.56 lakh¹ on employment of 14² idle staff of various categories against three Forest Ranges³ and one defunct Seasoning and Treatment Plant without assigning any fruitful work to them between October 1990 and June 1997.

During the years 1992-96 six Divisions had incurred expenditure of Rs.2.79 crore on raising plantations on private lands without executing any agreements with the land owners for future maintenance of the plantations. Thus, expenditure of Rs.2.35 crore (84 *per cent* of Rs.2.79 crore) incurred towards payment of wages of WC workers for the above plantation works could not be vouchsafed in audit.

Though an amount of Rs.2.15 crore was spent for plantation works during 1992-96 by 4 Divisional Forest Officers, no Plantation Journals were maintained for these plantations and as such the genuineness of the actual number of plantations raised, area covered thereunder and their survival could not be verified and corroborated with the expenditure.

(Paragraph 3.12)

8. Rajiv Gandhi National Drinking Water Mission

To supplement the efforts of the State Government and to accelerate the pace of coverage of problem villages under assured water supply, Government of India launched a 100 *per cent* Centrally Assisted Scheme of Accelerated Rural Water Supply Programme in the State from 1972-73. This scheme was merged with a new scheme called 'Rajiv Gandhi National Drinking Water Mission' in 1991. A review of implementation of the Scheme during two five-year plan periods (VII and VIII) revealed the following:

Despite receipt of Central assistance of Rs.44.58 crore for implementation of the schemes during the VII and VIII Plan periods, the coverage of problem villages under assured water supply as of March 1997 was poor. The Department had recorded 66 *per cent* achievement in respect of 1011 out of 1525 identified problem villages. Of this, only 218 villages (14 *per cent*) were covered in full.

Of the 148 village schemes sanctioned and targeted for completion during 1985-97 at a cost of Rs.19.69 crore in 5 Divisions test checked, only 35 Schemes of VII Plan had been completed as of March 1997 after spending an overall amount of Rs.7.95 crore. Of the remaining 113 Schemes, 50 were in progress (expenditure: Rs.0.54 crore), 10 abandoned (after spending Rs.0.89 crore) and 53 schemes (including 10 Schemes of Phek and Wokha districts sanctioned for Rs.2.52 crore) were yet to be implemented.

The poor achievement was due to implementation of Schemes without proper survey and scientific source finding. This led to unfruitful

¹ Rs.3.87 lakh: December 1992 to June 1997 + Rs.4.10 lakh: December 1990 to June 1997 + Rs.4.13 lakh: August 1995 to March 1997 and Rs.2.46 lakh: February 1996 to June 1997.

² Range Officers 3, Dy. Range Officer 1, Forester 1, Personal Peons 2, Chowkidar 1, Boiler Drivers 2, Gangmate 1 and Gangmen 3.

³ 1. Nursery Range, Mokokchung, 2. Social Forestry Division Kohima and 3. Forest Utilisation Range, Dimapur.

expenditure of Rs.2.42 crore on abandonment of 11 Schemes (1 of VI Plan and 10 of VII Plan) in three Divisions test-checked.

Central assistance received for the scheme was unauthorisedly diverted for payment of salaries of Government employees (Rs.4.22 crore), execution of projects in urban areas (Rs.4.05 crore) and other unauthorised works (Rs.0.41 crore) like purchase of vehicles (Rs.0.11 crore) procurement of material etc. for State schemes (Rs.0.30 crore).

The Department incurred an irregular and unauthorised expenditure of Rs.49.21 lakh between March 1990 and March 1997 on a parallel mini Scheme for 3 villages of Wokha district although these villages had been included in an abandoned Scheme (1993-94) for 17 villages on which Rs.1.53 crore had already been spent.

The Department incurred an extra expenditure of Rs.11.77 crore during 1990-91 to 1996-97 due to erroneous fixation of procurement rates, irregular payment of price escalation, payment of excise duty and extra carriage from factory to Dimapur over and above approved rates.

The Department extended undue financial benefits of Rs.15.85 crore to 41 suppliers by making advance payments to them between March 1991 and March 1997 without obtaining any bank guarantee/security. Against these advance payments, materials worth Rs.8.01 crore had not been received by the Department as of March 1997.

Monitoring of implementation of the Scheme was non-existent and impact of its implementation had also not been evaluated.

(Paragraph 4.1)

9. Material Management

According to General Financial Rules and Public Works Codes, the State Government reserves full right to procure all store materials for their Works Department. These powers can be exercised in full by the respective Heads of the Department viz., the Chief Engineers subject to approval of the Government. The powers delegated to Executive Engineers (EEs) in this regard had been withdrawn in December 1985. Custody and management of stores was, however, vested with the EEs within the over all control and administration of Chief Engineer. A review of management of stores in the Public Health Engineering Department revealed the following:

As of March 1997 all the 9 Divisions of the Department held an overall stock of materials worth Rs.17.14 crore in excess of sanctioned reserve stock limit of Rs.0.90 crore. Of these, four Divisions maintained excess stock worth Rs.26.34 crore over the sanctioned limits including one Division which held stores worth Rs.3.77 crore without having any sanctioned limits. Five Divisions exhibited a minus balance of Rs.8.50 crore.

Besides, value of stores worth Rs.15.61 crore had been debited to Miscellaneous Purchase Settlement suspense account (Rs.6.14 crore) and Miscellaneous Public Works Advances (Rs.9.47 crore) and kept outside stock

account due to fictitious debits and non-receipt of materials against advance payments.

There was extra expenditure of Rs.2.25 crore during 1996-97 on irregular payment of interest (Rs.2.14 crore) to four suppliers for delayed payment of their bills, additional charges for galvanisation of GI pipes (Rs.0.07 crore) and payment of suppliers' bills at higher rates (Rs.0.04 crore).

Stores valuing Rs.4.26 crore were lying in stock of the 4 Divisions test-checked since 1992 and stores of Rs.1.36 crore were lying idle in site accounts of 1 Division since 1987-88. Besides, 6 Divisions held surplus and unserviceable stores worth Rs.13.19 crore between September 1992 and April 1995.

Due to lack of internal controls and mismanagement of stores, materials worth Rs.0.91 crore were pilfered through fictitious accounting by Kohima, Mon and Dimapur Store Divisions. In addition short accounting for materials worth Rs.0.74 crore in stock and over all shortage of Rs.9.82 crore in ground balance of Kohima Division were also detected by Audit.

The Department sustained loss of Rs.8.51 crore due to misappropriation of stores (Rs.0.41 crore), theft of materials (Rs.0.31 crore) from work sites and irregular and injudicious disposal of stores (Rs.7.79 crore).

(Paragraph 5.5)

10. Purchase and sale of power

A review on "Sale and Purchase of power" brought out the following points:-

Transmission and distribution loss in excess of norms amounted to Rs.997.96 lakh on 80.54 MU during the period from 1991-92 to 1995-96. 5 divisions alone contributed 79.4 per cent of this loss of Rs.792.65 lakh.

Deficit of revenue realisable over revenue expenditure during 1992-96 (except for 1994-95) ranged between 31 to 71 percent.

Despite spending Rs.309.22 lakh on systems improvement, system loss (T&D loss) at various stages remained unchecked due to non-analysis of the efficiency of the Transmission and Distribution system.

While the undischarged liability of the Department as of March 1997 on account of purchase of power from the various agencies between 1991-92 and 1995-96 stood at Rs.717.37 lakh, excess payment of Rs.25.29 lakh made to ASEB through erroneous calculation had not been adjusted/ recovered.

During 7 months of 1995-97, the Department drew 6.296 MU of power against agreed minimum drawal of 8.4 MU from MeSEB resulting in an extra expenditure of Rs.42.07 lakh.

Rebate of Rs.19.64 lakh was lost by the department due to non-establishment of revolving letters of credit.

Interest of Rs.72.23 lakh on outstanding energy bills was neither levied nor collected.

The Department had not carried out periodical inspections of electrical installations and consumer meters. Thus, due to non-replacement of defective meters, the Department sustained loss of revenue of Rs.23.79 lakh.

There were abnormal delays in adjustment of depooling charges of Rs.591.62 lakh in the accounts of the Department, received from the PGCi between 1991-92 and 1995-96. Besides, Rs.117.62 lakh received on this account from PGCi between 1992 to 1995-96 had not been adjusted in accounts as of March 1997.

(Paragraph 6.6)

11. Nagaland Plantation Crops Development Corporation Limited

The Nagaland Plantation Crops Development Corporation Limited was set up in April 1981 with a view to cultivate cash crops and with an authorised share capital of Rs.500 lakh. The Company took up coffee plantations only and finally was wound up on 31 March 1992. A review of the working of the Company revealed that:-

The Government participation in the equity share capital of the Company was Rs.596.70 lakh which exceeded the authorised share capital by Rs.96.70 lakh.

The Company did not finalise its accounts since inception in 1981. As per the provisional accounts, the total accumulated loss of the Company stood at Rs.1218.02 lakh as on 31 March 1992. The liability of the Company stood at Rs.1137.42 lakh on account of equity shares (Rs.596.70 lakh) and on bank loans and interest thereon (Rs.540.72 lakh). Out of this, liability of Rs.522.35 lakh pertaining to three banks was liquidated by the Government.

Twenty-four coffee plantations were abandoned after incurring an expenditure of Rs.254.23 lakh while another 39 plantations (expenditure: Rs.820.13 lakh) were handed over in April 1994 to land owners without recovery of loans advanced to them (Rs.352.02 lakh). The total loss on these accounts was Rs.1074.36 lakh (excluding irrecoverable loans of Rs.352.02 lakh).

The Company was wound up by a Cabinet decision in violation of the provisions of the Companies Act, 1956 and no official liquidator has been appointed.

(Paragraph 8.4)

IV. Other points of interest

(a) Civil.

An amount of Rs.252.85 lakh drawn by the Joint Director, Irrigation and Flood Control through AC bills between March 1994 and March 1996 to renovate and upgrade 198 Minor Irrigation Projects and was deposited in Civil Deposits in the relevant month of drawals. Out of this, Rs.1 crore were diverted for procurement of sausage wire (Rs.25 lakh), stationery (Rs.1.06 lakh) and on payments to 15 VVIPs (Rs.61.75 lakh), 7 individuals (Rs.10.70 lakh) and to a Church (Rs.1 lakh) which was not permissible under the programme. The

Department had not furnished details as to how the balance amount of Rs.152.85 lakh was spent.

(Paragraph 3.3)

Failure to observe the prescribed procedure and Rules by 10 Treasuries resulted in fraudulent drawal of Rs.202.86 lakh on account of Pensionary benefits during the period from January 1995 to March 1997. Despite the matter having been pointed out in audit to the Chief Secretary and Director General of Police in June 1996, no action was taken to prevent such fraudulent drawals.

(Paragraph 3.5)

Training materials and equipment valuing Rs.103.56 lakh procured in December 1995 and June 1996 for upgradation of Industrial Training Institute, Mon were lying idle in stock due to non-construction of workshop and administrative buildings.

(Paragraph 3.6)

Against an admissible amount of Rs.50.85 lakh on account of sugarcane support price, the Director of Industries released Rs.126 lakh to Nagaland Sugar Mills Company Limited for the crushing year 1993-96 which resulted in an unauthorised excess release of subsidy amounting to Rs.75.15 lakh.

(Paragraph 3.8)

Director of Rural Development Blocks drew (September 1995) Rs.22.74 lakh under Rural Artisan Development Programme and kept the amount in current account with SBI, Kohima upto November 1995 without making any entry in the cash book. However, 758 tool kits were purchased in December 1995 for Rs.23.24 lakh which were lying unutilised as of January 1998 due to non-selection of beneficiaries.

(Paragraph 3.11)

'District Planning Officer, Kohima had drawn Rs.31.80 lakh in two AC bills in November 1994 (Rs.18.50 lakh) and December 1995 (Rs.13.30 lakh) for purchase of sports goods and blankets to be distributed among poor, old aged and widows under the District Plan Scheme' during the years 1994-95 and 1995-96. Instead of selecting the beneficiaries and purchasing of above articles, the whole amount of Rs.31.80 lakh was paid to 5 individuals. No records/detailed accounts in support of the expenditure/distribution of the envisaged goods to the beneficiaries were produced to Audit indicating doubtful expenditure of Rs.31.80 lakh.

(Paragraph 3.14)

The Director of Health Services paid, between March and December 1995, Rs.8.18 lakh on procurement of medicine, chemicals, nursing sundries and equipment receipt of which was neither substantiated by supporting records nor were the materials accounted for in stock.

(Paragraph 3.16)

The Director of Health Services had incurred an excess expenditure of Rs.7.17 lakh during the years 1991-94 for transportation of DDT due to non-acceptance of lowest tendered rate.

(Paragraph 3.17)

Before finalisation of the site for construction of 20 quarters and barracks for the District Executive Force at an estimated cost of Rs.3 crore at Dimapur, Government obtained a loan of Rs.3 crore from the Life Insurance Corporation Housing Finance Limited in February 1994. Due to delays in selection of site, the Project Engineer, Police Engineering Project, Chumukedima awarded construction of 16 buildings in February 1996. The work stipulated to be completed by August 1996 had remained incomplete as of November 1997 due to delayed release/short release of funds by the Government. Though no productive asset had been created, as of March 1997, the Government had paid interest of Rs.1.52 crore on the borrowed capital. Besides, the Project Engineer had unauthorisedly kept Rs.1 crore in a Bank account for a period of 4 months. Amount of interest earned, if any, on the deposits with bank was not intimated.

(Paragraph 4.3)

Out of Rs.30 lakh sanctioned for "renovation and improvement of 55 Hill type buildings located at Police Engineering Project, Chumukedima", Project Engineer unauthorisedly diverted Rs.20.94 lakh towards clearing of pending liabilities relating to other works without furnishing any details and supporting documents/vouchers. The Project Engineer could not furnish details of expenditure of Rs.5.01 lakh adjusted against sanctioned work.

(Paragraph 4.4)

Project Engineer, Police Engineering Project, Chumukedima at the instance of Director General of Police and Chief Secretary procured building materials worth Rs.8 lakh in violation of the delegated powers by splitting the supply order. The Project Engineer could not substantiate actual receipt and proper utilisation of the materials.

(Paragraph 4.5)

Though the Executive Engineer, Civil Administration Works Division, Kohima had drawn (March 1996) Rs.140.58 lakh and charged the same as final expenditure, only Rs.41.60 lakh were disbursed to contractors and suppliers by March 1996. The unspent balance of Rs.98.98 lakh was, however, kept outside the Government account.

(Paragraph 4.10)

For construction of a three storey office building-cum-court room for Deputy Commissioner (Judicial) at Dimapur, Executive Engineer, Civil Administration Works Division, Kohima made an excess payment of Rs.13.85 lakh to the contractor due to inflated measurement of plinth area of the building. Besides, Departmental charges of Rs.7.31 lakh had also not been levied and recovered from the Law and Justice Department on whose behalf the work was executed as a deposit work.

(Paragraph 4.11)

Due to poor planning, injudicious selection of site coupled with allowance of unrealistic and arbitrary price escalation in the construction of office building of the Chief Engineer (Housing) at Kohima, the Department incurred an extra expenditure of Rs.98.29 lakh. Besides, the contractor was allowed undue financial benefit of Rs.8 lakh in the form of unsecured mobilisation advance.

(Paragraph 4.12)

The Executive Engineer, Central Division (Housing), Kohima spent Rs.19.90 lakh on procurement of building materials and road metal between March 1992 and March 1993 without observing codal procedure. Besides, the Divisional officer could not produce records in support of receipt and utilisation of the materials procured.

(Paragraph 4.13)

Mechanical Engineer, Mechanical Division II incurred a nugatory expenditure of Rs.27.56 lakh on engagement of 24 work charged staff against 3 Bulldozers, 8 Road-rollers and 3 Stone crushers which were either off road or declared condemned.

(Paragraph 4.14)

Executive Engineer, Public Works Division (Roads and Bridges), Atoizu fraudulently refunded (September/October 1994) Rs.11.81 lakh on account of security deposits to 114 fictitious contractors/suppliers without establishing the genuineness of original deposits made by them, the nature of works executed and status of works done.

(Paragraph 4.15)

Due to non-compliance of Government orders for engagement of police escort during disbursement of salary, an amount of Rs.2.05 lakh was looted from the office of the Mechanical Division I, Kohima in April 1994 by some unidentified gunmen. The police investigation report as well as the report of the inquiry committee constituted in August 1994 was awaited as of January 1998.

(Paragraph 4.16)

(b) Revenue Receipt

Revision of norms/modalities by Government for fixation/calculation of forest royalty payable by saw/veneer/plywood mills from 1994-95 timber year resulted in loss of revenue of Rs.62.15 lakh from 17 mills under the Divisional Forest Officer, Kohima Division.

(Paragraph 6.7)

Due to under assessment made by Divisional Forest Officer, Kohima Division in violation of Government order coupled with irregular exceptions granted to mill owners from payment of fixed amount of annual forest royalty on the plea of non-functioning of the mills for certain period in a year, resulted in loss of revenue of Rs.22.40 lakh to Government.

(Paragraph 6.8)

Due to non-enforcement of Government order affecting realisation of tax at source on works contract, the Government sustained loss of revenue of Rs.27.39 lakh from contractors of two Public Works Divisions.

(Paragraph 6.10)

Government revenue of Rs.1.93 lakh was misappropriated by two collecting officials. No action was taken against one of the erring officials.

(Paragraph 6.11)

(c) Commercial and Trading Activities

There were five Government Companies and 9 departmentally managed Government Commercial and quasi-commercial undertakings in the State as on 31 March 1997. The aggregate paid up capital of five companies was Rs.21.10 crore of which Rs.15.72 crore was invested by the State Government and Rs.5.38 crore by others.

(Paragraph 8.2.1 and 8.3.1)

The State Government had guaranteed the repayment of loans and payment of interest thereon raised by one company. The amount guaranteed and outstanding thereagainst as on 31 March 1997 was Rs.1.22 crore in each case.

(Paragraph 8.2.2)

None of the companies had finalised their accounts for the year 1996-97. The extent of arrears ranged from 12 to 19 years. Proforma accounts of all the departmentally managed Government commercial and quasi-commercial undertakings were in arrears ranging from 1 year to 25 years.

(Paragraph 8.2.3 and 8.3.2)

CHAPTER I

ACCOUNTS OF THE STATE GOVERNMENT

1.1 Introduction

1.1.1 Structure of the Government Accounts

The accounts of the State Government are kept in three parts viz. (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part - I Consolidated Fund

All receipts of the State Government from revenues, loans and recoveries of loans go into the Consolidated Fund of the State, constituted under Article 266 (1) of the Constitution of India. All expenditure of the Government is incurred from this Fund and no amount can be withdrawn from the Fund without authorisation from the State Legislature. It consists of two main divisions, namely Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Capital Receipts, Capital Expenditure, Public Debt and Loans, etc.).

Part-II Contingency Fund

The Contingency Fund created under Article 267 (2) of the Constitution of India is in the nature of imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorisation from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund as authorised by the Legislature at the end of the year 1996-97 was Rs. 0.35 crore.

Part-III Public Account

Receipts and Disbursements in respect of Small Savings, Provident Funds, Deposits, Reserve Funds, Suspense, Remittances, etc, which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

CHAPTER I ACCOUNT OF THE STATE GOVERNMENT

ART. I. OF THE CONSTITUTION

SECTION 1. OF THE LEGISLATIVE POWER

The legislative power shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.

Section 2. The House of Representatives shall be composed of Members chosen every second Year by the People of the several States, and the Electors in each State shall have the Qualifications requisite for Electors of the most numerous Branch of the State Legislature.

Section 3. The Senate of the United States shall be composed of two Senators from each State, chosen by the Legislature thereof, for six Years; and each Senator shall have the Qualifications requisite for Senators of the most numerous Branch of the State Legislature.

Section 4. The House of Representatives shall elect their Speaker and other Officers; and shall have the sole Power of Impeachment.

Section 5. The Senate shall elect their President and other Officers; and shall have the sole Power to try all Impeachments. When sitting for that Purpose, they shall be on Oath or Affirmation.

Section 6. The Congress shall assemble at least once in every Year, and such Meeting shall be held on the first Monday in December, unless they shall by Law appoint another Day.

Section 7. All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as to the Form of any Bill.

Section 8. The Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States.

Section 9. The Congress shall have Power to borrow Money on the Credit of the United States, to regulate Commerce with foreign Nations, to regulate Commerce among the several States, and to regulate Commerce with the Indian Tribes.

Section 10. No State shall enter into any Treaty, Alliance, or Confederation with any foreign Nation, or State, or enter into any Agreement or Compact with any foreign Nation, or State, or enter into any Agreement or Compact with any foreign Nation, or State, or enter into any Agreement or Compact with any foreign Nation, or State.

Section 11. The Congress shall have Power to declare War, to issue Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 12. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 13. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 14. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 15. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 16. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 17. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 18. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 19. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 20. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 21. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 22. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 23. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 24. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 25. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 26. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 27. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

Section 28. The Congress shall have Power to grant Letters of Marque and Reprisal, and to make Rules concerning Captives on Land and Water.

1.1.2 Annual Accounts

The accounts of the State Government are compiled annually by the Sr. Deputy Accountant General (Accounts and Entitlement), Nagaland. These are prepared in two volumes viz., the Finance Accounts and Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts on the other hand, present the details of amounts actually spent by the State Government vis-a-vis the amounts authorised by the State Legislature in the budget grants. Any expenditure in excess of the authorised grants requires regularisation by the Legislature under Article 205 of the Constitution of India.

1.1.3 Audit Report

The Finance accounts and the Appropriation Accounts as well as various transactions in these accounts are audited by the Comptroller and Auditor General of India (CAG) in accordance with CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG certifies the Accounts and also submits separate Audit Reports to the Governor of the State in terms of Article 151 of the Constitution of India.

1.2 Summarised financial position

The financial position of the Government of Nagaland as on 31 March 1997, emerging from the Appropriation Accounts and the Finance Accounts for the year 1996-97 supplemented by the additional information collected separately and the abstracts of Receipts and Disbursements for the year is given in the following statements.

STATE

Financial position of the Government

Amount as on 31.3.1996 (Rupees in crore)	Liabilities	Amount as on 31.3.1997 (Rupees in crore)
342.00	<i>Internal Debt excluding overdrafts</i>	386.16
240.54	<i>Loans and Advances from Central Government</i>	264.68
	(i) Non-Plan loans 52.76	
	(ii) Loans for State Plan Schemes 154.65	
	(iii) Loans for Central Plan Schemes 1.64	
	(iv) Loans for Centrally Sponsored Plan Schemes 5.66	
	(v) Loans for Special Schemes 4.14	
	(vi) Pre-1984-85 loans 45.83	
0.35	<i>Contingency Fund</i>	0.35
236.98	<i>Small Savings, Provident Fund, etc.</i>	279.52
3.24	<i>Reserve Fund</i>	2.37
28.16	<i>Deposits</i>	22.23
-	<i>Overdrafts</i>	--
	<i>Remittance balances</i>	5.62
322.15	<i>Surplus on Government Account</i>	
	(i) Accumulated surplus upto 31st March 1996 322.15	329.97
	(ii) Add surplus of current year 7.82	
1173.42		1290.90

Differs from previous year's figure by Rs.0.01 crore due to rounding.

MENT - I

of Nagaland as on 31st March 1997

Amount as on 31.3.1996 (Rupees in crore)	Assets	Amount as on 31.3.1997 (Rupees in crore)
1162.02	<i>Gross Capital Outlay on fixed assets</i>	1296.63
	Investment un share capital of Public sector Companies/ Corporations, and cooperatives etc. 35.61	
	Other Capital Outlay 1261.02	
27.24	<i>Loans and Advances</i>	
	Development Loans 36.03	
	Loans to Govt. Servants 1.49	37.52
1.54	<i>Other Civil Advances</i>	1.62
21.09	<i>Suspense and Miscellaneous Balances</i>	55.70
1.51	<i>Remittance Balances</i>	---
(-) 39.98	<i>Cash Balance</i>	(-) 100.57
	(i) Cash in Treasuries and Local Remittances 0.14	
	(ii) Deposit with Reserve Bank (-) 133.18 ^(a)	
	(iii) Departmental Cash Balances including Permanent Advances 18.74	
	(iv) Cash balance investment 8.81	
	(v) Investment of earmarked funds 4.92	
1173.42		1290.90

^(a) Minus balance (as per accounts) represents excess cash outgo of the State Government over the resources from all sources with the Reserve Bank of India. This balance was arrived at after taking into account all monetary settlements as intimated by the RBI and other accounting circles.

STATE

Abstract of receipts and

SECTION 'A' -

(Rupees in crore)

RECEIPTS		
I.	REVENUE RECEIPTS	855.13
(i)	Tax revenue	32.59
(ii)	Non-tax revenue	33.45
(iii)	State's share of Union Taxes	274.75
(iv)	Non-Plan Grants	198.41
(v)	Grants for State Plan Schemes	265.79
(vi)	Grants for Central Plan Schemes	12.62
(vii)	Grants for Central and Centrally Sponsored Plan Schemes	34.64
(viii)	Special Plan Schemes	2.88
II.	REVENUE DEFICIT CARRIED OVER TO SECTION 'B'	---
		855.13

MENT II

disbursements for the year 1996-97.

REVENUE

(Rupees in crore)

DISBURSEMENTS				
I.	REVENUE EXPENDITURE SECTOR			847.31
		<u>Non-plan</u>	<u>Plan</u>	<u>Total</u>
i)	General Services	350.94	1.96	352.90
ii)	Social Services	195.01	47.56	242.57
iii)	Agriculture and Allied Activities	38.17	34.85	73.02
iv)	Rural Development	4.20	34.86	39.06
v)	Special Area Programme	1.02	4.44	5.46
vi)	Irrigation and Flood Control	5.34	2.83	8.17
vii)	Energy	32.81	0.22	33.03
viii)	Industry and Minerals	11.62	9.49	21.11
ix)	Transport	29.78	0.52	30.30
x)	Science, Technology and Environment	0.05	0.31	0.36
xi)	Other General Economic Services	5.93	35.40	41.33
		674.87	172.44	847.31
II.	REVENUE SURPLUS CARRIED OVER TO SECTION 'B'			7.82
				855.13

SECTION 'B' -

(Rupees in crore)

RECEIPTS

III.	OPENING CASH BALANCE INCLUDING PERMANENT ADVANCES AND CASH BALANCE INVESTMENT		(-) 39.98
IV.	RECOVERIES OF LOANS AND ADVANCES		4.08
(i)	From Government Servants	0.78	
(ii)	From others	<u>3.30</u>	

OTHERS

(Rupees in crore)

DISBURSEMENTS			
III.	CAPITAL OUTLAY SECTOR		134.61
		<u>Non-Plan</u>	<u>Plan</u> <u>Total</u>
	(i) General Services	---	13.13 13.13
	(ii) Social Services	---	57.09 57.09
	(iii) Agriculture and Allied Activities	2.23	5.63 7.86
	(iv) Rural Development	---	0.50 0.50
	(v) Special Area Programme	---	0.38 0.38
	(vi) Energy	---	30.55 30.55
	(vii) Industry and Minerals	---	4.92 4.92
	(viii) Transport	---	20.18 20.18
		2.23	132.38 134.61
IV.	LOANS AND ADVANCES DISBURSED		14.36
	(i) To Government Servants		1.08
	(ii) To others		13.28
V.	TRANSFER TO CONTINGENCY FUND		...

SECTION 'B' -

(Rupees in crore)

RECEIPTS

V.	APPROPRIATION FROM CONSOLIDATED FUND	--
VI.	REVENUE SURPLUS BROUGHT DOWN	7.82
VII.	PUBLIC DEBT RECEIPTS	112.29
	(i) Internal Debt other than Ways and Means Advances and Overdrafts	63.54
	(ii) Ways and Means Advances (excluding overdrafts)	13.00
	(iii) Loans and advances from the Central Government	<u>35.75</u>
VIII.	PUBLIC ACCOUNT RECEIPTS	367.24
	(i) Small Savings and Provident Funds	69.07
	(ii) Reserve Fund	---
	(iii) Deposits and Advances	36.04
	(iv) Suspense and Miscellaneous	11.68
	(v) Remittances	<u>250.45</u>
		<u>451.45</u>

OTHERS (Concl'd.)

(Rupees in crore)

DISBURSEMENTS		
VI.	REVENUE DEFICIT BROUGHT DOWN	---
VII.	REPAYMENT OF PUBLIC DEBT	43.99
	(i) Internal Debt other than Ways and Means Advances and Overdrafts	19.37
	(ii) Ways and Means Advances excluding overdrafts	13.00
	(iii) Repayment of Loans and Advances to Central Govern- ment	<u>11.62</u>
VIII.	PUBLIC ACCOUNT DISBURSEMENT	359.06
	(i) Small Savings and Provident Funds	26.53
	(ii) Reserve Fund	0.87
	(iii) Deposits and Advances	42.05
	(iv) Suspense and Miscellaneous	46.29
	(v) Remittances	<u>243.32</u>
IX.	CASH BALANCE AT END	(-) 100.57
	(i) Cash in Treas- uries and local remittance	0.14
	(ii) Deposit with Reserve Bank	(-) 133.18
	(iii) Departmental cash balances including Permanent Advances	18.74
	(iv) Cash balance Investment	8.81
	(v) Investment of earmarked funds	<u>4.92</u>
		<u>451.45</u>

STATE

Sources and application of

Sources		(Rupees in crore)
1.	Revenue receipts	855.13
2.	Recoveries from Loans and Advances	4.08
3.	Increase in Public Debt excluding overdraft	68.30
4.	Net receipts from Public Account	8.18
	(i) Increase in Small Savings, Provident Fund etc.	42.54
	(ii) Effect of Deposits and Advances	(-) 6.01
	(iii) Decrease in Reserve Funds	(-) 0.87
	(iv) Effect of Suspense Balances	(-) 34.61
	(v) Effect of Remittance Balance	7.13
5.	Reduction in closing balance	60.59
Total		996.28

MENT - III

funds for 1996-97

Application		(Rupees in crore)
1.	Revenue expenditure	847.31
2.	Lending for development and other purposes	14.36
3.	Capital expenditure	134.61
		996.28

EXPLANATORY NOTES

1. The summarised financial statements are based on the Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit had been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts.
3. The capital outlay represents capital expenditure booked in the accounts.
4. Although a part of revenue expenditure (grants) and the loans are used by the recipients for capital formation, its classification in the Government accounts remains unaffected by end use.
5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 1982 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1982-83 which took the place of balance sheet. The current figure as on 31 March 1997 was Rs.329.98 crore after accounting for the net increase of Rs.7.82 crore during 1996-97.
6. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements. The balance under Suspense and Miscellaneous had increased from Rs.21.09 crore as on 31 March 1996 to Rs.55.70 crore as on 31 March 1997.
7. The closing cash balance as reported by the Reserve Bank of India was Rs.89.88 crore (debit) against the general cash balance of Rs.133.18 crore (debit) shown in the accounts. The difference of Rs.43.29 crore (debit) as on 31.3.1997 was under reconciliation (January 1998).

Based on these statements and other supporting data the following paragraphs in this chapter present an analysis of the management of the finances of the State Government during 1996-97 relating it to the position obtaining in the preceding four years.

1.3.1 Assets and liabilities of the State

The assets comprising capital investments, loans and advances and the total liabilities of the State Government during the last five years were as under:-

Year	Assets	Liabilities
	(Rupees in crore)	
1992-93	926.19	578.21
1993-94	977.63	589.34
1994-95	1114.24	691.39
1995-96	1173.42	851.26
1996-97	1290.90	960.93

While the assets of the State Government had increased from Rs.926.19 crore in 1992-93 to Rs.1290.90 crore (39 per cent) in 1996-97, the liabilities increased from Rs.578.21 crore to Rs.960.93 crore (66 per cent) during the same period.

1.3.2 Financial position of the State

(i) Financial position of the State Government during 1996-97 as emerged from the Finance Accounts revealed that revenue receipts of the State Government were Rs.855.13 crore against which revenue expenditure was Rs.847.31 crore, thus resulting in a Revenue surplus of Rs.7.82 crore constituting 1 (one) *per cent* of the revenue receipts.

(ii) The revenue receipts of the State Government comprised tax revenue (Rs.32.59 crore), non-tax revenue (Rs.33.45 crore), State's share of Union taxes and duties (Rs.274.75 crore) and grants-in-aid from the Central Government (Rs.514.34 crore). The main sources of tax revenue were Sales tax (2 *per cent*), Stamps and Registration fees (1 *per cent*) and Non-tax revenue came mainly from Power (2 *per cent*), Miscellaneous General services (1 *per cent*).

(iii) The revenue expenditure of Rs.847.31 crore was on General Services (42 *per cent*), Social Services (29 *per cent*) and Economic Services (30 *per cent*).

(iv) The capital expenditure of the State Government was Rs.134.61 crore which was distributed among General Services (10 *per cent*), Social Services (42 *per cent*) and Economic Services (48 *per cent*).

(v) The Public Debt of the State Government increased by Rs.68.30 crore during 1996-97 thereby pushing up the burden of interest payment and servicing of debt. The interest payments (Rs.90.20 crore) constituted 11 *per cent* of the revenue expenditure of the State.

1.3.3 Consolidated Fund

The receipts and expenditure under the Consolidated Fund of the State for 1996-97 alongwith previous financial year were as under:-

(Rupees in crore)

1995-96	Receipts	1996-97		1995-96	Expenditure	1996-97
Revenue Accounts						
733.79	Revenue Receipts	855.13		834.48	Revenue Expenditure	847.31
100.69	Deficit	---		---	Revenue Surplus	7.82
834.48	Total	855.13		834.48	Total	855.13
Capital Accounts						
---	Capital Receipts	---		101.41	Capital Expenditure	134.61
8.57	Recoveries of Loans and Advances	4.08		9.20	Loans and Advances disbursed	14.36
100.98	Receipts booked as Public Debt	112.29		27.37	Repayment of Public Debt	43.99
28.43	Capital Deficit	76.59		---	Capital Surplus	---
137.98	Total	192.96		137.98	Total	192.96
129.12	Deficit in Consolidated Fund	68.77				

Receipts in the Consolidated Fund of State increased from Rs.843.34 crore in 1995-96 to Rs.971.50 crore in 1996-97 which recorded an increase of 15 *per cent*. The Public Debt Receipts (borrowed funds) during 1996-97 constituted 12 *per cent* of the receipts in the Consolidated Fund. Under Article 293 (1) of the

Constitution of India, a State may borrow within the territory of India, upon the security of the Consolidated Fund of the State within such limits, if any, as may from time to time be fixed by an Act of the Legislature of the State. In Nagaland no law has so far been passed by the State Legislature laying down any such limit.

Net deficit in Consolidated Fund of the State stood at Rs.68.77 crore in 1996-97 which indicated a decrease of 47 *per cent* over the previous year.

1.4 Revenue receipts

1.4.1 Trend of revenue receipts during the period of five years (1992-97) was as under:-

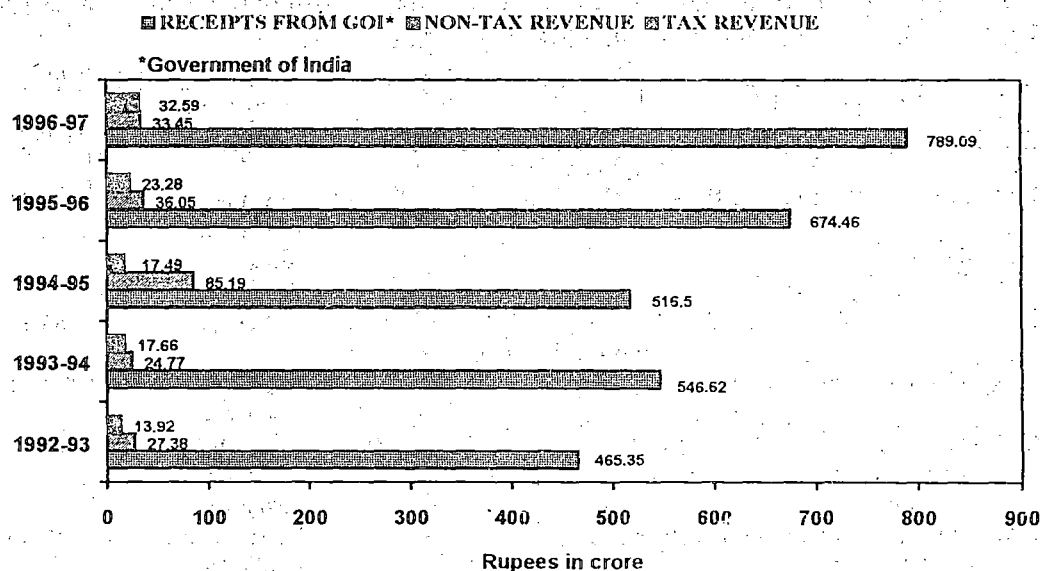
Year	Budget Estimates	Actual Revenue Receipts	Increase (+)/Decrease (-) over the previous year	Percentage of increase (+)/Decrease (-)
(Rupees in crore)				
1992-93	514.20	506.65	(+) 40.12	(+) 9
1993-94	632.44	589.05	(+) 82.40	(+)16
1994-95	630.96	619.18	(+) 30.13	(+) 5
1995-96	781.08	733.79	(+)114.61	(+)19
1996-97	873.98	855.13	(+)121.34	(+)17

Revenue receipts increased from Rs.506.65 crore in 1992-93 to Rs.855.13 crore in 1996-97 which constituted an increase of 69 *per cent*.

Reasons for variations in actual revenue receipts compared to the budget estimates have not been intimated (January 1998).

REVENUE RECEIPTS

(Reference Paragraph 1.4)



1.4.2 Tax revenue

The growth of Tax Revenue mobilised by the State Government during the last five years (1992-97) was as under:-

Year	Budget Estimates	Tax Revenue	Percentage of increase (+)/ decrease (-) over the previous year	Percentage with reference to revenue receipts
(Rupees in crore)				
1992-93	17.38	13.92	(-) 17	3
1993-94	18.25	17.66	(+) 27	3
1994-95	19.30	17.49	(-) 01	3
1995-96	20.80	23.28	(+) 33	3
1996-97	31.35	32.59	(+) 40	4

Tax revenue increased from Rs.23.28 crore in 1995-96 to Rs.32.59 crore in 1996-97 registering an increase of 40 *per cent*.

While the collection of tax revenue fell short of budget estimates during the period 1992-95, it exceeded the budget estimates in 1995-96 and 1996-97.

1.4.3 Non-tax revenue

The growth/decline of Non-Tax Revenue during the last five years was as under:-

Year	Budget Estimates	Non-Tax Revenue	Percentage of increase (+)/ decrease (-) over the previous year	Percentage with reference to revenue receipts
(Rupees in crore)				
1992-93	27.23	27.38	(-) 15	5
1993-94	23.92	24.77	(-) 10	4
1994-95	67.86	85.19	(+) 244	14
1995-96	34.10	36.05	(-) 58	5
1996-97	41.03	33.45	(-) 7	4

Non-tax revenue had shown a declining trend in 1996-97 against the growth of 244 *per cent* in 1994-95 over 1993-94, non-tax revenue decreased by 7 *per cent* in 1996-97 over 1995-96. It also fell short of budget estimate (Rs.41.03 crore) by Rs.7.58 crore in 1996-97 which constituted shortfall of 18 *per cent*. However, it increased from Rs.27.38 crore in 1992-93 to Rs.33.45 crore in 1996-97 which constituted an increase of 22 *per cent* over a period of 5 years.

1.4.4 States' share of Union taxes and duties and grants-in-aid from the Central Government

Trend of State's share of Union taxes and duties and the Central grants-in-aid for the last five years was as under:-

Year	State's share of		Grants-in-aid from Central Government.	Total	Percentage of total receipts from Central Government to total revenue expenditure.
	Net proceeds of taxes on income other than corporation tax.	Union Excise Duties			
	(Rupees in crore)				
1992-93	5.83	167.12	292.40	465.35	116
1993-94	7.41	166.98	372.23	546.62	100
1994-95	8.22	187.51	320.77	516.50	88
1995-96	20.05	166.05	488.36	674.46	81
1996-97	24.51	250.24	514.34	789.09	93

The aggregate of State's share of Income Tax, Union Excise Duties and Grants from the Central Government during the year 1996-97 was 93 *per cent* of the revenue expenditure against 81 *per cent* during the year 1995-96. However, it increased from Rs.465.35 crore in 1992-93 to Rs.789.09 crore in 1996-97 registering an increase of 70 *per cent*.

1.4.5 Arrears of revenue

In order to assess the position in audit, information regarding arrears in collection of revenue at the end of March 1997 in respect of Nagaland Sales Tax, Central Sales Tax etc. were called for (April 1997) from the Commissioner of Taxes, Government of Nagaland. Such information had not, however, been made available to audit (January 1998).

1.5 Revenue expenditure

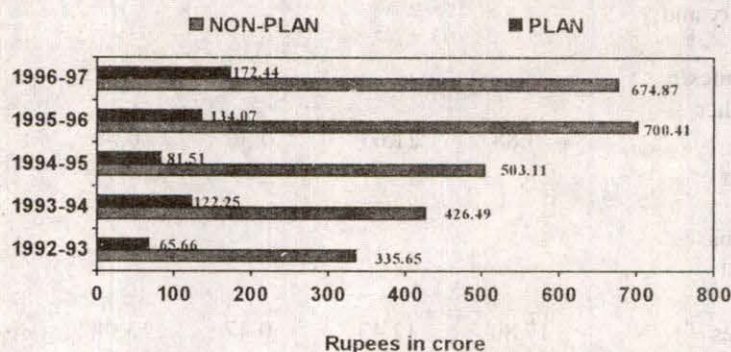
Trend of revenue expenditure of the State during the five year period ending 1996-97 was as under:-

Year	Budget Estimates			Actuals			Percentage of Increase (+)/ decrease (-) over the previous year
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	
	(Rupees in crore)						
1992-93	181.59	380.39	561.98	65.66	335.65	401.31	(-) 16.72
1993-94	164.03	520.81	684.84	122.25	426.49	548.74	36.74
1994-95	150.94	498.77	649.71	81.51	503.11	584.62	6.54
1995-96	153.19	707.42	860.61	134.07	700.41	834.48	42.74
1996-97	181.17	689.80	870.97	172.44	674.87	847.31	1.54

The aggregate of Revenue expenditure increased from Rs.401.31 crore during the year 1992-93 to Rs.847.31 crore in 1996-97 registering an increase of 111 per cent. As compared to 1992-93, non-plan and plan expenditure during 1996-97 had increased by Rs.339.22 crore (101 per cent) and Rs.106.78 crore (163 per cent)

GROWTH OF REVENUE EXPENDITURE

(Reference: Paragraph 1.5)



1.5.1 Interest payments

Trend of interest payments during the last five years was as under:-

Year	Interest paid on				Total	Percentage of interest payments with reference to Tax Revenue
	Internal Debt	Loans received from the Central Government	Small savings, Provident funds etc.	Ways and means advances		
	(Rupees in crore)					
1992-93	14.54	18.67	9.08	1.78	44.07	317
1993-94	21.84	20.03	7.71	5.61	55.19	313
1994-95	34.36	21.94	11.89	(-) 0.98*	67.21	384
1995-96	38.80	24.62	21.69	---	85.11	366
1996-97	45.01	27.11	18.08	---	90.20	277

Total interest payments increased from Rs.85.11 crore in 1995-96 to Rs.90.20 crore in 1996-97 which constituted 11 per cent of the revenue expenditure (Rs.847.31 crore). The percentage growth of revenue expenditure from the year 1992-93 to 1996-97 was 111 per cent. On the other hand the percentage of interest payments grew by 105 per cent over the same period.

Excess interest charged during 1993-94 has been adjusted by the Ministry of Finance, Government of India.

1.5.2 Financial assistance to local bodies and others

The quantum of assistance provided to different local bodies in the last five years is given below:-

	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in crore)				
I. Assistance to Non-Government Primary and Secondary Schools, Colleges and Institutes, Universities and other higher education	3.88	21.63	0.36	0.09	0.25
II. Assistance to local bodies, Corporations, Urban development authorities, Town improvement bodies	17.80	12.43	0.47	3.08	16.89
III. Assistance to Co-operative Societies and Co-operative institutions	0.16	0.97	0.07	1.45	1.24
IV. Other Institutions and bodies	1.71	4.27	1.71	3.99	4.12
Total	23.55	39.30	2.61	8.61	22.50
V. Percentage of increase/decrease over previous year	76	67	(-) 93	230	161
VI. Revenue receipts (Tax and Non-Tax) (Rupees in crore)	41.30	42.43	102.68	59.33	66.04
VII. Percentage of assistance to revenue receipts (Tax and Non-Tax)	57	93	3	15	34
VIII. Revenue expenditure (Rupees in crore)	401.31	548.74	584.62	834.48	847.31
IX. Percentage of assistance to revenue expenditure	6	7	0.4	1	3

Assistance during the year 1996-97 has decreased by 6 per cent over the level of 1992-93.

1.5.3(i) Loans and advances by the State Government

The State Government has been advancing loans mainly to Government Companies, Corporations, Autonomous Bodies, Co-operatives, Government servants, etc. for development and non-developmental activities. The position of such loans advanced and recoveries made therefrom during the five years from 1992-93 to 1996-97 is given below:-

	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in crore)				
Opening balance	20.84	21.65	22.62	26.61	27.24
Amount advanced during the year	7.34	8.26	8.63	9.20	14.36
Amount repaid during the year	6.53	7.29	4.64	8.57	4.08
Closing balance	21.65	22.62	26.61	27.24	37.52
Net addition	0.81	0.97	3.99	0.63	10.28
Interest received and credited to revenue	0.27	0.25	0.22	0.58	0.19
Net receipt under Public debt	55.18	(-) 8.04	43.39	73.61	68.30

The net loans and advances disbursed during 1992-93, 1993-94, 1994-95, 1995-96 and 1996-97 were Rs.0.81 crore, Rs.0.97 crore, Rs.3.99 crore, Rs.0.63 crore and Rs.10.28 crore constituting 2, (-) 12, 9, 1 and 15 *per cent* respectively of the net receipts of the Public Debt of the State Government.

1.5.3(ii) Recoveries of loans and advances in arrears

(a) In respect of loans the detailed accounts of which are maintained by the departmental officers information about the arrears in recovery (principal as well as interest) of loans as on 31 March 1997 was not received from the departmental authorities and the controlling officers who were required to furnish to the Sr. Deputy Accountant General (Accounts and Entitlements) a statement showing the details of arrears in recovery of loan instalments and interest by June every year. Inspite of persistent pursuance, the information was awaited (January 1998) from the Finance Department of the Government.

(b) In respect of loans and advances, the detailed accounts of which are maintained by the Sr. Deputy Accountant General (Accounts and Entitlements), the amount of loans outstanding at the end of 1996-97 was Rs.1.49 crore.

1.6 Capital expenditure

1.6.1 Assets are created mostly out of capital expenditure. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government (i.e. Public Sector Undertakings (PSUs), Corporations, etc.) and loans and advances. Trend of capital expenditure for the last five years was as under:-

Year	Budget Estimates	Capital expenditure			Percentage of increase (+)/ decrease (-) over the previous year	Percentage of capital expenditure with reference to total expenditure
		Plan	Non-Plan	Total		
		(Rupees in crore)				
1992-93	144.33	78.46	0.82	79.28	(-) 18	16
1993-94	126.66	91.95	4.22	96.17	(+) 21	14
1994-95	222.86	44.89	(-) 0.82	44.07	(-) 54	07
1995-96	168.05	97.67	3.74	101.41	(+) 130	11
1996-97	212.74	132.38	2.23	134.61	(+) 33	14

Capital expenditure increased from Rs.79.28 crore in 1992-93 to Rs.134.61 crore in 1996-97 indicating an increase of 70 *per cent* over a span of 5 years.

The budget estimates of the capital expenditure was unrealistic as the actual expenditure consistently fell short of the budget estimates during the last 5 years. It fell short by 37 *per cent* in 1996-97.

1.6.2 Investments and returns

In 1996-97, Government invested Rs.3.52 crore in the share capital of statutory Corporations (Rs.1.46 crore) and other Co-operative Societies (2.06 crore) with which the total investment at the end of March 1997 stood at Rs.35.61 crore. Besides, long term loans of Rs.30.79 crore advanced by the State Government to the Government Companies (Rs.16.74 crore) and Cooperative Societies (Rs.14.05 crore) were outstanding as of March 1997. A sum of Rs.0.71 crore was received as interest during the year 1996-97 from the Government Companies. Similar information in respect of Co-operative Societies are awaited (January 1998).

Investments of Government in the share capital of different concerns at the end of 1992-93, 1993-94, 1994-95, 1995-96 and 1996-97 were Rs.29.44 crore, Rs.30.63 crore, Rs.30.75 crore, Rs.32.09 and Rs.35.61 crore respectively. The dividend received therefrom was Rs.12,994 only in 1992-93. No dividend was received during 1993-94. Information regarding the amount of dividend received during the years 1994-95, 1995-96 and 1996-97 was awaited from the Government (January 1998).

The State had 5 Government Companies. Accounts of all the 5 Companies were in arrears for period ranging between 12 and 19 years. One Company had not rendered the accounts since its incorporation in May 1981. The cumulative loss in respect of the above 5 companies (Government investment upto March 1997 Rs.37.84^(a) crore including Rs.16.74 crore as long term loans) was Rs.34.05 crore as on the date of finalisation of the respective accounts by these

* This is as per Finance Accounts 1995-96.

^(a) This differs from the figures appearing in the Finance Accounts by Rs.6.02 crore due to exclusion of investment of Rs.6.33 crore made in Nagaland Pulp and Paper Company Ltd. Which remains to be incorporated as of 31 March 1997 and inclusion of discrepant investment of Rs.0.31 crore reported by Companies but not appearing in the Finance Accounts. The difference is under reconciliation (January 1998).

companies. A more detailed account of working of Public Sector Undertaking is given in Chapter-VIII of this Report.

1.7 Surplus/Deficit

1.7.1 Fiscal surplus/deficit

The fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received).

The trend of fiscal deficit for the last five years was as under:-

Year	Fiscal deficit (-)/surplus (+) (Rupees in crore)
1992-93	(+) 25.25
1993-94	(-) 56.83
1994-95	(-) 13.50
1995-96	(-) 202.73
1996-97	(-) 137.07

The State had a fiscal surplus of 25.25 crore in 1992-93 but ended with a fiscal deficit of Rs.137.07 crore during the year 1996-97 indicating a deterioration of 543 *per cent* in the fiscal position of the State over a period of 5 years. The deterioration occurred mainly due to (i) disbursement of more loans and advances (96 *per cent*) than the recoveries made (62 *per cent*), (ii) increase in Revenue expenditure by 111 *per cent* against the increase of 69 *per cent* under revenue receipts; (iii) increase of Rs.55.33 crore (70 *per cent*) in capital expenditure during the corresponding period. The steep increase of Rs.197.30 crore (1502 *per cent*) in 1995-96 (Rs.202.73 crore) over the year 1994-95 (Rs.13.50 crore) was found mainly due to (i) increase in Non-tax Revenue of Rs.49.14 crore (58 *per cent*), (ii) decrease in State's share of Union Excise Duties of Rs.21.46 crore (11 *per cent*), (iii) increase of Rs.197.30 crore (39 *per cent*) in the Non-Plan Revenue expenditure over the level of 1994-95.

1.7.2 Revenue surplus/deficit

Revenue surplus or deficit is defined as revenue receipts in excess or falling short of revenue expenditure. The trend of revenue surplus/deficit for the last five years was as under:-

Year	Revenue Deficit (-)/ Surplus (+) (Rupees in crore)	As percentage of fiscal surplus/deficit
1992-93	(+) 105.33	417.15
1993-94	(+) 40.31	170.93
1994-95	(+) 34.56	356.74
1995-96	(-) 100.69	49.67
1996-97	(+) 7.82	5.40

Except for 1995-96, there was revenue surplus in all the years. Revenue surplus ranged between Rs.7.82 crore in 1996-97 to Rs.105.33 crore in 1992-93. In 1995-96, there was revenue deficit of Rs.100.69 crore due to sharp increase (43 *per cent*) in revenue expenditure as compared to 1994-95. Revenue deficit in terms of fiscal deficit was 49.67 *per cent* in 1995-96 alone. In the years 1993-94, 1994-95 and 1996-97 though there was a revenue surplus, the State had an overall fiscal deficit during these years.

1.8 Public Debt

Public Debt comprises internal and external debt. It has vital link with all aspects of Public Finance, taxation and expenditure policies, budget surplus and deficits, trade and balance of payments, development expenditure and economic growth.

The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law has been passed by the State Legislature laying down any such limit.

1.8.1 Internal Debt

Position of internal debt for the last five years was as under:-

Year	Addition during the year	Debt servicing and payment of interest (Rupees in crore)			Percentage of Col.5 to Col.2
		Principal	Interest	Total	
1	2	3	4	5	6
1992-93	455.11	402.91	14.54	417.45	92
1993-94	115.87	125.36	21.84	147.20	127
1994-95	188.90	165.23	34.36	199.59	106
1995-96	85.69	27.30	38.79	66.09	77
1996-97	76.54	32.37	45.01	77.38	101

It would be seen from the above table that internal debt receipt decreased from Rs.455.11 crore in 1992-93 to Rs.76.54 crore in 1996-97 registering a decrease of 83 *per cent* over the period of five year. On the other hand, payment of interest had increased by 210 *per cent* from Rs.14.54 crore in 1992-93 to Rs.45.01 crore in 1996-97 during the same period.

1.8.2 Other liabilities

Apart from the borrowings accounted for in the Consolidated Fund of the State, there are Small Savings, Provident Funds, Reserve Funds and Deposits which are kept in a separate Public Account. The balances of Public Account are carried forward annually. These amounts add substantially to the liability of the State Government.

Trend of these liabilities for the last five years was as under:

Year	Addition during the year	Debt payment	Interest	Total (3+4)	Net inflow	Percentage of Col.5 to Col.2
1	2	3	4	5	6	
1992-93	68.09	93.05	9.08	102.13	(-) 34.04	150
1993-94	96.39	79.35	7.71	87.06	(+) 9.33	90
1994-95	106.41	47.75	11.89	59.64	(+) 46.77	56
1995-96	135.68	49.41	21.69	71.10	(+) 64.58	52
1996-97	99.34	63.60	18.08	81.68	(+) 17.66	82

It would be observed from the above table that the additions in Small Savings, Provident Funds, Deposits etc. registered a decrease of 27 *per cent* from Rs.135.68 crore in 1995-96 to Rs.99.34 crore in 1996-97. On the other hand, the net

inflow of these funds in 1995-96 was Rs.64.58 crore and had decreased by 73 *per cent* during 1996-97 (Rs.17.66 crore).

1.8.3 Loans and Advances from the Central Government

Position of loans and advances from the Government of India for the last five years was as under:-

Year	Addition during the year	Repayment	Interest	Total	Net outflow (5-2)	Percentage of Col.5 to Col.2
(Rupees in crore)						
1	2	3	4	5	6	7
1992-93	208.00	205.02	20.45	225.47	(-) 17.47	108
1993-94	121.20	119.75	25.64	145.39	(-) 24.19	120
1994-95	36.86	17.14	20.96	38.10	(-) 1.24	103
1995-96	26.29	11.07	24.62	35.69	(-) 9.40	136
1996-97	35.75	11.62	27.11	38.73	(-) 2.98	108

It would be seen from the above table that though loans and advances from the Central Government had decreased from Rs.208 crore in 1992-93 to Rs.35.75 crore in 1996-97 registering a decrease of 83 *per cent* over the period of five years, repayment of outstanding loans together with the interest thereon had exceeded the fresh loans received during each year and ranged between 103 *per cent* and 136 *per cent* of the fresh loans received during the years 1992-93 to 1996-97.

1.8.4 Guarantees given by the Government

The State Government had stood guarantee for repayment of loans and payment of interest thereon by the statutory corporations, local bodies and other institutions. The maximum amount of loans (principal only) guaranteed as of March 1997 was Rs.7.24 crore. The information regarding the outstanding amount of principal as well as interest thereon and the guarantee fee payable by these institutions was not furnished by the Government (January 1998).

No law had been passed by the State Legislature under Article 293 of the Constitution laying down the maximum limit within which the Government may give guarantees on the security of the Consolidated Fund of the State.

1.9 Ways and Means Advances and Overdraft

Under the agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum balance of Rs.10 lakh at the close of each working day. If the balance falls below the agreed minimum limit on any day, the deficiency has to be made good by taking ways and means advance/overdraft from the Bank.

The extent to which the minimum balance with the Bank fell short during the period from 1992-93 to 1996-97 is indicated below:-

	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in crore)				
(i) Number of days on which minimum balance was maintained					
(a) Without obtaining any advance	226	159	287	349	360
(b) By obtaining ways and means advances	37	62	51	11	5
ii) Number of days on which overdraft was taken	102	144	27	6	---

The position of ways and means advances and overdrafts taken by the State Government and interest paid thereon during the period from 1992-93 to 1996-97 is detailed below:-

	1992-93	1993-94	1994-95	1995-96	1996-97	
	(Rupees in crore)					
<u>WAYS AND MEANS ADVANCES</u>						
(i)	Advance taken during the year	37.18	21.81	64.43	13.24	13.00
(ii)	Advance outstanding at the end of the year	5.60	6.51	---
(iii)	Interest paid	0.31	0.15	0.21	0.05	0.03
<u>OVERDRAFT</u>						
(i)	Overdraft taken during the year	389.18	25.60	84.53	11.00	---
(ii)	Overdraft outstanding at the end of the year	66.04	---
(iii)	Interest paid	0.62	0.11	0.53	0.03	---

CHAPTER II

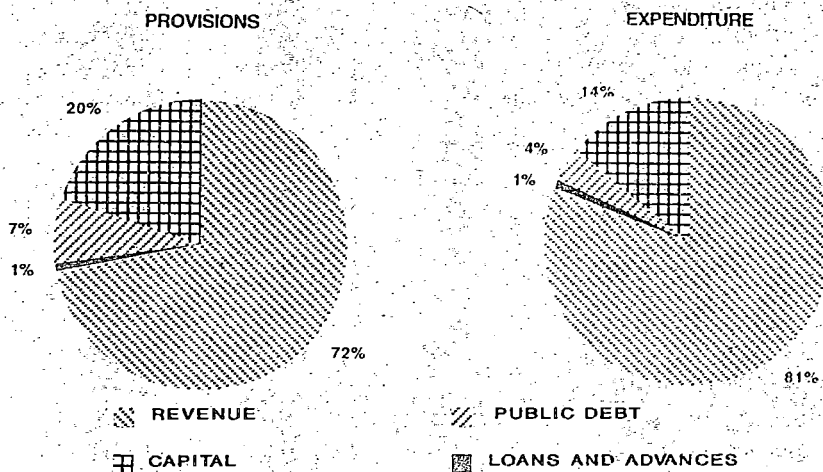
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 General (Budget demands and expenditure)

The summarised position of actual expenditure during 1996-97 against grants/appropriations was as under:-

	Original grants/ appropriations	Supple- mentary	Total	Actual expenditure	Variations Savings (-) Excess (+)
	(Rupees in crore)				
I. Revenue-					
Voted	672.84	106.89	779.73	762.45	(-) 17.28
Charged	91.61	9.20	100.81	92.93	(-) 7.88
II. Capital-					
Voted	204.21	35.92	240.13	144.23	(-) 95.90
III. Public Debt-					
Charged	74.20	6.04	80.24	43.99	(-) 36.25
IV. Loans and advances-					
Voted	10.22	5.86	16.08	14.36	(-) 1.72
Total: Voted	887.27	148.67	1035.94	921.04	(-) 114.90
Charged	165.81	15.24	181.05	136.92	(-) 44.13
Grand Total:-	1053.08	163.91	1216.99	1057.96	(-) 159.03

PROVISIONS AND EXPENDITURE DURING 1995-96 (Reference: Paragraph 2.1)



2.2 Results of appropriation audit

The following results emerge broadly from appropriation audit:-

2.2.1 Saving or excess over provisions

The overall saving of Rs 159.03 crore was the net result of saving of Rs.192.46 crore in 61 grants and 5 appropriations and excess of Rs.33.43 crore in the following 31 grants which required regularisation under Article 205 of the Constitution.

Serial number	Number and name of the grant/ appropriation	Total grant/ appropriation	Total expenditure	Excess
(1)	(2)	(3)	(4)	(5)
Revenue Section (Voted)				
1.	1- State Legislature	3,03,91,000	3,09,17,210	5,26,210
2.	3- Council of Ministers	1,98,68,000	2,03,36,838	4,68,838
3.	11- District Administration, Special Welfare Programme and Tribal Councils	15,93,81,000	16,63,27,191	69,46,191
4.	14- Jails	4,23,39,000	4,38,29,887	14,90,887
5.	18- Pensions and Other Retirement Benefits	32,00,00,000	34,14,28,673	2,14,28,673
6.	19- Soldiers, Sailors and Airmen's Board	45,39,000	1,40,30,614	94,91,614
7.	30- Administrative Training Institute	62,00,000	72,18,375	10,18,375
8.	31- School Education	93,76,81,000	97,10,50,980	3,33,69,980
9.	32- Higher and Technical Education	12,64,43,000	12,79,90,774	15,47,774
10.	35- Medical, Public Health and Family Welfare	45,76,07,000	52,79,26,681	7,03,19,681
11.	36- Urban Development	5,60,89,000	6,34,33,020	73,44,020
12.	37- Assistance to Municipalities and Development Works in Towns	13,19,000	48,85,970	35,66,970
13.	38- Information and Public Relations	4,49,68,000	4,90,98,573	41,30,573
14.	40- Employment and Training	3,63,25,000	3,74,79,419	11,54,419
15.	46- Statistics	2,30,54,000	2,66,74,241	36,20,241
16.	47- Weights and Measures	1,41,00,000	1,43,85,122	2,85,122
17.	50- Animal Husbandry and Dairy Development	11,66,76,000	13,08,53,888	1,41,77,888
18.	51- Fisheries	3,20,65,000	3,24,51,042	3,86,042
19.	52- Forest	9,24,45,000	10,76,46,642	1,52,01,642
20.	53- Industries	14,08,27,000	14,69,05,499	60,78,499
21.	55- Power Projects	31,93,85,000	33,57,95,262	1,64,10,262
22.	62- Civil Administration Works	5,71,25,000	6,30,72,074	59,47,074
23.	64- Housing	12,72,73,000	12,90,26,135	17,53,135
24.	65- State Council of Educational Research and Training	1,41,85,000	8,32,65,900	6,90,80,900
25.	66- Sericulture	2,98,53,000	3,02,12,900	3,59,900
26.	67- Home Guards	2,92,80,000	3,08,64,678	15,84,678
27.	69- Fire Service	3,14,20,000	3,14,83,837	63,837
28.	73- State Institute of Rural Development	66,00,000	76,96,893	10,96,893
Total (Revenue Section):-		3,27,74,38,000	3,57,62,88,318	29,88,50,318

(1)	(2)	(3)	(4)	(5)
Capital Section (Voted)				
29.	31- School Education	3,89,00,000	4,17,20,014	28,20,014
30.	41- Labour	5,00,000	6,49,775	1,49,775
31.	48- Agriculture	97,50,000	1,10,53,971	13,03,971
32.	53- Industries	3,93,00,000	4,02,16,824	9,16,824
33.	60- Water Supply Schemes	22,00,00,000	25,02,28,484	3,02,28,484
Total (Capital Section):-		30,84,50,000	34,38,69,068	3,54,19,068
Grand Total:-		3,58,58,88,000	3,92,01,57,386	33,42,69,386

2.2.2 Significant cases of excess

In the following grants, the expenditure exceeded the approved provision by more than Rs.25 lakh in each case and also by more than 10 per cent of the total provision:-

Serial number	Number and name of the grant		Amount of excess (Rupees in lakh) (Percentage of excess)	Reasons for excess
Revenue Section (Voted)				
1.	19-	Soldiers, Sailors and Airmen's Board	94.92 (209)	Reasons for excess expenditure were awaited (January 1998).
2.	35-	Medical, Public Health and Family Welfare	703.20 (15)	
3.	36-	Urban Development	73.44 (13)	
4.	37-	Assistance to Municipalities and Development Works in Towns	35.67 (270)	
5.	46-	Statistics	36.20 (16)	
6.	50-	Animal Husbandry and Dairy Development	141.78 (12)	
7.	52-	Forest	152.02 (16)	
8.	62-	Civil Administration Works	59.47 (10)	
9.	65-	State Council of Educational Research and Training	690.81 (487)	
Capital Section (Voted)				
10.	60-	Water Supply Schemes	302.28 (14)	

2.2.3 Persistent excess

Instances of persistent excess in two grants during the three years from 1994-95 to 1996-97 are shown below:-

Serial number	Number and name of the grant	Amount of excess in lakh of rupees (Percentage)		
		1994-95	1995-96	1996-97
	Revenue Section (Voted)			
1.	37- Assistance to Municipalities and Development Works in Towns	20.18 (120)	8.38 (65)	35.67 (270)
	Capital Section (Voted)			
2.	31- School Education	44.35 (222)	105.27 (105)	28.20 (7)

2.2.4 Unutilised provision

In the following grants/appropriations, the expenditure fell short by more than Rs.25 lakh in each case and by more than 10 per cent of the total provision:-

Serial number	Number and name of the grant		Amount of savings in lakh of rupees (Percentage of savings)	Reasons for savings
(1)	(2)		(3)	(4)
	Revenue Section (Voted)			Reasons for savings had not been communicated in any of these cases (January 1998).
1.	12-	Treasury and Accounts Administration	119.56 (23)	
2.	13-	Village Guards	50.68 (18)	
3.	16	State Guest Houses	46.09 (24)	
4.	17-	State Lotteries	26.62 (11)	
5.	20-	Relief, Rehabilitation, etc.	124.09 (100)	
6.	21-	Relief of distress caused by Natural Calamities	248.99 (93)	
7.	22-	Civil Supplies	63.36 (18)	
8.	33-	Youth Resources and Sports	80.23 (15)	
9.	45-	Co-operation	199.94 (38)	
10.	58-	Roads and Bridges	1405.38 (29)	
11.	60-	Water Supply Schemes	1113.21 (33)	
12.	61-	Backward Area Development Programme and Special Development Programme	71.22 (14)	
13.	75-	Mechanical Engineering	191.91 (22)	
	Capital Section (Voted)			
14.	7-	State Excise	25.00 (100)	
15.	22-	Civil Supplies	3659.81 (76)	
16.	30-	Administrative Training Institute	31.00 (100)	
17.	32-	Higher and Technical Education	45.70 (95)	
18.	33-	Youth Resources and Sports	79.28 (28)	
19.	35-	Medical, Public Health and Family Welfare	358.04 (23)	
20.	36-	Urban Development	393.76 (53)	
21.	42-	Rural Development	65.40 (57)	

(1)	(2)	(3)	(4)
22.	45- Co-operation	111.16	(11)
23.	50- Animal Husbandry and Dairy Development	160.00	(46)
24.	51- Fisheries	55.50	(64)
25.	52- Forest	55.90	(100)
26.	55- Power Projects	688.67	(18)
27.	58- Roads and Bridges	3030.03	(63)
28.	62- Civil Administration Works	78.97	(20)
29.	64- Housing	469.04	(38)
30.	65- State Council of Educational Research and Training	106.73	(99)
31.	67- Home Guards	25.00	(100)
32.	68- Police Engineering Project	424.36	(51)
33.	70- Horticulture	40.00	(100)
34.	75- Mechanical Engineering	100.00	(100)
35.	74- Capital Section (Charged) Servicing of Debt	3624.81	(45)

2.2.5 Non-surrender of savings

According to the provisions of General Financial Rules, all anticipated savings in a grant/appropriation should be notified and surrendered as soon as the possibility of savings is foreseen from the trend of expenditure without waiting till the end of the year when it cannot be purposefully utilised. During 1996-97, though actual savings of Rs 192.46 crore were available under various grants, only Rs 36.29 crore (19 *per cent*) were surrendered in six grants.

In the following 15 grants and one appropriation where savings exceeded more than rupees one crore in each case, savings of Rs 141.13 crore (73 *per cent* of the overall savings of Rs 192.46 crore) were not surrendered resulting in non-reappropriation of surplus funds for schemes where these were needed and could have been purposefully utilised.

Serial number	Number and name of grant	Amount of savings (Rupees in crore)
(1)	(2)	(3)
Revenue Section (Voted)		
1.	12- Treasuries and Accounts Administration	1.20
2.	20- Relief, Rehabilitation etc.	1.24
3.	21- Relief of distress caused by Natural Calamities	2.49
4.	27- Planning Machinery	1.32
5.	42- Rural Development	3.39
6.	45- Co-operation	2.00

(1)	(2)	(3)
7.	58- Road and Bridges	14.05
8.	60- Water Supply Schemes	11.13
9.	75- Mechanical Engineering	1.92
	Total:-	38.74
	Revenue Section (Charged)	
10.	74- Servicing of Debt	7.72
	Total:-	7.72
	Capital Section (Voted)	
11.	35- Medical, Public Health and Family Welfare	3.58
12.	36- Urban Development	3.94
13.	45- Co-operation	1.11
14.	50- Animal Husbandry	1.60
15.	55- Power Projects	6.89
16.	58- Roads and Bridges	30.30
17.	64- Housing	4.69
18.	65- State Council of Educational Research and Training	1.07
19.	68- Police Engineering Project	4.24
20.	75- Mechanical Engineering	1.00
	Total:-	58.42
	Capital Section (Charged)	
21.	74- Servicing of Debt	36.25
	Total:-	36.25
	Grand Total:-	141.13
	(Revenue & Capital)	

2.2.6 Persistent savings

Instances of persistent savings noticed during the years 1994-95 to 1996-97 are given below:-

Serial number	Number and name of the grant	Savings in lakh of rupees (Percentage of savings)		
		1994-95	1995-96	1996-97
1	2	3	4	5
	Revenue Section (Voted)			
1.	6. Land Revenue	9.28 (41)	22.66 (83)	1.90 (9)
2.	12. Treasury and Accounts Administration	79.19 (17)	173.84 (34)	119.56 (23)
3.	15. Vigilance Commission	2.81 (4)	8.38 (12)	7.46 (10)
4.	17. State Lotteries	142.10 (38)	212.90 (76)	26.62 (11)
5.	20. Relief, Rehabilitation, etc.	48.00 (78)	94.66 (100)	124.09 (100)
6.	21. Relief of distress caused by Natural Calamities	55.17 (37)	75.97 (44)	248.99 (93)
7.	25. Land Records and Survey	84.49 (30)	5.87 (2)	14.00 (5)
8.	29. Stationery and Printing	136.62 (33)	22.99 (7)	10.52 (3)
9.	33. Youth Resources and Sports	336.51 (65)	132.41 (25)	80.23 (15)
10.	41. Labour	30.56 (37)	6.46 (7)	2.57 (3)

1	2	3	4	5
11.	42. Rural Development	3787.56 (89)	406.22 (12)	339.45 (8)
12.	45. Co-operation	353.70 (71)	184.57 (33)	199.94 (38)
13.	58. Roads and Bridges	1170.68 (23)	1695.91 (25)	1405.38 (29)
14.	60. Water Supply Schemes	242.90 (8)	781.53 (18)	1113.21 (33)
15.	63. Science, Technology, Ecology and Environment	27.04 (69)	26.57 (46)	6.23 (10)
16.	70. Horticulture	339.86 (67)	455.84 (69)	34.23 (3)
17.	71. Parliamentary Affairs	3.00 (100)	3.00 (100)	3.00 (100)
Capital Section (voted)				
18.	4. Administration of Justice	179.00 (100)	38.09 (19)	18.31 (10)
19.	7. State Excise	25.00 (100)	22.39 (90)	25.00 (100)
20.	14. Jails	100.00 (100)	97.65 (98)	3.08 (3)
21.	22. Civil Supplies	1790.96 (65)	2285.70 (65)	3659.81 (76)
22.	23. Loans to Government Servants	98.62 (88)	58.81 (53)	4.17 (4)
23.	25. Land Records and Survey	13.00 (100)	7.00 (100)	20.25 (100)
24.	27. Planning Machinery	65.05 (72)	14.19 (71)	8.39 (42)
25.	29. Stationery and Printing	10.50 (100)	6.50 (100)	6.50 (100)
26.	30. Administrative Training Institute	30.00 (100)	10.97 (37)	31.00 (100)
27.	32. Higher and Technical Education	37.00 (100)	47.83 (100)	45.70 (95)
28.	33. Youth Resources and Sports	104.97 (72)	298.87 (100)	79.28 (28)
29.	35. Medical, Public Health and Family Welfare	585.29 (96)	1009.22 (66)	358.04 (23)
30.	36. Urban Development	436.85 (66)	54.55 (12)	393.76 (53)
31.	38. Information and Public Relations	10.70 (100)	5.79 (83)	7.00 (100)
32.	39. Tourism	26.00 (100)	3.00 (100)	3.00 (100)
33.	42. Rural Development	100.00 (100)	115.40 (100)	65.40 (57)
34.	43. Social Security and Welfare	8.00 (100)	3.71 (74)	5.00 (100)
35.	45. Co-operation	823.64 (78)	298.02 (28)	111.16 (11)
36.	47. Weights and Measures	3.00 (100)	5.00 (100)	10.00 (100)

1	2	3	4	5
37.	50. Animal Husbandry and Dairy Development	115.74 (90)	240.64 (83)	160.00 (46)
38.	51. Fisheries	73.50 (81)	20.92 (17)	55.50 (64)
39.	52. Forest	15.40 (100)	55.90 (100)	55.90 (100)
40.	55. Power Projects	1943.16 (50)	1277.14 (32)	688.67 (18)
41.	56. Road Transport	252.00 (100)	24.01 (10)	10.97 (5)
42.	58. Roads and Bridges	1561.19 (60)	1237 (40)	3030.03 (63)
43.	62. Civil Administration Works	336.00 (86)	128.86 (33)	78.97 (20)
44.	64. Housing	832.71 (65)	534.88 (29)	469.04 (38)
45.	65. State Council of Educational Research and Training	108.69 (100)	4.00 (100)	106.73 (99)
46.	66. Sericulture	14.00 (100)	13.60 (97)	0.83 (6)
47.	68. Police Engineering Project	462.98 (91)	194.00 (32)	424.36 (51)
48.	70. Horticulture	32.66 (82)	40.00 (100)	40.00 (100)
49.	74/73. Servicing of Debt	6826.94 (60)	4364.79 (53)	3624.81 (45)

2.2.7 Trend of recoveries and credits

Under the system of gross budgeting followed by the Government, the demands for grants presented to the Legislature are for gross expenditure and exclude all credits and recoveries which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are indicated separately in the budget estimates.

During 1996-97, such recoveries were estimated at Rs.59.30 crore (Revenue: Rs.11.03 crore and Capital: Rs.48.27 crore). Actual recoveries during the year were, however, Rs.17.69 crore (Revenue: Rs.8.07 crore and Capital: Rs.9.62 crore).

A few significant cases of shortfall in recoveries/receipts are given below:

Serial number	Number and name of the grant	Budget estimates	Actuals	Amount of shortfall (-) as compared to estimates	Reasons
1	2	3	4	5	6

(Rupees in crore)

Revenue Section (Voted)

1.	31-School Education	0.12	0.05	(-) 0.07	Reasons for the shortfall had not been intimated in any of these cases (January 1998)
2.	35-Medical, Public Health and Family Welfare	1.76	1.38	(-) 0.38	
3.	36-Urban Development	0.50	0.45	(-) 0.05	
4.	48-Agriculture	0.81	0.29	(-) 0.52	

1	2	3	4	5	6
5.	55-Power Projects	0.80	0.77	(-) 0.03	
6.	58-Roads and Bridges	3.03	3.00	(-) 0.03	
7.	62-Civil Administration works	0.45	--	(-) 0.45	
8.	64-Housing	1.32	--	(-) 1.32	
9.	68-Police Engineering Project	0.96	0.10	(-) 0.86	
Capital Section (Voted)					
10.	22-Civil Supplies	48.27	9.62	(-) 38.65	

2.2.8 Unnecessary, inadequate and excessive supplementary grants

During the year 1996-97 supplementary provision of Rs.163.91 crore was obtained which contributed an additional 16 *per cent* to the original budget provision of Rs.1053.08 crore against 11 *per cent* in the previous year.

A. In the following twelve cases where supplementary grants totaling Rs.26.44 crore were obtained in excess of Rs.10 lakh in each case proved unnecessary as the actual expenditure was less by Rs.51.77 crore than even the original grant of Rs.133.78 crore.

Serial number	Number and name of the grant	Final grant O. Original S. Supplementary	Actual expenditure	Savings(-)
1	2	3	4	5

(Rupees in lakh)

Revenue Section (Voted)

1.	13. Village Guards	O. 246.34 S. 37.14 <hr/> 283.48	232.80	(-) 50.68
2.	16. State Guest House	O. 173.36 S. 20.14 <hr/> 193.50	147.41	(-) 46.09
3.	20. Relief, Rehabilitation etc.	O. 56.41 S. 67.68 <hr/> 124.09	NIL	(-) 124.09
4.	21. Relief of distress caused by Natural Calamities	O. 171.25 S. 96.23 <hr/> 267.48	18.49	(-) 248.99
5.	25. Land Records and Survey	O. 283.36 S. 12.01 <hr/> 295.37	281.37	(-) 14.00
6.	56. Road Transport	O. 978.81 S. 57.14 <hr/> 1035.95	974.15	(-) 61.80

Capital Section (Voted)

7.	25. Land Records and Survey	O. 7.00 S. 13.25 <hr/> 20.25	NIL	(-)20.25
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8.	36. Urban Development	O.	458.00		
		S.	291.00		
			749.00	355.24	(-)393.76
9.	58. Roads and Bridges	O.	3580.00		
		S.	1242.00		
			4822.00	1791.97	(-)3030.03
10.	65. State Council of Educational Research and Training	O.	4.00		
		S.	103.69		
			107.69	0.96	(-)106.73
11.	75. Mechanical Engineering	O.	NIL		
		S.	100.00		
			100.00	NIL	(-)100.00
	Capital Section (Charged)				
12.	74. Servicing of Debt	O.	7420.18		
		S.	603.70		
			8023.88	4399.07	(-)3624.81
	Total:	O.	13378.71		
		S.	2643.98		
			16022.69	8201.46	(-) 7821.23

B. Some instances where supplementary grants obtained proved inadequate are tabulated below:-

Serial number	Number and name of the grant	Final grant O. Original S. Supplementary	Actual expenditure	Excess (+)
1	2	3	4	5
(Rupees in lakh)				
Revenue Section (Voted)				
1.	1. State Legislature	O. 260.45 S. 43.46 303.91	309.17	(+) 5.26
2.	3. Council of Ministers	O. 133.72 S. 64.96 198.68	203.37	(+) 4.69
3.	11. District Administration, Special Welfare Scheme and Tribal Councils	O. 1582.83 S. 10.98 1593.81	1663.27	(+)69.46
4.	14. Jails	O. 326.50 S. 96.89 423.39	438.30	(+) 14.91
5.	30. Administrative Training Institute	O. 59.09 S. 2.91 62.00	72.18	(+) 10.18

1.	2	3	4	5
6.	31. School Education	O. 8998.95 S. 377.86 9376.81	9710.51	(+) 333.70
7.	32. Higher and Technical Education	O. 1132.75 S. 131.68 1264.43	1279.91	(+) 15.48
8.	35. Medical, Public Health and Family Welfare	O. 3977.43 S. 598.64 4576.07	5279.27	(+) 703.20
9.	36. Urban Development	O. 246.73 S. 314.16 560.89	634.33	(+) 73.44
10.	37. Assistance to Municipalities and Development Works	O. 12.86 S. 0.33 13.19	48.86	(+) 35.67
11.	38. Information and Public Relations	O. 382.92 S. 66.76 449.68	490.99	(+) 41.31
12.	40. Employment and Training	O. 197.52 S. 165.73 363.25	374.79	(+) 11.54
13.	46. Statistics	O. 220.93 S. 9.61 230.54	266.74	(+) 36.20
14.	47. Weights and Measures	O. 73.33 S. 67.67 141.00	143.85	(+) 2.85
15.	50. Animal Husbandry and Dairy Development	O. 1164.34 S. 2.42 1166.76	1308.54	(+) 141.78
16.	51. Fisheries	O. 275.56 S. 45.09 320.65	324.51	(+) 3.86

1	2	3	4	5
17.	53. Industries	O. 805.34 S. 602.93 <hr/> 1408.27	1469.05	(+) 60.78
18.	62. Civil Administration Works	O. 83.05 S. 488.20 <hr/> 571.25	630.72	(+) 59.47
19.	64. Housing	O. 1240.48 S. 32.25 <hr/> 1272.73	1290.26	(+) 17.53
20.	65. State Council of Educational Research and Training	O. 86.95 S. 54.90 <hr/> 141.85	832.66	(+) 690.81
21.	66. Sericulture	O. 194.21 S. 104.32 <hr/> 298.53	302.13	(+) 3.60
22.	67. Home Guards	O. 274.79 S. 18.01 <hr/> 292.80	308.65	(+) 15.85
Capital Section (Voted)				
23.	31. School Education	O. 137.60 S. 251.40 <hr/> 389.00	417.20	(+) 28.20
24.	41. Labour	O. 4.00 S. 1.00 <hr/> 5.00	6.50	(+) 1.50
25.	60. Water Supply Schemes	O. 1563.00 S. 637.00 <hr/> 2200.00	2502.28	(+) 302.28

C. Instances where supplementary provisions obtained proved excessive are shown in the following table:-

Serial number	Number and name of grant	Final grant O. Original S. Supplementary	Actual expenditure	Savings (-)
1	2	3	4	5
(Rupees in lakh)				
Revenue Section (Voted)				
1.	4. Administration of Justice	O. 197.89 S. 60.44 <hr/> 258.33	253.49	(-) 4.84
2.	5. Election	O. 119.71 S. 49.69 <hr/> 169.40	157.09	(-) 12.31
3.	7. State Excise	O. 265.61 S. 10.73 <hr/> 276.34	269.17	(-) 7.17
4.	8. Sales Tax	O. 186.80 S. 28.01 <hr/> 214.81	213.29	(-) 1.52
5.	9. Taxes on Vehicles	O. 128.12 S. 12.44 <hr/> 140.56	135.67	(-) 4.89
6.	17. State Lotteries	O. 72.41 S. 175.22 <hr/> 247.63	221.01	(-) 26.62
7.	26. Civil Secretariat	O. 1774.48 S. 314.97 <hr/> 2089.45	2013.76	(-) 75.69
8.	27. Planning Machinery	O. 3106.33 S. 198.89 <hr/> 3305.22	3173.54	(-) 131.68
9.	28. Civil Police	O. 11105.25 S. 620.69 <hr/> 11725.94	11654.41	(-) 71.53

1	2	3	4	5
10.	29. Stationery and Printing	O. 335.57 S. 24.23 359.80	349.28	(-) 10.52
11.	34. Art and Culture and Gazetteers Unit	O. 205.39 S. 3.31 208.70	196.17	(-) 12.53
12.	39. Tourism	O. 178.43 S. 124.85 303.28	296.54	(-) 6.74
13.	48. Agriculture	O. 1190.99 S. 270.51 1461.50	1442.28	(-) 19.22
14.	49. Soil and Water Conservation	O. 781.42 S. 725.37 1506.79	1469.51	(-) 37.28
15.	54. Mineral Development	O. 295.92 S. 116.97 412.89	381.72	(-) 31.17
16.	59. Irrigation and Flood Control	O. 649.69 S. 192.24 841.93	817.18	(-) 24.75
17.	61. Backward Area Development Programme, Special Employment Programme and Special Development Programme	O. 260.00 S. 251.00 511.00	439.78	(-) 71.22
Revenue Section (Charged)				
18.	10. Public Service Commission	O. 59.14 S. 2.86 62.00	59.71	(-) 2.29
Capital Section (Voted)				
19.	30. Administrative Training Institute	O. 30.00 S. 1.00 31.00	NIL	(-) 31.00

1	2	3	4	5
20.	47	Weights and Measures	O 5.00 S 5.00 10.00	NIL (-) 10.00
21.	54	Mineral Development	O 77.00 S 1.00 78.00	76.00 (-) 2.00
22.	57	Housing Loans	O 22.00 S 586.10 608.10	601.05 (-) 7.05
23.	75	Mechanical Engineering	O NIL S 100.00 100.00	NIL (-) 100.00

2.2.9 Non-reconciliation of departmental figures

With a view to ensuring effective control over expenditure, the departmental officers are required to reconcile periodically, as well as before close of the accounts for a year, the departmental figures of expenditure with those booked in the Office of the Sr. Deputy Accountant General (A&E). Of the 75 controlling officers, 45 officers had not conducted reconciliation in respect of expenditure of Rs.836.55 crore during 1996-97 which represented 79 *per cent* of the total expenditure even though enough time was allowed to complete the reconciliation before the closure of the accounts for the year. Some of the major defaulting departments were School Education (Rs.101.28 crore), Rural Development (Rs.38.79 crore), Horticulture (Rs.9.49 crore), Power Projects (Rs.64.49 crore), Civil Police (Rs.116.54 crore), Roads and Bridges (Rs.52.79 crore), Planning Machinery (Rs.31.85 crore) and Housing (Rs.20.66 crore).

The extent of non-reconciliation of expenditure by the controlling officers ranged between 35 and 60 *per cent* in the last three accounting years (1994-95 to 1996-97) as shown below:-

Year of accounts	No. of controlling officers	No. of controlling officers who did no reconciliation	Percentage of non-reconciliation	Expenditure involved (Rupees in crore)
1994-95	73	38	52	713.66
1995-96	74	26	35	509.81
1996-97	75	45	60	836.55

Out of the above, controlling officers of 8 grants persistently failed to reconcile a total expenditure of Rs.555.87 crore (Rs.135.25 crore in 1994-95, Rs.230.98 crore in 1995-96 and Rs.189.64 crore in 1996-97) year after year from 1994-95 to 1996-97 as shown in *Appendix-1*.

2.3 Excess over grants in previous years not regularised

Cases of excess expenditure over the budget provision reported in the Report of the Comptroller and Auditor General of India (Civil), Government of Nagaland are required to be regularised under Article 205 of the Constitution of India. However, it was noticed that excess expenditure of Rs.959.32 crore reported during 1985-86 to 1995-96 had not been regularised. The Public Accounts Committee in their 56th Report presented to the House on 17 March 1995 and 58th, 59th and 61st Report on 25 March 1997 had recommended regularisation of excess expenditure over budget grants for the year 1985-86, 1986-87, 1987-88 and 1989-90 respectively. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 1998. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

Serial number	Year of Audit Report	Total number of Grants/Appropriations	Amount involved (Rupees in crore)
1	2	3	4
1	1985-86	26	17.82
2	1986-87	26	16.00
3	1987-88	20	23.66
4	1988-89	27	19.60
5	1989-90	13	134.45
6	1990-91	36	72.43
7	1991-92	20	152.27
8	1992-93	08	371.02
9	1993-94	19	32.86
10	1994-95	17	76.66
11	1995-96	30	42.55

The matter was reported to the Government in April 1997. In reply the Finance Department had stated (August 1997) that the proposals for regularisation would be submitted in the next Assembly session. No information regarding regularisation of excess expenditure had been received as of January 1998.

POWER DEPARTMENT

2.4 Internal Control Mechanism in Power Department

2.4.1 Introduction

In Nagaland, generation, transmission, distribution of power, realisation of energy charges and execution of construction works are carried out by the Power Department of the Government. The day to day administrative and financial activities of the Department are regulated by various rules and regulations framed by the Government and various sets of control mechanisms prescribed in the General Financial Rules (GFR) etc.

2.4.2 Organisational set up

The Department of Power is administered by a Commissioner and Secretary to the Government. At the Directorate level, the Chief Engineer (CE), Power is in overall charge of the Department and while carrying out the day to day activities, is assisted by 16 Executive Engineers at District and sub-divisional level.

2.4.3 Audit coverage

A review on integrated control mechanism in Power Department was conducted by a test check (June-July 1997) of records maintained by the Department; the CE and 6 out of 16 Divisions for the period from 1994-95 to 1996-97. The results of test checks are summarised in the succeeding paragraphs.

2.4.4 Highlights

Against budget provision of Rs.27.01 crore and Rs.39.21 crore under Revenue and Capital section respectively, Rs.13.66 crore (51 *per cent*) and Rs.19.35 crore (49 *per cent*) were surrendered during 1994-95 under Revenue and Capital section respectively due to imposition of restriction on expenditure owing to cash crunch faced by Government.

During the year 1995-96 excess expenditure of Rs.13.70 crore was incurred under Revenue section due to insufficient provisions made under salaries and payment of arrears on account of revision of pay scales.

(Paragraph 2.4.5(a))

- Department could meet 69 *per cent*, 19 *per cent* and 55 *per cent* of its operating expenses out of its revenue receipts during 1994-95, 1995-96 and 1996-97 respectively.

- Government suffered total revenue loss of Rs.7.68 crore on account of excess T&D losses during 1994-95 to 1996-97 due to lack of effective control measures.

(Paragraph 2.4.7)

- Non-Plan expenditure of Rs.1.78 crore was booked as Plan expenditure on Chief Engineer's instruction.

(Paragraph 2.4.10)

- Extra liability of Rs.13.72 lakh was created due to non-observance of codal formalities in acceptance/approval of tenders for procurement of transformers during May 1997.

(Paragraph 2.4.11)

- Stores items worth Rs.4.15 lakh were procured by the Divisional Officer, Store Division, Dimapur during 1994-95 and 1995-96 in violation of delegation of financial powers.

(Paragraph 2.4.12)

- Adverse closing stock balance of (-) Rs.4.95 crore was reflected under Capital stores by the Store Division, Dimapur due to non-accounting of stock materials, in Stock Accounts and non-payment of suppliers' bills for want of LOC.

(Paragraph 2.4.16)

- Store materials worth Rs.18.57 crore were irregularly issued by the Store Division on credit to 15 Divisions during 1994-95 to 1996-97 without receipt of Bank Draft/cheques from them and the cost of which has remained unrealised as of March 1997.

(Paragraph 2.4.18)

There was fictitious transfer of store materials worth Rs.1.58 crore

from stock to site account during February and June 1997.

(Paragraph 2.4.19)

2.4.5 (a) Financial outlay and expenditure

Year wise details of budget provisions, release of funds and expenditure incurred thereagainst during the years 1994-95 to 1996-97 were as under:-

Year	Budget provision	Release of funds (Rupees in crore.)	Expenditure	Excess (+) Savings (-)	Funds surrendered
1994-95	27.01 (Revenue)	12.88	12.87	(-) 14.14	13.66
	39.21 (Capital)	19.86	19.77	(-) 19.44	19.35
1995-96	38.59 (Revenue)	38.10	52.30	(+) 13.70	---
	39.33 (Capital)	39.31	26.56	(-) 12.77	---
1996-97	31.95 (Revenue)	31.15	33.58	(+) 1.64	---
	37.79 (Capital)	35.60	30.91	(-) 6.88	---
Total:- (Revenue Section)	97.55	82.13	98.75	(-) 1.20	13.66
(Capital Section)	116.33	94.77	77.24	(-) 39.09	19.35
Grand total:-	213.88	176.90	175.99	(-) 37.89	33.01

From the above table it would be seen that during 1994-95, against the budget provision of Rs.27.01 crore and Rs.39.21 crore under Revenue and Capital Sections, 51 *per cent* and 49 *per cent* of budget provision under these

Only 49 *per cent* of total budget provision (Rs.66.22 crore) could be utilised in 1994-95. In 1995-96, expenditure against provision exceeded by Rs.13.70 crore under Revenue section while it fell short by Rs.12.77 crore under Capital section.

Sections were surrendered by the Department in March 1995 owing to cash crunch faced by the Government. During 1995-96 excess expenditure amounting to Rs.13.70 crore was incurred by the Department in Revenue Section which was attributed to insufficient provision made under salaries, payment of arrears on account of revision of pay scales and wrong booking of capital expenditure under revenue section by AG (A&E). Department's contention regarding wrong booking of expenditure by AG (A&E) is not tenable as the CE, Power had failed to reconcile the yearly expenditure with the books of AG despite timely intimation given by AG. This indicated failure on the part of the Department to implement existing control mechanism.

(b) Comparative position of resources and utilisation thereagainst

Resources for the Department both under Revenue and Capital section are primarily provided from State budget and other sources viz. North Eastern Council (NEC), Rural Electrification Corporation (REC) and Power Finance Corporation (PFC) under capital section. Details of resources provided and utilisation thereof during the period 1994-95 to 1996-97 are shown below:-

Budget provision

(Rupees in crore)

Year	Revenue Section (State Fund)	Capital Section					Percentage of	
		NEC	REC	PFC	State Fund	Total	State Fund	Other Funds
1994-95	27.01	1.39	1.00	13.27	23.55	39.21	60	40
1995-96	38.59	1.63	2.12	14.00	21.57	39.32	55	45
1996-97	31.95	0.37	2.12	14.00	21.30	37.79	56	44
Total:-	97.55	3.39	5.24	41.27	66.42	116.32	57	43
Utilisation								
1994-95	12.87 (48) ^(a)	NIL	0.05	NIL	19.72	19.77	84	0.32
1995-96	52.30 (136)	1.03	0.50	12.96	12.06	26.55	56	82
1996-97	33.58 (105)	0.37	0.65	16.17	13.73	30.92	64	104
Total:-	98.75 (101)	1.40	1.20	29.13	45.51	77.24	69	64

Resources from State budget under Capital section constituted 55 per cent and 60 per cent of the total funds. Utilisation of resources under State fund (Capital) ranged between 56 per cent and 84 per cent of the budget provisions, whereas utilisation of other funds was between 0.32 per cent and 104 per cent during 1994-95 to 1996-97. Under revenue section expenditure had exceeded the budget provisions during 1995-96 and 1996-97 by 36 per cent and 5 per cent respectively whereas during 1994-95, funds could be utilised to the extent of 48 per cent only.

Resources for Revenue Section were provided exclusively by the State while 40 to 45 per cent resources under Capital Section came from other Funds viz., NEC, REC and PFC.

2.4.6 Budget making process

Appendix 3 below GFR 53 envisages that details of Revised estimates (RE) for current year and budget estimates (BE) for ensuing year under non-plan alongwith details of pay of officers and establishments, their allowances and other establishment charges in Form GFR-2 should be obtained by the Head of the Department from each Drawing and disbursing officer (DDO) for preparation of Revised Budget Estimates.

During test check of records of CE, Power it was noticed that REs & BEs under non-plan were prepared by CE, Power hypothetically without obtaining actual requirement of funds from the DDOs. In the absence of actual requirement of funds made by each DDO, sub-allotments of funds made by CE, Power under salaries and other establishment charges during the period under review were not accurate. As a result, effect of excess expenditure under salaries and other establishment charges was noticed during 1996-97 in 5¹ out of 6 Divisions audited, while in 1 Division (Likhimro HEP, Civil, Kohima) excess allotment was made in 1996-97.

Estimates were prepared without obtaining requirement of funds from the DDOs resulting in excess expenditure under salaries and establishment charges.

Other Fund= NEC, REC, PFC.

^(a) Figures in brackets indicate percentage of utilisation.

¹ Transmission Division, Dimapur, Electrical Store, Dimapur, Electrical Division, Dimapur, Kohima Electrical Division and Kohima Hydro electric Division.

Thus, due to non-observance of specified control mechanism, the Department failed to provide accurate funds under salaries and other establishment charges to its subordinate establishment.

In reply, the Department stated (July 1997) that "budgeting is not dependent on estimates submitted by DDOs". The reply of the Department confirms audit observation and clearly shows that budget proposals of the Department were not based on proper assessment of fund requirement.

2.4.7 Follow up on performance reports

Performance reports are designed to indicate the efficiency in fund utilisation vis-à-vis aims and objectives of the Department and to generate data for measuring physical achievements under each programme. The performance reports submitted (January 1996) to Government by the CE, Power for the years 1994-95 to 1995-96 showed the following position:-

Particulars	1994-95		1995-96		1996-97	
	Installed Capacity (MW)	Generated (MU)	Installed Capacity (MW)	Generated (MU)	Installed Capacity (MW)	Generated (MU)
(a) Hydel	2.30	2.03	2.30	2.16	2.30	3.00
(b) Diesel	1.80	0.10	1.80	0.10	1.80	0.10
(c) Others	0.16	0.20	0.16	0.20	0.16	0.30
Total:-	4.26	2.33	4.26	2.46	4.26	3.40
Less auxiliary consumption:-		0.10	--	0.13	--	0.13
Net:-	4.26	2.23	4.26	2.33	4.26	3.27

From the above table it would be seen that against the installed capacity of 4.26 MW, actual power generated ranged between 2.33 MU and 3.27 MU indicating capacity utilisation to the extent of 55 to 77 per cent only during the entire period covered by review. The under utilisation of installed capacity had not been analysed nor any reasons stated by the Department, thus defeating the purpose of these reports. During discussion (November 1997) it was stated that efficiency and load factor of machines were generally achieved at 80 per cent and 40 per cent respectively.

As the Department was not self-sufficient, 474.75 MU of power was purchased from other agencies in addition to the 7.83 MU generated (net) by it. Against total available power of 482.58 MU, only 336.64 MU (70 per cent) could be sold to consumers within the State and the balance 145.94 MU (30 per cent) was recorded as Transmission and Distribution losses. Details are shown in Appendix-II.

The Central Electricity Authority (CEA) in their guidelines for reduction of transmission & distribution losses (July 1991) observed that taking into consideration Indian conditions it would be

reasonable to allow for energy losses between 10 and 15 per cent. The CE Power could not furnish the norms of T&D losses allowed while assessing the revenue target of the department during the period under review. In absence of the same the norm of 20 per cent T&D losses as adopted by the department for assessment of revenue target as mentioned in para 4.1.10 of Audit Report 1991-92 was taken as accepted losses by the Department. During the period 1994-95 to 1996-97 the department sustained total

There were T&D losses of power valued Rs.768.16 lakh in excess of the permissible/reasonable limit.

inadmissible T&D losses of 49.43 MU (value = Rs.768.16 lakh) during 1994-95 to 1996-97. The causes of the excess T&D losses had not been analysed by the department as of August 1997 nor any positive steps taken to arrest the high T&D losses indicating lack of effective management controls.

The financial results of the department were also not encouraging. There was a wide gap between revenue expenditure and revenue receipts as reflected in the performance reports. Details are shown below:-

Particulars	1994-95	1995-96	1996-97
	(Actual)	(Actual)	(Actual)
	(Rupees in crore)		
i) Revenue receipts	8.82	10.07	18.46
ii) Revenue expenditure	12.87	52.30	33.58
Shortfall:-	4.05 (31)*	42.23 (81)	15.12 (45)

From the above table it would be seen that the Department could meet only 19 per cent to 69 per cent of its operating expenses out of the revenue realised by it during 1994-95 to 1996-97. The shortfall was attributed to high cost of power purchased from other agencies and increasing cost of establishment, operation and maintenance charges.

Only 19 to 69 per cent of operating expenses were met out of revenue realised.

2.4.8 Target and achievement against major plan schemes and abnormal cost overrun of the projects due to inadequate financial support

During 1994-95 the State Planning Department approved plan allocation of Rs.23.41 crore for various on-going plan schemes of the Department. Accordingly, funds of Rs.23.55 crore were provided in the budget for on-going schemes under State Plan. In addition to the above, budget provision of Rs.139 crore were also made for NEC works programmes under NEC fund.

From the progress reports made available to Audit it was seen that against the State Plan funds of Rs.23.20 crore, funds of Rs.5.97 crore (26 per cent) were released during 1994-95 for one scheme i.e. Likhimro

Inadequate flow of funds led to cost and time overrun in respect of 3 Hydro Electric Projects and complete stoppage of 8 other projects.

Hydro Electric Project (LHEP) against its annual approved plan allocation and budget provisions of Rs.18 crore. Against 8 other schemes no funds were released leading to complete stoppage of plan works during 1994-95 except for a 5 per cent achievement in respect of LHEP. The details are shown in Appendix-III. Reasons for such abnormal slow progress of works were attributed to inadequate flow of funds which clearly indicated lack of co-ordination between budgeting and planning wings of the Department.

From Appendix-III, it would be seen that all the major schemes were started between 1988-89 and 1993, but none of the schemes could be completed on scheduled date till 1996-97 due to fund constraints. Due to such inadequate flow of funds, original estimates/time schedules of almost all schemes were revised. This resulted in cost overrun in respect of all schemes due to time overrun as detailed below

* Figures in bracket represent percentage of shortfall.

Name of Schemes	Cost overrun				Time overrun		Actual anticipated date of completion
	Original estimated cost	Revised estimated cost as of March 1997	Actual expenditure as of March 1997	Percentage of cost overrun	Original date of completion	Revised date of completion	
	(Rupees in crore)						
Likhimro HEP	33.84	156.00	93.21	361	1994-95	1997-98	Depends on release of fund in due time
Horangki HEP	6.00	9.07	4.49	51	1992-93	Not available	-do-
Tsutha HEP	3.04	5.75	4.85	89	1991-92	Not available	-do-

The high percentage increase in cost of the projects due to non-funding for the same thus affected the development process and led to continuous dependence for purchase of power from the neighbouring States.

Till the date of audit (July 1997) no corrective action to ensure continued financial support for the schemes had been taken by the Government.

2.4.9 Control procedure for flow of expenditure

As per provisions contained in General Financial Rules (GFR) every disbursing officer is required to maintain a separate register showing the particulars of the charges drawn on each bill in the prescribed form (GFR-9). On 3rd of each month a copy of this register showing expenditure incurred during preceding month is to be sent by each DDO to the Head of the Department/Controlling Officer. To watch the receipt of GFR-9 the Controlling Officer is to maintain a broadsheet in GFR-10 and send reminders to defaulting DDOs if returns are not received by 7th of the following month. The Head of the Department/Controlling Officer on receipt of returns from all DDOs shall compile and prepare consolidated statement (GFR-11 & 12) including his own expenditure and submit the same to the Administrative Department to enable it to watch the flow of expenditure against the sanctioned grant for which the Department is accountable to Legislature. To watch the receipt of GFR-12 the Administrative Department shall maintain a broadsheet (GFR-13) and take necessary steps in case of defaults.

Prescribed system to watch flow of expenditure against sanctioned grants not followed resulting in excess/savings over provisions.

It was noticed in audit that submission of monthly expenditure statements (GFR-9) by the DDOs was very irregular. Out of 6 Divisions test-checked, 3 Divisions (Dimapur Electrical Store, Dimapur Electrical Division and Hydro Electrical Division, Kohima) submitted expenditure statements with delays ranging between 1 month and 3 months while the other 3 Divisions (Transmission Division, Dimapur, Kohima Electrical Division and Likhimro Construction (Civil) Division, Kohima) did not submit the expenditure statements during the period under review. The Department also did not take any action against the defaulting Divisions for non-submission of monthly expenditure statements. In the absence of compilation register/consolidated expenditure register, neither CE nor the Administrative Department could know the trend of expenditure resulting in excess or abnormal savings as reflected in para 2.4.5(a) of the Audit Report.

Thus, it is evident that though the system to watch the flow of expenditure against the sanctioned grant had been devised, the same was not followed meticulously by the Department.

2.4.10 Diversion of Plan funds for Non-Plan purposes

The Planning and Co-ordination Department of the Government had communicated to the Department approved sectoral outlay for the annual plan 1996-97 in February 1997 and an outlay of Rs.16.50 crore was earmarked for Likhimro Hydro Electric Project during the year 1996-97.

Execution of works for the Likhimro Project was entrusted to 2 Divisions, i.e. Likhimro Construction (Civil) and Likhimro Electrical Divisions. On receipt of the approved annual plan for 1996-97, the Chief Engineer Power re-appropriated an amount of Rs.1.78 crore for payment of pay

Plan funds (Rs.1.78 crore) for Likhimro HEP were spent on the salary of work charged staff (Non-Plan) in ten Divisions but expenditure was booked against the project.

and allowances of work charged staff which was non-Plan expenditure. The entire amount of Rs.1.78 crore was distributed (March 1997) among 10 other Electrical Divisions and the CE directed the Divisional Officers to book the non-Plan expenditure on payments to work charged staff under the plan works of Likhimro HEP. Accordingly the Divisional Officers diverted the plan funds and utilised them against non-plan expenditure. However, in the accounts, the entire earmarked funds of Rs.16.50 crore (including Rs.1.78 crore) were shown as plan expenditure against Likhimro HEP as per final expenditure statement communicated to Finance Department by CE, in March 1997.

Thus, the expenditure under the Project was wrongly inflated by Rs.1.78 crore.

2.4.11 Extra liability due to acceptance of higher rates

Tenders were invited (October 1996) by CE from manufacturers for procurement of Transformers of various (26 items) ratings. In response, 8 tenders were received and opened on 20th November 1996.

Due to irregular approval of higher rates by the Government, the Department committed extra liability of Rs.13.72 lakh on purchase of transformers.

Tender documents, comparative statements alongwith CE's recommendations were submitted (December 1996) to the administrative department for approval. The lowest rates quoted by firm 'A' were ignored by the CE as the terms of payment against despatch documents were not acceptable to the Department. The CE, therefore, recommended (December 1996) the rates quoted by firm 'B' (22 items), 'C' (2 items) 'D' & 'E' (one item each). The Government, however, approved (8th May 1997) the rates quoted by firm 'F' (2nd lowest - 1 item, 3rd lowest - 6 items, 4th lowest - 10 items, 5th lowest - 7 items, 6th & 7th lowest - 1 item each) for all the items on the ground that the firm 'B' did not indicate price variation after expiry of validity period of 180 days from the date of opening of tenders (20th May 1997) and directed the CE to issue supply order to firm 'F'. A scrutiny of the tender documents of firm 'B' revealed that the offer (rates) of the firm was valid for 180 days i.e. upto 20th May 1997. Thus the grounds on which the Government had approved the rates of firm 'F' were not correct as the terms

offered by firm 'F' were exactly identical to those offered by firm 'B'. According to Finance Department's memorandum of May 1992, all purchases/tenders valuing Rs.50 lakh and above were required to be got approved from Governor's Executive Council. There was thus a lapse on the part of the administrative department in approving the rates of firm 'F' which were most partisan and thus injudicious.

On receipt of Government approval and instruction (May 1997), supply order worth Rs.63.35 lakh was issued (13th May 1997) to firm 'F'. Records in support of receipt of materials and payments made were not made available (August 1997) to Audit.

Due to the uneconomical/irregular approval of higher rates, an extra liability of Rs.13.72 lakh had been created by the Department. Details are shown in *Appendix-IV*. On this being pointed out, the CE stated that supply order was issued in compliance of Government order.

2.4.12 Purchases in violation of delegated powers

As per delegation of financial and cognate Power Rules 1964 and amendments thereof, the Executive Engineer is empowered to purchase stores upto Rs.1500 per item and in excess of Rs.1500 for each item, with the approval of CE. In course of scrutiny of records maintained by EE(E) Store Division, Dimapur it was noticed that in violation of the aforesaid delegated powers store materials worth Rs.4.15 lakh were procured during 1994-95 and 1995-96 without obtaining approval from higher authority. Details are shown in *Appendix-V*.

From the details given in the *Appendix-V* it would be seen that 25 nos. of Nylon Truck Tyres were procured from local firms at a total cost of Rs.2.39 lakh during 1994-95 and 7 nos. of tyres during 1995-96 at a cost of Rs.0.56 lakh and charged to stock and storage and other materials worth Rs.1.20 lakh were procured from local suppliers during 1994-95 and 1995-96. In support of procurement of store materials worth Rs.4.15 lakh approval of the competent authority and reasonableness of rates was not produced to Audit. Details of utilisation of tyres were also not available on record.

Thus, the entire expenditure of Rs.4.15 lakh was unauthorised and indicated failure of control mechanism prescribed under the Delegation of Financial and Cognate Power Rules.

2.4.13 Irregular allowance of medical advances

The ceiling limit of medical advances payable is defined in Medical Attendance Rules (Section 2(i) & (ii)). Accordingly, medical advances for indoor treatment in hospital for diseases other than TB/Cancer and for outpatient treatment for diseases like TB/Cancer etc. are limited to Rs.10,000. In case of bypass surgery, kidney transplant etc. the advances are to be limited to 80 per cent of the package deal or the amount actually charged by hospital, whichever is lower.

During test-check of records in Dimapur Electrical Division and CE, Power it was seen that a total amount of Rs.1.75 lakh was paid as medical advances to 5 employees during August 1994 to March 1997. Details are shown in *Appendix-VI*. Scrutiny of the sanction orders revealed that name of diseases and places of treatment were not recorded against Sl.No. 1 to 4 and name of disease was not stated against Sl.No.5 (treatment at Jaslok Hospital & Research Centre, Bombay). In the absence of

clear reasons, case history, name of diseases and places of treatment, provision of Section 2 Rule 2(i) of MA Rules, were violated and medical advances of Rs. 1.25 lakh were sanctioned in excess of the permissible limit of Rs. 10,000.

Three adjustment bills (Sl.No.1,2 & 3) were sent to CE, Power by the Division in November 1994 and in August 1995 but the same had not been passed till date except in case of Sl.No.2 (July 1997). Adjustment bill in respect of Sl.No.4 had not been submitted and employee at Sl.No.5 was stated by CE to be under treatment at Bombay (July 1997).

Reasons for non-adjustment/non-submission of final bills even after lapse of 25 to 41 months after the drawal of advances were not on record nor stated. This shows that the controls laid down for sanction and adjustment of medical advances were not followed by the Department.

2.4.14 Quality in maintenance of records in the Directorate

(a) Maintenance of cash book, bill register and other control registers regarding T.A, Motor vehicles, contingencies, Medical Advances/reimbursement, HBA and GPF were found in order in the office of the CE, Power (Directorate). However, allotment register and compilation register of monthly expenditure of the entire Department on the basis of monthly expenditure statements received from lower formations were not maintained.

Compilation of monthly expenditure by the CE, inspection of Divisional records by the SE and response to audit observations by the Divisions have been quite unsatisfactory. Proforma accounts of the Department not prepared since 1981-82.

Reasons for non-maintenance of allotment register/compilation register were not on record nor stated (July 1997).

(b) Accounting records of 6 DDOs were not inspected by the Superintending Engineer during the period covered by review though a periodicity of such inspection once a year had been prescribed under the Rules. Reasons thereof were not on record.

(c) Director of Treasuries and Accounts (Audit Wing) under Finance Department of the Government was required to conduct Internal Audit of all departments of the State Government from September 1988. No internal audit of Power department had ever been conducted by the Director (Treasuries & Accounts).

(d) Response to audit was very discouraging, as even the first replies to 17 Inspection Reports issued between April 1985 and January 1996 were not furnished by 10 Divisional Officers. No effective steps were taken by the Department to improve the position. Details of outstanding Inspection Reports where first replies had not been furnished till date (January 1998) are shown in *Appendix-VII*.

(e) There was considerable delay in submission of Pension/Family pension cases from field offices to CE and ranged between 3 and 21 months while the forwarding of the same by the CE's office to Accountant General's office was delayed by 1 to 4 months. Illustrative examples are shown in *Appendix-VIII*.

Reasons for delay in submission of pension cases were not on record.

(f) Preparation and submission of Proforma Accounts of the Department was in arrears since 1981-82. Non-preparation of Proforma Accounts was attributed

during discussion (July 1997), to non-availability of experienced accounts staff. In the absence of Proforma Accounts the working results and the liquidity of the Department could not be ascertained.

2.4.15 Stores management

Procurement and distribution of major items of stores for the Department are made centrally through the Electrical Store Division, Dimapur. This Division procures the store materials on the basis of supply orders placed by CE and receipts of materials are recorded in Goods Receipt Sheet (GRS). On receipt of indents from various divisions, materials are issued through monthly issue accounts. Value-based accounts (Priced Stores Ledger) are maintained by the Division.

All the stores materials are classified and 'Bin Card' in respect of each item is maintained but materials are not codified. Both receipts and issue of materials are watched through 'Bin Cards'.

The Division maintained a centralised godown for both new and old stores. Adequate security measures were adopted to safeguard the Government Stores.

To identify non-moving and slow-moving item of stores, an ABC analysis was required to be carried out but no such analysis had ever been carried out. No reasons were on record to show why the same had never been done.

No maxima and minima points for all categories of materials were fixed by the Division. In reply to an audit query it was stated that due to non-receipt of sufficient information from various Divisions regarding requirement of various items of material, maxima and minima of each item could not be fixed.

Issue of store materials to the various working divisions from the godown was done on the principle of First In First Out (FIFO).

To an audit query, the Divisional Officer stated that physical verification/periodical review of stores was being conducted, but the physical verification reports were not produced to Audit.

2.4.16 Unusual closing stock balances

In course of scrutiny of yearly stock ledger/returns and other relevant records of the Division it was noticed that huge minus balances were reflected in the yearly stores/stock accounts. Details are shown below:-

Year (Financial Year)	Category of Stores	Value of opening balance of stores (Rs.)	Value of procurement during the year (Rs.)	Value of utilisation during the year (Rs.)	Value of closing balance (Rs.)
1994-95	(a) Operating	(-) 12,74,455	12,23,604	5,47,374	(-) 5,98,225
	(b) Capital	(-) 236,21,734	16,23,929	109,47,461	(-) 329,45,266
1995-96	(a) Operating	(-) 5,98,225	16,07,736	11,80,127	(-) 1,70,616
	(b) Capital	(-) 329,45,266	222,25,738	336,02,535	(-) 443,22,063
1996-97	(a) Operating	(-) 1,70,616	11,66,571	9,79,486	16,469
	(b) Capital	(-) 443,22,063	143,85,725	195,89,715	(-) 495,26,053
			422,33,303	668,46,698	
			Net decrease=	(-) 246,13,395	

From the above table it would be seen that at the end of 1996-97, a minus balance of Rs.4.95 crore was reflected under capital stores. In reply to an audit query it was stated by the EE that the minus balance appeared due to non-accounting of stock materials (procurement) in stock receipt account of the respective financial year, due to non payment of supplier's bill for want of LOC though the materials were actually received and issued as per indents to various Divisions. A further scrutiny of the records revealed that the Divisions had yet to discharge liabilities amounting to Rs.3.95 crore due to non-payment of supplier's bill as of March 1997.

There was an unusual minus balance of Rs.4.95 crore in Capital Stores account. Materials worth Rs.4.22 crore procured without budget provision.

Financial rules were violated in procurement of materials worth Rs.4.22 crore without any budget provision and fund allotments. The CE in his letter (June 1996) to the Department had stated that inspite of non-release of funds maintenance works had to be carried out to maintain power supply to consumers and therefore materials were procured every year to meet the minimum requirement.

2.4.17 Store materials lying idle

It was seen further that in the godown of the EE Store Division, Dimapur-53 packages of store materials procured from overseas between March 1994 and September 1995 were lying unopened as of January 1998.

The above materials were procured for utilisation in Likhimro Hydro Electric Project. Neither the Store Division nor the CE could furnish particulars regarding cost of those items, the mode of procurement and the person who made payments for these materials and how.

Store materials procured from overseas between March 1994 and September 1995 were due to non-completion of basic works of the project.

It was, however, stated by the Divisional Officer Store Division during discussion (June 1997) that these equipment could not be utilised since the project works (Civil) had not been completed at the LHEP site. The materials were not taken to stock account of the Store Division. However, the Division maintained a separate record for those materials.

Justification for procurement of such equipment from abroad much in advance of requirement was not available on record nor stated by the Department.

2.4.18 Irregular/unauthorised issue of stock materials

The procedure of issue of stock materials from supplying department/Division to indenting Division was changed from the existing Cash Settlement Suspense Account to Cash Payment system with effect from 1st April 1988 through Government order issued in April 1988(in respect of cheque drawing departments). According to the new system, indenting Divisional Officers were required to send bank drafts (in case of outstation divisions) or banker's cheques (for same station) being the cost of materials along with their indents for store materials. On receipt of indents along with bank draft or

Stores issued unauthorisedly on credit; Rs.18.57 crore lying unrecovered from other Divisions due to failure of existing control mechanism.

banker's cheque the supplying Division was to issue materials from its stores and the bank draft/banker's cheques was to be accounted for in the usual manner. In no case, materials in excess of the amount of bank draft/banker's cheques were to be issued/supplied.

Scrutiny of the records maintained by Electrical Store Division, Dimapur revealed that EE, Store Division, Dimapur on receipt of indents from indenting Divisions, issued store materials worth Rs.5.85 crore to 15 Divisions during the period from 1994-95 to 1996-97 (upto February 1997) without receiving bank drafts or banker's cheques from the indenting Divisions. The cost of materials issued was charged to the Miscellaneous Public Works Advance (MPWA) of the Division. It was also found during audit that the MPWA register reflected debit balance of Rs.12.72 crore against 15 Divisions (out of total 16 Divisions) as on 31st March 1994, the details of which are shown in *Appendix-IX*. The authority under which the Store Division irregularly issued store materials worth Rs.18.57 crore (Rs.12.72 + 5.85 crore) in violation of codal provisions and Government order was not placed on record.

On this being pointed out by Audit, the EE, Store Division failed to furnish any reply.

2.4.19 Irregular/unauthorised transfer of store materials from stock to site account

(a) The Electrical Store Division, Dimapur procures all major electrical stores and distributes the same to all electrical divisions of the State as per indents/requirements after receipt of the cost of materials from the indenting divisions. This division had not been entrusted with the maintenance of transmission and distribution lines.

During test-check (July 1997) of the divisional (Electrical Store) records it was noticed that store materials worth Rs.1.58 crore were transferred from stock to site account of maintenance of transmission and distribution lines vide Transfer Entry order No.6 of February 1997. The concerned site account in which the materials were accounted for was not made available to Audit. The authority under which electrical store materials were transferred from stock to site account was not placed on records nor stated (January 1998).

Since the Electrical Store Division, Dimapur had not been entrusted with any maintenance work of transmission and distribution lines, transfer of store materials worth Rs.1.58 crore from stock to site account was, irregular and unauthorised.

(b) Similarly, Sub-Divisional Officer (SDO, Store) Store Sub-Division under Electrical Store Division, Dimapur prepared and submitted (June 1997) indents and issued challans of store materials worth Rs.1.92 crore to the Divisional officer in compliance with the instructions issued (April 1997) by the EE, Electrical Store Division, Dimapur. As per EE's instructions materials were to be transferred from stock to site account for maintenance of transmission and distribution schemes through TEO. However, no site accounts or TEO in support of aforesaid indents/challans were produced to Audit. There was no possibility of production of these documents as the divisional office had not been entrusted with any maintenance work of transmission and distribution lines.

Thus, the purpose for submission of indents/issue challans to the Divisional (Store) office by SDO (Store) was not clear. On this being pointed out (July 1997) in audit the Divisional office could not furnish any reply (January 1998).

2.4.20 Personnel management

(a) The Department of Power had no mechanism to ascertain the actual requirement of staff under each category of post and had not developed yardsticks/norms to assess requirement of manpower for the various types of works performed by it. In reply to an audit query (July 1997) the CE stated that requirement of 'staff was determined on the basis of work load'. However, no records showing how the work load was estimated could be produced to Audit.

The CE further stated that no new post was sanctioned for the Department during the period under review.

(b) The expenditure on staff declined from 2.69 *per cent* of the total Plan expenditure of the Department in 1994-95 to 2.05 *per cent* in 1996-97 under Plan. The expenditure on staff under non-plan also declined from 50.30 *per cent* in 1994-95 to 40.16 *per cent* in 1995-96 but increased to 53.30 *per cent* in 1996-97. The reasons for increase in staff cost in 1996-97 were attributed to payment of ROP arrears during the year.

(c) The criteria for deployment of staff either in the Headquarter or in the field units was not available on records. It was, however, seen in the selected units that staff were deployed in accordance with sanctioned posts but the basis of sanctions were not on records.

No mechanism existed to assess actual requirement of staff.

2.4.21 Training

No assessment of the training needs of the staff and officers had been made and the department had not formulated any policy for their training. However, for maintenance of transmission and distribution lines (T&D), hydel investigation and turbine generation linemen were trained in the lone training centre, Lineman Training Centre (LMTC), Dimapur. As per records of LMTC, against 2630 linemen required to be trained only 749 linemen (28 *per cent*) had been trained upto 1996-97.

A sum of Rs.26.50 lakh was spent on the training courses at LMTC and for other trainings arranged outside the State. Details of trainings imparted outside the State including the number of persons so trained could not be produced to Audit.

In course of scrutiny of records of LMTC it was seen that the training programmes were not arranged scientifically. The number of slots reserved for each Division at each Training session had not been prepared. It was seen that LMTC only issued circulars requesting various Divisions to sponsor staff for training but the details of staff called for training from each Division had not been maintained. Due to this defective system the number of staff trained in each session was low and in some cases, training programmes had to be cancelled due to non-sponsorship of candidates.

It is evident that technical knowledge/capability of the officers and staff of the Department was not updated keeping in view the latest developments in their areas of work. This is bound to have disastrous effects when new schemes are taken up with modern technologies and materials.

2.4.22 The matter was reported to the Government/Department in September 1997; replies had not been received (January 1998).

AGRICULTURE/HOME/FINANCE DEPARTMENT

2.5 Review on 'Persistent excess'

2.5.1 Introduction

Article 204 (3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of the State except under appropriation made by law. In case the expenditure exceeds the sanctioned grant/appropriation, such excess requires regularisation by the State Legislature under Article 205 *ibid* on the basis of the recommendation of the Public Accounts Committee (PAC). However, before making recommendations for regularisation of such excess, the PAC has to satisfy itself about the unavoidable nature of the excess expenditure on the basis of explanations/reasons furnished by the concerned administrative departments.

Grants No. 48- Agriculture, No. 68- Police Engineering Project (PEP) and Nos. 72, 73 and 74- Servicing of Debt showing persistent/significant excess under various sub-heads (unit of appropriation) during 1992-93 to 1995-96 were reviewed in audit during April-May 1997, through test check of records maintained by the Government, Heads of the Departments and subordinate field offices. The audit findings supplemented by information furnished by the concerned departments are mentioned in the succeeding paragraphs.

The details of grants/sub-heads where persistent excess occurred as per approved Appropriation Accounts during last four years are given in *Appendix-X*.

From the *Appendix-X* it would be seen that excess expenditure in Grant No. 48- Agriculture Department ranged between 15 to 3706 *per cent*, 19 to 12828 *per cent*, 4 to 3134 *per cent* and 10 to 5703 *per cent* during the years 1992-93 to 1995-96 respectively. Persistent excess was noticed throughout the entire period under review against 4 sub-heads¹, against 2 sub-heads² during 1992-93 to 1994-95 and against 3 sub-heads³ during 1993-94 to 1995-96. The excess expenditure above 100 *per cent* were noticed against 3 sub-heads in 1992-93, 8 sub-heads in 1993-94, 9 sub-heads in 1994-95 and 12 sub-heads during 1995-96.

Similarly under Grant Nos. 72, 73 and 74 Servicing of Debt, excess expenditure ranged between 3 to 7322 *per cent* in 1992-93, 38 to 47636 *per cent* in 1993-94, 13 to 3630 *per cent* in 1994-95 and 5 to 3420 *per cent* in 1995-96. Persistent excesses were noticed against 3 sub-heads⁴ throughout the entire period under review.

- ¹ 001(2)- Subordinate establishment.
113(1)- Superintendence.
800(7)- High Yielding Variety Programme.
277(1)- IETC.
- ² 119(9)- Namsa Demonstration Garden.
004(5)- State Agriculture Research Farm.
- ³ 113(2)- Land Reclamation.
004(1)- Research Chemistry Laboratory.
004(2)- Sugarcane Research Station.
- ⁴ 108- Loan from NCDC.
201- House Building Advance.
04- Loans for Central Plan Schemes.

The excess expenditure above 100 *per cent* was noticed against 8 sub-heads during 1992-93 to 1993-94, 9 sub-heads in 1994-95 and 7 sub-heads in 1995-96.

In Police Engineering Project persistent excess was noticed during the years 1993-94 to 1995-96 under Revenue Section and during the years 1992-93 to 1993-94 under Capital Section.

The persistent excesses were attributed by the Departments mainly to :-

- (i) Wrong bookings/misclassification of expenditure (Agriculture Department and Police Engineering Project Department) due to operation of identical Major Heads/sub-heads by more than one Department (2401- Crop Husbandry, 2415- Agricultural Research and Education, 4401- Capital outlay on Crop Husbandry are operated by both Agriculture Department and Horticulture Department and 2055- Police is operated by both Civil Police and Police Engineering Project).
- (ii) Non-completion of reconciliation.
- (iii) Inadequate budget provisions and non-receipt of budget estimates in respect of Servicing of Debt.
- (iv) Fraudulent drawal of money in Police Engineering Project.
- (v) Non-regularisation of funds through supplementary grants(Agriculture Department).

Although the persistent excess were reflected each year in the Appropriation Accounts of the State, the concerned Departments had not taken any effective steps to contain the trend of excess expenditure in subsequent year. The excess expenditure as reflected in the Appropriation Accounts in respect of these Departments had also not been regularised by the Finance Department as required under Article 205 of the Constitution of India.

2.5.2 Inadequate budget provision

The annual budgeting exercise is carried out to prepare as far as possible reliable estimates of the actual requirements of funds by the various departments of Government. In preparing the budget estimates of expenditure for any year, the actuals of previous years should be taken into consideration so that the estimates are neither inflated nor underpitched.

Unscientific budgeting exercise coupled with unrealistic budget provisions led to persistent excess expenditure of Rs.501.70 crore.

In course of scrutiny of records maintained by the Finance Department it was noticed that budget estimates were prepared without considering actuals of previous year. Lump provisions were made in respect of 2 grants which ultimately proved to be inadequate and resulted in persistent excess expenditure during 1992-93 to 1995-96 as detailed below:-

Year	Total No. of Sub-heads	Budget provisions (Rupees in crore)	Expenditure	Excess
Grant No.48- Agriculture				
1992-93	5	2.51	2.97	0.46
1993-94	5	0.46	0.82	0.36
1994-95	5	0.58	0.89	0.31
1995-96	4	2.99	5.86	2.87
Total:-	19	6.54	10.54	4.00
Grant No.72/73/74				
Servicing of Debt				
1992-93	7	226.91	601.10	374.19
1993-94	11	208.66	239.08	30.42
1994-95	8	88.19	165.90	77.71
1995-96	10	32.31	47.69	15.38
Total:-		556.07	1053.77	497.70
Grand total:-		562.61	1064.31	501.70

Thus, the unrealistic/unscientific budget provisions resulted in persistent excess of Rs.501.70 crore under different sub-heads of these 2 grants during 1992-93 to 1995-96.

Reasons for such unrealistic budget provisions were not available on record nor stated.

2.5.3 Excess expenditure due to non-projection of demands in budget

Additional funds amounting to Rs.4.89 crore under Centrally Sponsored Scheme (CSS) were allotted (June 1995) by Finance Department to Agriculture Department outside the original budget grant during the year 1995-96. Though necessary expenditure sanction supplemented by relaxation order was also issued (June 1995) by the Finance Department, the same had not been projected in the supplementary demands. The Department, however, incurred an overall excess expenditure of Rs.7.56 crore during 1995-96 under revenue section which had no sanction of the Legislature and was in violation of Article 205 of the Constitution.

Amount of Rs.7.56 crore spent without sanction of Legislature.

Reasons for non-regularisation of this unauthorised expenditure were neither placed on record nor stated to Audit.

2.5.4 Faulty budgeting due to operation of identical heads of accounts

The Agriculture Department was bifurcated in April 1992 and the two separate Directorates of Agriculture and Horticulture were created. The Demands for these two Directorates were now to be made under Grant No.48-Agriculture and Grant No.70/71-Horticulture. A comparative study of budget grants for both these Directorates for the period 1993-94 to 1995-96 showed that both the Directorates operated not only the same major heads '2401-Crop Husbandry', '2415- Agricultural Research and Education' and '4401- Capital Outlay on Crop Husbandry' but in many cases the entire classifications upto the sub heads under minor heads level were identical

Inaction of Finance Department led to operation of same heads of expenditure in 2 Departments.

leading to misclassification of expenditure under these sub heads in the accounts leading to savings under one Grant and excess under another Grant.

A comparative study of expenditure booked under these two Grants revealed as follows:-

Year	Agriculture Grant No.-48	Horticulture Grant No.- 70/71	Net implication (combined)
	(+) Excess (-) Saving (Rupces in lakh)		
REVENUE SECTION			
1993-94	(+) 235.73	(-) 333.88	(-) 98.15
1994-95	(+) 49.91	(-) 339.86	(-) 289.95
1995-96	(+) 755.58	(-) 455.84	(+) 299.74
Total:-	(+) 1,041.22	(-) 1,129.58	(-) 88.36

The inaction on the part of the Finance Department to allocate separate sub-heads for proper classification of expenditure under these two Grants, as required under the Financial Rules, led to a situation where the correct expenditure figures for either of the Directorate could not be correctly reflected in the Accounts or worked out in audit. Further the Departments did not reconcile their expenditure with the Accountant General (A&E).

Reasons for inaction on the part of Finance Department were not on record nor stated to Audit.

2.5.5 Persistent excess due to failure to observe control mechanism

As per provisions contained in General Financial Rules (GFR), on receipt of monthly expenditure statement from drawing and disbursing officers (DDOs), total monthly expenditure including the expenditure of the Directorate was required to be worked out by the controlling officer/head of the department so that the trends of actual expenditure against allocated funds could be watched.

Audit scrutiny, however, revealed that the controlling officers failed to ensure compilation of monthly expenditure figures and submit the same to the Directorate with the result that no effective watch on the flow of expenditure by DDOs had been kept.

A scrutiny of DDO-wise monthly expenditure *vis-a-vis* sub-allotment of fund registers maintained in the office of the Director of Agriculture, revealed that total expenditure amounting to Rs.16.19 crore had been incurred by 75 DDOs against their total allocation of Rs.11.67 crore during the period from 1994-95 to 1996-97 resulting in excess expenditure of Rs.4.52 crore (39 per cent) as detailed below:-

Lack of internal controls led to persistent excess expenditure of Rs.4.52 crore by 75 DDOs.

Year	No. of DDOs	Expenditure		Amount of allotment		Excess expenditure		Total amount of excess (Percentage)
		Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	
		(Rupees in lakh)						
1994-95	18	27.14	326.25	20.48	254.97	6.66	71.28	77.94 (28)
1995-96	29	49.00	717.39	26.89	498.01	22.11	219.38	241.49 (46)
1996-97	28	89.46	409.35	32.29	334.34	57.17	75.01	132.18 (36)
	75	165.60	1452.99	79.66	1087.32	85.94	365.67	451.61 (39)
		1,618.59		1,166.98				

On this being pointed out in audit, (May 1997) the Department admitted (May 1997) that due to non-compilation of monthly expenditure figures by the DDOs, improper maintenance of expenditure registers and non-submission of the same to the controlling officer, excess expenditure incurred by DDOs could not be detected and corrective steps could not be initiated to contain the trend of excess expenditure.

It was, therefore, evident that due to failure/non-implementation of the existing control mechanism excess expenditure of Rs.4.52 crore during 1994-95 to 1996-97 could not be foreseen either by the controlling officer or the Finance Department.

2.5.6 Persistent excess due to non-reconciliation of expenditure

As per provisions contained in General Financial Rules (GFR) 66(viii) the Head of the Department and the State Accountant General (A&E) shall be jointly responsible for reconciliation of the figures given in the accounts maintained by the Head of the Department with those appearing in the books of Accountant General (A&E). However, the account figures finally published will be those maintained by A.G. (A&E). The State A.G. (A&E) is required to send a monthly statement showing the expenditure vis-a-vis budget provision under the various heads of accounts to the Heads of Department responsible for over all control of the expenditure against respective Grants. The Heads of the Department in turn should furnish a quarterly Certificate to the A.G. (A&E) certifying the correctness of the figures for the quarter by 15th of the second following month after the end of the quarter.

Further, to ensure effective control over expenditure and to avoid delay in preparation of final accounts, the controlling officer/Head of the Department should ensure that the DDOs carry out the monthly/quarterly reconciliations regularly and furnish necessary certificates and returns to the controlling officers/ Head of the Department.

During test check of records in Agriculture Department it was noticed that reconciliation of Departmental expenditure figures with those booked by the AG (A&E) was not carried out at any stage either by DDOs or by the controlling officer/Head of the Department throughout the entire period under review. Further, before finalisation of the annual Appropriation Accounts a copy of the detail appropriation accounts was sent to the Head of the Department (Agriculture) for correction/acceptance of

Absence of internal controls and non-reconciliation of figures by departmental officers led to persistent excess of expenditure.

expenditure figures booked in respect of his Department. The Department had never responded to reconcile the expenditure.

Thus, due to Departmental inaction to reconcile its accounts even on receipt of copies of detailed appropriation accounts from A.G. (A&E), excess expenditure totaling Rs.10.42 crore under 25 sub-heads was reflected in the appropriation accounts of the Agriculture Department for the period 1992-93 to 1995-96.

Reasons for non-reconciliation of expenditure by all the DDOs and inaction to reconcile the Departmental figures on receipt of intimation from A.G. (A&E) by controlling officer/ Head of the Department (Agriculture) were neither placed on records nor stated (January 1998).

Similarly, excess expenditure amounting to Rs.4.17 crore was reflected in the Appropriation Accounts against Grant No.68- Police Engineering Project during the period from 1992-93 to 1995-96 under 2 sub-heads including the fraudulent drawal of Rs.37.30 lakh (discussed in para 4.1 of the Report of the Comptroller and Auditor General of India- Government of Nagaland for the year 1995-96). The Department did not carry out any final reconciliation in all the years. In reply to an audit query ACE, PEP stated (May 1997) that final reconciliation could not be undertaken due to acute shortage of time and the ACE, PEP requested the A.G. (A&E) for grant of more time for final reconciliation in the years to come. However, it was found that the Department throughout the years had not carried out the monthly reconciliation nor did it furnish the quarterly certificates to the A.G.(A&E) confirming the correctness of figures of expenditure reported to it.

2.5.7 Expenditure without specific provision

The financial rules lay down clearly that no expenditure should be incurred without a specific appropriation for it. In course of test check of records of the State Finance Department, it was noticed that expenditure amounting to Rs.12.16 crore was incurred by the Government towards payment of interest (Rs.8.14 crore), repayment of State's internal debt (Rs.3.50 crore) and repayment of Central loans and advances (Rs.0.42 crore) during the period from 1992-93 to 1995-96 without specific budget provisions.

Non-estimation and non-provision in budget led to excess expenditure of Rs.12.16 crore.

Defective budgeting due to non-estimation of requirements and non-provision in the demand for grants led to persistent excess expenditure amounting to Rs.12.16 crore during 1992-93 to 1995-96.

Reasons for non-provision of funds in the budget were not placed on records nor stated.

2.5.8 Non-adherence to PAC recommendations

The Public Accounts Committee (PAC) in its 46th (18 March 1991), 58th, 59th and 61st (26th November 1996) Reports had recorded its displeasure regarding excess expenditure incurred by various Departments over their sanctioned budget grants and noted that no serious efforts were made either by concerned Departments or Finance Department to evolve appropriate mechanism to arrest the trend of excess expenditure. The PAC in all its reports referred to above had also recommended that the Finance Department should take steps to regularise the excess

expenditure in terms of provisions of Article 205 of the Constitution but this was not done.

The failure of the Finance Department to act on the recommendation of the PACs over the years led to uncontrolled financial expenditure and breach of Constitutional Provisions.

2.5.9 The matter was reported to the Government and the Department in August 1997; replies had not been received (January 1998).

PLANNING AND CO-ORDINATION DEPARTMENT

2.6 Money kept out of Government Accounts

Financial rules prohibit drawal of money from treasury unless it is required for immediate disbursement. Drawal of funds from treasury with a view to avoid lapse of funds and depositing the amount in Bank account etc., for subsequent utilisation, violates the provisions of the financial rules.

Government of Nagaland, Planning and Co-ordination Department sanctioned (December 1995) Rs.6.99 crore for implementation of various programmes/works¹ in Kohima district, under District Plan Scheme during the year 1995-96.

A scrutiny (January-February 1996) of the records (August 1987 to December 1995) of the District Planning Officer (DPO), Kohima supplemented by subsequent information revealed that the DPO had drawn the amount of Rs.6.99 crore in December 1995 (Rs.2.33 crore) and March 1996 (Rs.4.66 crore) through two AC bills and deposited it on the same dates in a current account in State Bank of India (SBI), Kohima. The money was stated to have been spent by issue of cheques against 1160 numbers of approved works/projects during December 1995 to February 1997 but no details/records in support of the expenditure incurred were made available to Audit. No DCC bills against the AC bills had been submitted to the AG (A&E) as of January 1998.

No DCC bills submitted to AG (A&E) as of January 1998.

Thus, the DPO flouted financial rules by drawing the money in advance of requirement, keeping the same in a bank account without proper authority and could provide no details as to how the amount was finally spent. Besides, drawal of money by debiting the relevant final head of expenditure being a gross financial irregularity, Rs.2.45 crore of the total amount drawn remained unutilised as of 31.3.96 thus inflating the actual expenditure to that extent during the financial year 1995-96.

Out of Rs.6.99 crore irregularly drawn in AC bills during 1995-96 Rs.2.45 crore remained unutilised as of March 1996.

Further, by keeping the amounts outside the Government account the Government incurred a loss of interest of Rs.5.75 lakh calculated at the rate of interest on Government borrowings.

There was loss of interest of Rs.5.75 lakh.

¹ Construction/black topping of roads; construction of fishery ponds/irrigation channel; social forestry; providing CGI sheets for rural housing; financial assistance to handicrafts etc.

The matter was reported to the Government and Department in June 1996, replies had not been received (January 1998).

INDUSTRIES AND COMMERCE DEPARTMENT

2.7 Drawal of money in advance of requirements

Financial rules provide that no money should be drawn from the Treasury unless the same is required for immediate disbursement. Further, Finance Department had directed (June 1982) all Departments to keep the money which could not be utilised immediately in "Civil Deposits".

(a) Government of India (GOI), Ministry of Textiles had released (March 1995) Rs.51 lakh as grants-in-aid for implementation of two Project Package Schemes for Handloom weavers in Phek and Kohima districts. The entire money was drawn by the Director of Industries, Nagaland, Kohima in March 1995 (Rs.25 lakh) and September 1995 (Rs.26 lakh) and then deposited in a current account with State Bank of India (SBI), Lerie Branch on 31 March 1995 (Rs.25 lakh) and on 18 September 1995 (Rs.26 lakh). The Department intimated (July 1997) that Rs.50.88 lakh had been spent during the years 1995-96 (Rs.3.54 lakh), 1996-97 (Rs.35.19 lakh) and 1997-98 (Rs.12.15 lakh upto June 1997) leaving a balance of Rs.0.12 lakh in the Bank.

Rs.57.25 lakh drawn in advance of requirement and kept in Bank account in violation of Financial Rules and Government orders.

(b) Similarly, GOI, Ministry of Textiles released (March 1996) Rs.5.50 lakh as grant for implementation of Centrally Sponsored Scheme of Joint Census of Handlooms and Powerlooms. Against this, Director drew an amount of Rs.6.25 lakh in March 1996 resulting in an unauthorised excess drawal of Rs.0.75 lakh. However, the whole amount was deposited in a current account with SBI, Lerie Branch. Of this, Rs.2.86 lakh was withdrawn and disbursed in April 1996 (Rs.2.41 lakh) and May 1996 (Rs.0.45 lakh).

Drawal of money in advance of requirement and keeping the same in the bank account in violation of instructions of the Finance Department, led to the amount of Rs.57.25 lakh remaining out of Government account.

The matter was reported to the Government and the Department in September 1996, replies had not been received (January 1998).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.8 Locking up of Government money

The financial rules of the Government provide that no money shall be drawn from Government Account unless it is required for immediate disbursement.

The Joint Director, Irrigation and Flood Control (I&FC), Nagaland, Kohima had drawn Rs.1.90 lakh (inclusive of Nagaland Sales Tax of Rs.7600) in March 1992 on receipt of sanction (March 1992) of Rs.4.50 lakh from Government for purchase of 2 gypsies. The amount was drawn after obtaining proforma bill for Rs.4.54 lakh from firm 'A' of Dimapur. Part drawal was attributed by the Department to non-availability of funds.

Non-accountal of Rs.1.80 lakh for more than five years by Department.

During audit (September 1996) of the accounts of the Joint Director, I&FC it was found that the amount of Rs.1.82 lakh (excluding NST) remained unutilised and was reflected in the cash book as undisbursed cash. Deduction and crediting the NST (Rs.0.08 lakh) in the Government account was also irregular since no actual sale and purchase of vehicle had taken place.

Reasons for retaining the amount of Rs.1.82 lakh for more than four and half years without utilisation and crediting the balance amount of Rs.0.08 lakh towards NST had not been intimated by the Department.

The matter was reported to the Government and Department in January 1997. In reply, the Department stated (July 1997) that the amount was actually utilised (March/April 1994) for purchase of 2 Gypsies after obtaining a fresh sanction for the balance amount of Rs.5.40 lakh in March 1994 and Rs.1.90 lakh was erroneously shown as outstanding in the cash book. However, the records produced to Audit by the Department showed that a fresh sanction was obtained in March 1994 for Rs.5.40 lakh i.e. actual total cost of 2 Gypsies and not for the balance amount required after deducting Rs.1.90 lakh already drawn in March 1992. Thus, the contention of the Department that the amount of Rs.1.90 lakh had been utilised, is not correct and the amount had remained locked up. Reply from the Government was still awaited (January 1998).

CHAPTER III
CIVIL DEPARTMENTS
HOME DEPARTMENT

3.1 Review of the "Members of Parliament Local Area Development Scheme"

3.1.1 Introduction

With a view to enable the Members of Parliament (MP) to recommend small works of capital nature in their constituencies "The Members of Parliament Local Area Development Scheme" (MPLADS) was introduced from 23 December 1993.

Under the scheme each MP had a choice to suggest to the concerned District Collector (Deputy Commissioner (DC) in Nagaland) works to the tune of Rs.1 crore per year to be taken up in his constituency. The salient features of the scheme were :-

- (a) Works under the scheme should be developmental in nature, based on the locally felt needs and should lead to creation of durable assets.
- (b) Purchase of inventory, equipment or revenue expenditure was not allowed under the scheme.
- (c) Repair and Maintenance of works with scheme funds was not permitted.
- (d) No grants or loans were to be paid out of MPLADS funds.
- (e) Works belonging to registered societies, private institutions or assets of individual benefit were not to be allowed.
- (f) All works were to be implemented through Government agencies such as Public Works Department (PWD), Rural Development Department (RD), Public Health Engineering Department (PHED), Forest etc. in the District. Panchayati Raj institutions or reputed non-Governmental organisation could also be entrusted to implement the works.

3.1.2 Organisational set up

The Planning and Co-ordination Department of the Government of Nagaland was in over all charge of the implementation of the Scheme till April 1995. Subsequently, all related works of the Scheme were transferred to the D.C., Kohima who was receiving the funds directly from the Government of India and was responsible for submitting periodical reports/ returns to it. Except for the works for which funds were sub-allotted to other DCs/ ADCs as per suggestions of the concerned MPs, the rest of the works were being implemented through DC, Kohima.

3.1.3 Audit Coverage

The State of Nagaland has one seat each in the Lok Sabha and Rajya Sabha. Implementation of the Scheme in three districts viz., Kohima, Mon and Mokokchung which account for 58 *per cent* of the total population (1991 census) and 96 *per cent* of the total allocation of funds under the scheme during 1993-97 was reviewed between February 1997 to May 1997 based on the test check of records for the period from 1993-94 to 1996-97 maintained in the offices of DCs of these districts, and ADC, Dimapur (Kohima district). The results of the review are incorporated in the succeeding paragraphs:-

3.1.4 Highlights.

- Except for DC, Mokokchung no other DC including ADC, Dimapur whose records were test checked maintained any cash book nor other records/ accounts pertaining to expenditure on the Scheme.

(Paragraph 3.1.5.1)

- Keeping of Scheme funds in a Current Account in bank instead of Personal Ledger Account (PLA), resulted in loss of interest of Rs. 2.52 lakh.

(Paragraph 3.1.5.2)

- Funds amounting to Rs. 1.06 lakh released by the DC, Kohima had been misappropriated.

(Paragraph 3.1.5.3)

- Ninety-four *per cent* of the funds under the Scheme had been spent in the more developed districts of Kohima and Mokokchung. The backward districts of Mon and Tuensang received only 5 *per cent* and the remaining 1 *per cent* of funds was allotted to the other three districts in the State.

(Paragraph 3.1.7)

- Thirty five *percent* of the total expenditure (Rs.178 lakh) reported to have been spent on social/farm forestry and horticulture, could not be verified in audit as no records indicating location of plantations, area covered, number of plantations made and the survival rate etc. were maintained.

(Paragraph 3.1.7(a))

- Seventy roads were claimed to have been constructed at a cost of Rs.69.77 lakh (14 *per cent* of total expenditure). Since no records were maintained, Audit could not examine the technical parameters nor could it verify the propriety of the expenditure/correctness of payments.

(Paragraph 3.1.7.1(b))

- Forty-one *per cent* of the total expenditure (Rs.207 lakh) was incurred on non-permissible items like grants-in aid, cash relief, construction of private buildings, churches etc.

(Paragraph 3.1.8)

- Prescribed visits and inspections of the works were not conducted and progress reports required to be sent monthly to the Government of India were not sent.

(Paragraph 3.1.12)

3.1.5 Financial outlay and expenditure

The year-wise details of the funds released by the Central Government, the expenditure incurred and the unspent balance at the end of each year are shown in the table below:-

Of Rs.510 lakh released for the Scheme, Rs.507 lakh had been spent.

Year	Opening Balance	Allocation	Funds released	Total funds available	Expenditure	Unspent Balance
(R u p e e s i n l a k h)						
1993-94	Nil	10.00	10.00	10.00	Nil	10.00
1994-95	10.00	200.00	200.00	210.00	210.00	Nil
1995-96	Nil	200.00	200.00	200.00	198.94	1.06*
1996-97	1.06	200.00	100.00	101.06	97.60	3.46
				1.06**		
Total		610.00	510.00		506.54	

* Vide para 3.1.5.3.

** Interest earned from bank deposit.

During 1996-97, only the first instalment of Rs. 50 lakh each in respect of both the MPs was received (November 1996) by DC, Kohima. Though the Department of Programme Implementation (DPI), Government of India remitted the second instalment through Bank Drafts in December 1996 the same were received by DC, Kohima only in May 1997.

3.1.5.1(a) Inadequate records/accounts & returns.

The funds received from the DPI, Government of India were first deposited in a current Bank Account by DC, Kohima and expenditure was incurred therefrom. These transactions were, however, not reflected in the cash book of DC, Kohima. Only a register detailing cheques issued to different persons and their acknowledgement was maintained without indicating the closing cash and bank balance on any particular date. Further, the cash drawn from bank through self cheques and its subsequent disbursement was also not recorded in this register. None of the entries made in this register had been authenticated by any officer at any point of time.

Accounts and other records including cash book for transactions not maintained.

Similarly, transactions under the scheme were not reflected in the cash books of DC, Mon and ADC, Dimapur.

In the absence of cash book and relevant details, it was not possible to verify the correctness, genuineness and propriety of the expenditure incurred under the scheme.

Reasons for non-accounting of receipts and expenditure in the cash books were not stated.

(b) Non maintenance of Asset Register

No Asset Register was maintained by any of the DCs including ADC, Dimapur whose records were test checked. No records showing arrangements made for maintenance of the assets claimed to have been created under the Scheme were produced to Audit.

(c) Non submission of expenditure statement

According to the instructions issued by the Government of India, DC, Kohima, the nodal officer of the Scheme, was required to submit expenditure statement to the State Accountant General (AG) by 31 May of the following year for conducting annual audit. However, DC, Kohima did not submit any expenditure statement of the Scheme to the AG ever since the inception of the scheme.

No reasons for non submission of the expenditure statements were intimated to Audit.

3.1.5.2 Loss of Bank Interest

According to instructions issued by the DPI, Government of India the MPLADS funds were required to be deposited in Personal Ledger Accounts (PLA) opened separately for each MP.

Government deprived interest of Rs.2.52 lakh due to keeping fund in current account of bank.

The interest earned on such deposits was deemed to be additional fund for the Scheme. It was, however, noticed that DC, Kohima, had deposited (between May 1994, July 1995 and October 1996) funds of Rs.410 lakh in a Current Account (CA) with State Bank of India (SBI), Main Branch, Kohima. Due to this bank interest of Rs. 2.52 lakh was lost (upto November 1996). PLAs in respect of each MP, were subsequently opened with effect from November 1996.

3.1.5.3 Misappropriation of scheme funds.

Out of the funds for the year 1995-96 an amount of Rs.39.50 lakh was transferred (November 1995) by D.C. Kohima to ADC, Dimapur. However, the records of ADC, Dimapur showed receipt of Rs.38.75

Scheme funds worth Rs.1.06 lakh were misappropriated.

lakh only from DC, Kohima. Similarly, during the same year and in respect of the same MP against funds of Rs.5.75 lakh remitted to DC, Mon by DC, Kohima only Rs.5.44 lakh were accounted for in the records of DC, Mon. Thus, scheme funds of Rs.1.06 lakh were suspected to have been misappropriated by ADC, Dimapur (Rs.0.75 lakh) and DC, Mon (Rs.0.31 lakh).

When brought to the notice of DC, Kohima (March 1997) he stated that the matter would be investigated. Results of investigation, if any, made were awaited (December 1997).

Rs.10.00 lakh	May 1994
Rs.100.00 lakh	December 1994
Rs.100.00 lakh	January 1995
Rs.100.00 lakh	February 1995
Rs.100.00 lakh	July 1995

Non-maintenance of proper accounts and absence of any monitoring system was responsible for such misappropriations.

3.1.6 Implementation of the Scheme

3.1.6.1 Arbitrary selection of works and beneficiaries

According to the guidelines of the scheme each MP had to intimate the nature of works to the DC for implementation in his constituency through Government agencies. Engagement of contractors/ sponsors either by the DCs or the MPs themselves was not permissible under the scheme.

Test-check of records revealed that none of the DCs and ADC, Dimapur had entrusted the scheme works to any Department/Agencies of the Government which had the requisite expertise, infrastructure and adequate technical support to execute the same. Instead DC, Kohima and the concerned M.P. had devised own methods for execution of works which were being followed by their counterparts in other districts/constituencies. The modus- operandi adopted for execution of works under the Scheme is discussed in the succeeding paragraphs.

Scheme implemented arbitrarily without following established procedure.

(a) Sanction of works and selection of beneficiaries.

While suggesting the works to DC, Kohima, the MP not only specified the amount to be spent on each work but also named the beneficiary who was to execute the work. DC, Kohima then issued a sanction order listing the names of the works, names of the beneficiary and the amount for each work as suggested by the concerned MP and sent the same to the concerned DC/ADC. Since no detailed estimates were prepared for any work, the basis on which the requirement of funds was worked out, was not available on record nor was stated by the implementing DCs/ADC.

MPs selected both works and beneficiaries.

(b) Issue of work orders and completion certificates.

Immediately after the receipt of the sanction order from DC, Kohima, the concerned DCs/ ADC issued work orders to the beneficiaries directing them to start the work and complete the same within a given period and thereafter to submit their claim together with completion certificates and 3 coloured photographs of the works undertaken by showing the sign board of the Scheme, the amount of expenditure and year of execution.

Completion certificate (in the form prescribed by the DC, Kohima) was to be issued by the authorised officer such as ADC or SDO (C). The bills/claims submitted by the beneficiaries and against which payments were released contained no details of work done, materials purchased and their utilisation. Even location of the completed works were not mentioned. The basic records of works like Measurement Books (MBs), Muster Roll (MR) etc. were also not maintained.

Completion certificates of works were issued by the administrative officers instead of by technical officers.

Thus, scheme was implemented arbitrarily without following established procedures as envisaged under the scheme.

ADC, Dimapur admitted that he had not been provided with any guidelines or instructions for implementation of the Scheme either by DC, Kohima or Government.

3.1.7 Execution of Works

The district-wise number of works executed and their money value as reported by the DC, Kohima is indicated in the table below:-

Sl. No.	Name of District	1993-94		1994-95		1995-96		1996-97		Total	
		NW	MV	NW	MV	NW	MV	NW	MV	NW	MV
		(Rupees in lakh)									
1.	Kohima	13	-	274	175.95	210	179.35	104	79.10	601	434.40 (86)
2.	Mokokchung	-	-	34	27.25	8	6.65	12	9.20	54	43.10 (8)
3.	Mon	-	-	5	3.30	8	5.44	3	1.20	16	9.94 (2)
4.	Zunheboto	-	-	1	1.50	-	-	-	-	1	1.50
5.	Tuensang	-	-	-	-	5	6.20	5	7.80	10	14 (3)
6.	Phek	-	-	2	2	-	-	1	0.30	3	2.30
7.	Wokha	-	-	-	-	1	1.30	-	-	1	1.30
Total		13	-	316	210.00	232	198.94	125	97.60	686	506.54
NW- Number of Works						Figures in parentheses denotes					
MV- Money Value						Percentage of total expenditure					

It would be seen that most of the expenditure (86 per cent) incurred during 1993-97 was only in Kohima district. This was followed by Mokokchung district (8 per cent). In Tuensang and Mon districts, only 5 per cent of the Scheme funds were spent while the remaining three districts viz. Phek, Zunheboto and Wokha shared only one per cent of the Scheme funds spent. Further, Rs.35.16 lakh i.e. 7 per cent of total expenditure under the Scheme, were spent in one village, Viswema, of Kohima district.

Scheme funds not used in equitable and judicious manner.

3.1.7.1 Types of Works

During the period from 1993-94 to 1996-97, Rs. 5.07 crore were spent on 686 projects. The following points were noticed:-

(a) Social/Farm Forestry and Horticulture

Thirty five per cent of the Scheme funds i.e. Rs.1.78 crore were spent on 273 social forestry/farm forestry and Horticulture works during the period under review.

Against expenditure of Rs.178 lakh on plantation works no detailed information/records showing location, area and number of plantations made were available.

In all the districts test-checked, the concerned DCs/ADC could not furnish the records/information relating to the location of the plantations, the area covered under the plantations, the number of trees actually planted/survived and the source from where the seeds/ saplings were procured. Plantation journals had not been maintained in respect of any of the works stated to have been undertaken. In the absence of records and detailed information the

authenticity of the expenditure of Rs.1.78 crore could not be verified and appeared to be doubtful.

(b) Construction of Roads

Between 1994-95 and 1996-97, 70 village roads were reported to have been constructed at a cost of Rs.69.77 lakh. Neither detailed estimate for any of these works had been prepared nor Measurement Books for the work done were produced to Audit. Even the length of the roads constructed and their location were not available on record.

Construction of roads at a cost of costing Rs.69.77 lakh was not supported by estimates and measurements.

In the absence of any detailed estimates duly sanctioned by the competent technical authority, it was not possible to ascertain whether the completed works conformed to acceptable technical standards. It was also not possible to verify the propriety of expenditure and correctness of payments made against these works in the absence of supporting bills/vouchers and MBs. Therefore, the authenticity of the entire expenditure of Rs.69.77 lakh could not be established. Further, while the guidelines envisaged construction of village roads only, it was seen that 10 roads had been constructed (Cost of Rs.24.27 lakh) in Kohima town itself.

(c) Minor Irrigation

Rupees 25.18 lakh representing 5 *per cent* of the total expenditure under the Scheme were spent on 28 Minor Irrigation (MI) projects. The exact nature and location of the works was neither available on record nor stated by the concerned implementing officers. Before undertaking these works, no survey was conducted nor any feasibility reports prepared.

As the basic records such as technical estimates, MBs and completion certificates from competent technical authorities were not available, it could not be ascertained in audit whether these MI works were actually undertaken and completed and whether the expenditure of Rs.25.18 lakh was genuine. In the absence of technical feasibility reports, the benefit expected to be reaped through the irrigation potential created by execution of those works, could not be ascertained.

3.1.8 Execution of works not covered under the Scheme.

Works selected for implementation under MPLADS must be developmental in nature and lead to creation of durable assets. The guidelines further emphasise that no grants/loans, assets for individual benefits and purchase of inventory/equipment were permissible. It was, however, observed that during the period under review, out of the total expenditure of Rs.507 lakh, Rs.207 lakh (41 *per cent*) were spent on works not covered under the scheme as detailed below:-

Rs.207 lakh spent on items outside the scope of the Scheme.

Sl. No.	Nature of expenditure	Amount spent (Rupees in lakh)	Percentage of total expenditure
1	2	3	4
1.	Grants-in-aid to different institutions, cultural, sports, student bodies and cash relief to poor, sick etc.	59.70	12
2.	Individual farms Fishery/ Piggery/Dairy etc.	61.69	12
3.	Construction of buildings of private institution, registered societies, student union, Government buildings, private colleges etc.	46.80	9
4.	Construction of churches, approach roads to them and boundary walls.	10.64	2
5.	Play ground/ Tennis court	7.00	2
6.	Purchase of inventory setting up, Public Call office, Xerox unit, Photo Studio, Stone Crusher Unit, Bakery	20.92	4
Total		206.75	41

Rupees 59.70 lakh spent on items listed at serial number 1 above could hardly be treated as developmental work and did not led to creation of any durable community assets. Similarly Rs.129.41 lakh spent on items listed at serial numbers 2, 3 and 6 were in contravention of the provisions of the guidelines and led to creation of assets for the benefit of private/individual persons. Besides, Rs.10.64 lakh and Rs.7.00 lakh disbursed for activities listed at serial number 4 and 5 respectively were not only violative of the guidelines but also Article 15 of the Constitution and were out of the ambit of MPLADS.

3.1.8.1 Payment to third party.

Though the work orders were issued in the name of specific beneficiaries as suggested by the MPs, in several cases payments were made to persons not identified as a beneficiary nor authorised by the nominated beneficiaries to receive payment on their behalf. Two such instances are given below:-

Payments for works made to third parties.

(i) Work orders for Rs.15.63 lakh were issued by the DC, Kohima to 40 beneficiaries during 1994-95. It was, however, seen that instead of making payments to the beneficiaries to whom work orders were issued the entire amount of Rs.15.63 lakh was paid to a single person who was not even beneficiary of any work. Similarly, the same person was paid Rs.42.00 lakh for 37 works in 1995-96.

(ii) During 1995-96 and 1996-97 ADC, Dimapur issued 35 (18+17) work orders for Rs.50.55 lakhs to 35 beneficiaries for the works selected by the MP, Lok Sabha. The entire payments for these works were, however, made to two¹ persons against whom no work orders were issued.

The concerned DC/ADC could not substantiate that the payments released to third parties had actually reached the selected beneficiaries and the works had actually been executed by them.

It is thus clearly established that the selected beneficiaries were not benefited but fictitious payments were made rendering the entire expenditure of Rs.108.18 lakh doubtful.

¹ Son of MP (Rs.29.80 lakh) and identity of other person (Rs.20.75 lakh) not disclosed.

3.1.8.2 Unadjusted advances treated as final expenditure

In November 1996 DC, Kohima paid an advance of Rs.5 lakh at the instance of the MP(RS) to a lady for distribution of relief to poor and sick. Similarly, in March 1995, ADC, Dimapur paid Rs.4 lakh to a society for construction of 173 low cost latrines. Both DC, Kohima and ADC, Dimapur exhibited Rs.9 lakh advanced to these parties as final expenditure without obtaining details of relief provided supported by Actual Payees Receipt (APR) and the location of the latrines constructed. In the absence of these details the expenditure of Rs.9 lakh was doubtful.

3.1.9 Other points of interest

3.1.9.1 During the year 1994-95, DC, Kohima sanctioned funds of Rs.1.50 lakh for a Social Forestry project at Akulato town in Zunheboto district. The amount was remitted (March 1995) to DC, Zunheboto for executing the work. The utilisation certificate and APRs sent by DC, Zunheboto showed that the entire amount was distributed to 37 persons as cash relief. No detailed accounts or clarifications were obtained by the nodal officer from DC, Zunheboto for misutilisation of the Scheme funds.

3.1.9.2 Scheme guidelines prohibited construction of any building relating to Central and State Governments, Departments etc. ADC, Dimapur, however, sanctioned Rs.1 lakh out of 1995-96 funds (MPLS) for construction of a room at Dimapur Railway Station. Again in 1996-97, amount of Rs.2 lakh was sanctioned for construction of a Railway Rest House at the same Railway Station from the same MP fund. The beneficiary of both the works was the Superintendent of Police (SP), Dimapur. No records relating to actual execution of works and the benefits derived by SP were available, nor could the ADC state as to how permission for construction of buildings on Railway premises was obtained. From the APRs it was seen that though the SP, Dimapur was the beneficiary for these works, payments were made to two persons other than the SP identification of whom was not disclosed.

3.1.9.3 On 22 September 1995 ADC, Dimapur issued a work order of Rs.3.50 lakh for "Plantation". The location, area and other details of the plantation were not mentioned nor were the same available on record. The beneficiary submitted a claim, with the completion certificate signed by the Extra Assistant Commissioner, Dimapur, Assistant Conservator of Forests, Kohima Division, Dimapur and the ADC, Dimapur on 23 September 1995 together with the photograph of the project. The photograph taken on 23 September 1995 showed that the trees standing at the site were apparently more than 4/5 years old. Evidently, the plantation for which payment of Rs. 3.50 lakh was made (September 1995) could not be completed in one day. It was not explained to Audit as to how payment was made for this work and how the three officers had signed the completion certificates. On further scrutiny in audit it was seen that the amount of Rs. 3.50 lakh was made to a person other than the beneficiary.

3.1.9.4 Out of 1996-97 funds of MP(RS), DC, Kohima sanctioned Rs.1.50 lakh to six beneficiaries for undertaking medical treatment outside the State. The detailed accounts of actual utilisation of the amounts were not submitted by the beneficiaries nor did the DC, Kohima insist for the same. The entire expenditure was fictitious and did not fall within the ambit of MPLADS.

3.1.9.5 DC, Kohima issued a work order in December 1994 for construction of a bridge at a cost of Rs.1.50 lakh at Khuzama Village. The work was reported to be completed in February 1995. There was no estimate for the work, no specification prescribed and also no measurement of the completed work recorded in the MBs. The beneficiary of the work submitted (February 1995) a claim for payment together with completion certificate obtained from Block Development Officer (BDO), Kohima. The beneficiary also annexed a coloured photograph of the bridge attested by the BDO. The payment was released (February 1995) by DC, Kohima. From the photograph it was seen that six numbers of local bamboo poles were placed horizontally over a 6/7 foot wide "Nalla" of a footpath. Bamboo railings supported by wooden posts were also erected. At a very liberal estimate the bridge would have cost not more than four to five thousand rupees including labour charges.

Non-observance of established procedures in execution of work under the Scheme as well as absence of any monitoring led to such incommensurate and unjustified expenditure.

3.1.10 Monitoring, evaluation and reporting

The Scheme envisaged that the DC was to visit and inspect at least 10 *per cent* of the works executed during a year. It was, however, seen that none of the DCs and ADC, Dimapur whose records were test checked, had inspected any work sanctioned by them. No system was evolved for proper monitoring of the progress of works taken up under the Scheme. While no reasons for non-conduct of prescribed inspections were stated by the DCs, Kohima and Mon, the DC, Mokokchung stated that due to the prevailing law and order situation he could not visit all the works executed in the villages, but in the town test checks were made by him along with technical officers. The ADC, Dimapur had not carried out mandatory inspections as he claimed that he was not provided with the guidelines of the Scheme.

Monthly progress reports were required to be sent to the DPI, Government of India but not a single monthly report had been sent till date of audit (May 1997). This was attributable to the non-maintenance of accounts, records and non-conduct of inspection by the implementing officers.

3.1.11 The matter was reported to the Government and the department in August 1997; replies had not been received (January 1998).

3.2 Irregular payment of wages to contingent paid staff with retrospective effect

On 11 May 1994, the Government of Nagaland (Personnel and Administrative Reforms, Vigilance Branch) upgraded the non-gazetted (Group-C) posts of Inspectors (Vigilance) to gazetted (Group-B) status with retrospective effect from 1 June 1990. As per existing order all the gazetted officers of the State Government were entitled to one personal peon.

Test check (January-February 1997) of records of the Vigilance Commissioner (VC), Nagaland, Kohima showed that on 27 May 1994, the VC appointed 10 contingent paid personal peons with retrospective effect from 1 June 1990 on the consolidated monthly wages of Rs.450

Irregular payment of wages of Rs.1.82 lakh by Vigilance Commissioner.

for attachment to 10 upgraded Inspectors. Accordingly, VC had drawn and paid (June 1994) wages amounting to Rs.1.82 lakh for the period from 1 June 1990 to 26 May 1994 to those ten contingent paid personal peons. Appointment of peons with retrospective effect was irregular, since the incumbents were not physically present and had not rendered any service during the period from 1 June 1990 to 26 May 1994.

The payment of Rs.1.82 lakh towards wages of these peons was thus irregular and inadmissible.

The matter was reported to the Government and Department in April 1997; replies had not been received (January 1998).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

3.3 Misutilisation of Government money

In order to enable the State Government to renovate and upgrade 198 Minor Irrigation Projects covering 8974 hectares of land under command areas, at an estimated cost of Rs.4.10 crore, the Planning Commission sanctioned (January 1994) assistance of Rs.2 crore (Rs.1.90 crore of grants-in-aid and Rs.0.10 crore as loan) with the stipulation that the balance amount of Rs.2.10 crore would be provided by the State Government as matching grant.

During audit (September 1996) of the accounts of the Joint Director, Irrigation and Flood Control (I&FC), Nagaland, Kohima, it was noticed that an amount of Rs.2.53 crore was drawn in three Abstract Contingent (AC) bills during March 1994 (Rs.1 crore), March 1995 (Rs.1 crore) and March 1996 (Rs.0.53 crore - State share) and the entire amount was deposited in Civil Deposit on the respective dates of drawal. As reflected in the records of the Treasury, the amounts were withdrawn from Civil Deposit during April 1994 (Rs.50 lakh), July 1994 (Rs.25 lakh), October 1994 (Rs.25 lakh), June 1995 (Rs.50 lakh), July 1995 (Rs.50 lakh) and May 1996 (Rs.52.85 lakh) but the same were not accounted for in the cash book. Thus, the entire amount of Rs.2.53 crore was kept out of Government account. In reply, the Department stated (August 1997) that due to pen down strike observed by the ministerial staff in March-April 1994 money paid could not be entered in the cash book. The reply is not acceptable as it was seen in audit that most of the expenditure (Rs.2.02 crore) was incurred only after April 1994.

Rs.2.53 crore irregularly drawn in advance of requirement through AC bills and kept outside Government account.

Utilisation of the money for the purpose for which it was sanctioned and drawn also could not be vouchsafed as the disbursements of the amounts were neither recorded in the cash book nor were any records produced to Audit in support of disbursements made. No DCC bills for the entire amount drawn in AC bills had been furnished to the AG as of January 1998. The Department in its reply of August 1997 stated that the delay in submission of DCC bills was because of ethnic clashes in Peren Sub-division and the law and order problems in the interior areas of Tuensang District. This reply is not acceptable in audit because the DCC bills for the unaffected districts of Kohima, Mon, Wokha, Mokokchung, Zunheboto and Phek had not been submitted till date (January 1998).

DCC bills to account for utilisation of the money drawn had not been submitted to AG even after expiry of 39 months.

The Joint Director, I&FC, however, intimated (18 April 1995) the Government that out of Rs.1 crore (drawn in 1993-94), Rs.25 lakh were spent for procurement of sausage wire, Rs.1.06 lakh for purchase of stationery, Rs.61.75 lakh paid to 15 VVIPs, Rs.10.70 lakh paid to 7 individuals, Rs.1 lakh to a Church and Rs.48,552 to the School of Agricultural Science and Rural Development (SASRD) of North Eastern Hill University (NEHU). No details were furnished in respect of the balance amount of Rs.1.53 crore.

It is thus clear that the amount of Rs.2.53 crore was not utilised for the purpose for which it was sanctioned and drawn as upgradation of the 198 Minor Irrigation Schemes was not carried out.

The matter was reported to the Government and Department in January 1997. The Department, in its reply (August 1997) stated that all the programmes were completed in 1996-97 but no details of the dates of completion of the 198 projects could be furnished to Audit. Further, the evaluation study to assess the impact on agricultural productivity and financial viability as a result of the renovation and upgradation of the projects was not carried out. No follow up report had been sent to the Planning Commission as of date (January 1998) despite the clear stipulation of the same in the sanction order of January 1994. The reply of the Government was awaited (January 1998).

FINANCE DEPARTMENT

3.4 Review on Calamity Relief Fund

3.4.1 Introduction

To provide relief during natural calamities, a scheme called "Calamity Relief Fund (CRF) Scheme" was started during 1990-91 by the Government of India (GOI) initially for 5 years upto 1994-95. The Scheme was continued for the next five years upto 1999-2000 by the GOI. Annual contributions to the Fund are to be shared between the Central and the State Governments in the ratio 75:25 and to be released by them in four equated quarterly instalments. The Central shares are to be paid to the State Government as Grants-in-aid and the latter makes provisions for 100 per cent Fund contribution in its budget under the Revenue head (2245-Relief on account of Natural Calamities -05 CRF-101 Transfer to Reserve Funds and Deposits-CRF). The periodic contributions to the Fund as well as other incomes (*viz.*, returns from investments) shall be kept outside general revenue of the State by transferring them to the Reserve Fund of the State and to make suitable investments therefrom.

Accordingly, a Calamity Relief Fund was set up in Nagaland in 1990-91 and a State Level Committee formed in March 1991 to administer the Fund. For Nagaland State, annual contribution to the Fund was fixed by the GOI at Rs.100 lakh for 5 years upto 1994-95 and subsequently increased* from time to time and raised to Rs.196 lakh for the year 1999-2000.

* Rs.160 lakh for 1995-96, Rs.171 lakh for 1996-97, Rs.180 lakh for 1997-98 and Rs.188 lakh for 1998-99.

3.4.2 Organisational set-up

A State Level Committee (SLC) was constituted (March 1991) with the Chief Secretary of the State as the Ex-officio Chairman. The Committee was empowered to decide on all matters connected with financing of relief expenditures, investment, income from investment and utilisation of the money drawn from the fund for the intended purpose.

Ministry of Agriculture, GOI was to monitor the expenditure and investment of the Fund and render advice to the State Level Committee if deemed necessary and Central Government would reserve the right to relax any provision of the scheme. Finance Department acted as the nodal department for administration of the Fund and the Bank account had been operated jointly by the Financial Commissioner and the Home Commissioner.

3.4.3 Audit coverage

Implementation of the scheme in the State from 1990-91 to 1996-97 was reviewed in audit (May 1997 to July 1997) with emphasis on transfer of allocated budget provisions to CRF, investment from the Fund, income from investments and expenditure on relief measures met out of the Fund. The results of audit based on the test-check of records maintained by the Finance, Agriculture and Works and Housing Departments as well as those of the Police Engineering Project are incorporated in succeeding paragraphs.

3.4.4 Highlights

- Despite provision made in the State Budget, transfer of money to the CRF and investment therefrom was delayed for a period ranging between 2 and 12 months.

(Paragraph 3.4.5.1)

- Lumpsum investment of funds balances in a single Fixed Deposit account instead of opening FD accounts of varying maturities and premature closure of the fixed deposit account, resulted in loss of interest of Rs.2.30 lakh during 1996-97.

(Paragraph 3.4.5.2)

- Against the permissible limit of 15 *per cent* of the CRF to be invested with the State Co-operative Bank, the entire balance available in the Fund was invested with this Bank. Investment of 85 *per cent* available funds in State Government Securities would have earned an interest of Rs.51.25 lakh.

(Paragraph 3.4.6.1)

- Genuineness of disbursement of cash relief assistance of Rs.171 lakh to 16,682 beneficiaries could not be ascertained in audit due to non-production of Actual Payees' Receipts and other relevant records.

(Paragraph 3.4.7(ii))

- Out of Rs.100 lakh spent for calamity relief through 'Contingency Crop Production Scheme', there was extra expenditure/excess payment of Rs.18.70 lakh on transportation, handling charges and acceptance of higher rates of relief materials during 1993-94.

(Paragraph 3.4.7(ii))

- Records to substantiate distribution of seeds and fertilisers worth Rs.50 lakh to affected farmers and of Rs.35 lakh spent for repairs and restoration works, were not produced to Audit.

(Paragraph 3.4.7(iv))

3.4.5 Financial outlay

Year-wise details of release of funds both by Central and State Government, the budget provisions made and amount transferred to the Fund, Investments from Fund and expenditure incurred on calamity relief assistance are given below:-

Years	Release of grants		Total	Transfer of funds to CRF from Revenue Account	Investments			Expenditure		
	Central Share	State Share			As per Department	As per Accounts	Discrepancy Excess (+) Less (-) in accounts	As per Department	As per accounts	Discrepancy Excess (+) Less (-) in accounts
					(Rupees in lakh)					
1990-91	75	25	100	100	99.61	100.00	(+) 0.39	0.39	---	(-) 0.39
1991-92	75	25	100	100	83.81	83.81	Nil	16.19	16.19	---
1992-93	75	25	100	100	43.72	28.68	(-) 15.04	71.32	71.32	---
1993-94	75	25	100	100	---	5.00	(+) 5.00	116.49	95.00	(-) 21.49
1994-95	75	25	100	100	100.00	52.15	(-) 47.85	47.95	47.85	(-) 0.10
1995-96	120	40	160	60	147.50 ⁽¹⁾	47.50 ⁽²⁾	(-) 100.00 ⁽²⁾	12.50	12.50	---
1996-97	128	43	171	Nil	162.19 ⁽¹⁾	174.94 ⁽²⁾	(+) 12.75	87.25	87.25	---
Total:-	623	208	831	560	636.83	492.08	(-) 144.75⁽³⁾	352.09	330.11	(-) 21.98⁽⁴⁾

The total contribution was to be transferred to the Fund in four equated quarterly instalments in April, July, October and January. Despite timely receipt of Central Government's share of contribution to the Fund, there were persistent delays in transfer of funds from revenue head of account to the CRF by the State Government and ranged between 2 and 12 months during the years 1991-92 and 1994-95 to 1996-97.

3.4.5.2 Irregular drawal and injudicious investment

During the year 1995-96 and 1996-97 Rs.147.50 lakh and Rs.162.19 lakh were sanctioned for transfer to CRF and investment therefrom out of a total fund contribution of Rs.160 lakh and Rs.171 lakh respectively.

It was also seen in audit that without transferring funds from the Revenue head (MH 2245 -- Grant No.21) to the Reserve Fund Account (MH 8235-- 11--CRF) and with no credit balance available in the CRF, the department drew Rs.87.50 lakh (January 1996) and Rs.162.19 lakh (August 1996) by debiting the Reserve Fund Account and invested the same in Fixed Deposits (FD No.3189 and

⁽¹⁾ During 1995-96 and 1996-97 Rs.87.50 lakh and Rs.162.19 lakh were invested direct with the Bank (NSCB) without affecting transfer from Consolidated Fund (MH-2245) to CRF.

⁽²⁾ The difference is due to non-adjustment of Rs.100 lakh in account which was kept under Suspense due to non-furnishing of details by the Department. The amount was adjusted during 1996-97 and stands included in Rs.174.94 lakh. Actual investment during the years 1996-97 was Rs.74.94 lakh.

⁽³⁾ Investment as per accounts is less by Rs.144.75 lakh due to premature encashment of term deposits of earlier years (Rs.155.04 lakh + Rs.41.85 lakh + Rs.87.25 lakh) during 1992-93, 1994-95 and 1996-97 (Rs.150.14 lakh) and non-reflection of expenditure on relief works in accounts (Rs.5.39 lakh) during 1990-91 and 1993-94 due to non-furnishing of details by the Department.

⁽⁴⁾ Expenditure in accounts is less by Rs.21.98 lakh due to incurring of expenditure on relief measures during 1990-91 without furnishing details to AG (A&F). As such utilisation of investment, maturity value and interest (Rs.5.00 + Rs.16.49 + Rs.0.10 lakh = Rs.21.59 lakh) by the Department during 1993-94 and 1994-95 had not been reflected in the accounts.

3620) with the NSCB for a period of 21 months and 202 days (12.09.97 to 01.04.97) respectively. The later FD had to be prematurely encashed to allow for payment of relief assistance as shown below:-

FD No.	Amount	Date of deposit	Period (days)	Rate of interest	Date of encashment	Total amount received (including interest)	Paid for relief measures
(Rupees in lakh)						(Rupees in lakh)	
3620	162.19	12.9.96	202	10.5	5.12.96	164.99 (2.80 [*])	34.51
NA ^{**}	130.48	5.12.96	90	NA ^{**}	7.12.96	130.48 (Nil)	2.74
3765	127.74	17.12.96	90	NA ^{**}	10.3.97	129.92 (2.18)	50.00
3853	79.92	10.3.97	180	10.5	11.9.97	84.11 [@] (4.19)	(Re-invested in FD 4173)
4173	84.11	11.9.97	--	10.5	--		

The following audit comments arise out of the aforesaid transactions.

(a) Lack of adequate checks on the part of the Treasury Officer facilitated the irregular drawal of Rs.249.69 lakh by the Department which led to savings in Revenue Account and adverse balance in Reserve Fund Account to that extent.

(b) During the period from 12.9.96 to 11.9.97 (1 year) a total interest of Rs.9.17 lakh was earned on the original investment of Rs.162.19 lakh and the subsequent investments made thereafter after premature encashment of the FDs. Had the Department bifurcated the amount and invested in FDs of varying maturities, it would have earned additional interest of Rs.2.30 lakh @ 10.5 per cent interest as calculated below:-

Amount	Period	Rate of interest (%)	Interest receivable
Rs. 74.94 lakh	12 months (12.9.96 -- 11.9.97)	10.5	Rs. 7.87 lakh
Rs. 50.00 lakh	6 months (12.09.96 -- 17.12.97)	10.5	Rs. 2.62 lakh
Rs. 37.25 lakh	3 months (12.9.96 -- 17.12.96)	10.5	Rs. 0.98 lakh
	Total:-		Rs. 11.47 lakh
	Less interest actually received:-		Rs. 9.17 lakh
	Net loss:-		Rs. 2.30 lakh

Thus, due to injudicious investment the Government was deprived of interest income of Rs.2.30 lakh.

3.4.6 Investment of Calamity Relief Fund

The pattern of investment of funds as approved by the GOI was as under:-

- 25 per cent in auctioned Treasury bills.
- 10 per cent in Public Sector Bonds/Units.
- 15 per cent as interest bearing deposits with State Co-operative Banks.
- 25 per cent as interest bearing deposits with Public Sector Banks.

* Figures in brackets indicate interest earned.

** Not Available.

@ Differs from Finance Accounts by Rs.9.17 lakh as interest earned on investments was re-invested without reflecting in accounts.

- (e) 15 per cent in Government of India securities.
 (f) 10 per cent in State Government securities.

From 1995-96 onwards, investment in (c) and (d) above was prescribed by GOI at 10 per cent and 30 per cent respectively. As per guidelines of the Scheme, investment of the fund will be carried out by a branch of the State Bank of India or a bank which conducts State Government business, at the instruction of the SLC.

The investments in (a), (b), (c), (d) etc., were to be liquidated in this order to meet expenditure on relief measures followed by sale of State Government securities as a last resort.

The SLC decided (March 1991) to invest the entire available funds in the Nagaland State Co-operative Bank (NSCB) a non-scheduled Bank against the permissible limit of 15 per cent. The committee did not obtain a relaxation for this deviation of norms laid down by the GOI. In July 1991, the Reserve Bank of India directed the State Government to entrust the job of the investment/dis-investment only with the State Bank of India, Kohima but the Government/SLC did not adhere to the same.

In violation of Government of India norms all funds invested in a non-scheduled bank.

3.4.6.1 Loss of interest on investment

It was observed that the State Government raised market loans every year carrying higher rate of interest than the interest rate earned on Fixed Deposit in NSCB. Had the Government invested only the permissible 15 per cent in NSCB and the remaining 85 per cent in other gainful securities, it would have earned an additional income of Rs.51.25 lakh upto October 1997 as interest on the investments as detailed below:-

The Fund lost Rs.51.25 lakh due to non-investment in Government securities.

Fixed Deposits Nos.	Actual amount deposited	85 % of Deposit	Date of investment	Date of closing/reinvestment	Period of Deposit (in months)	Actual interest received on total Deposit	Interest earned on 85 % of total Deposit	Interest receivable on 85 % of deposit at NSDL rate*	Difference of interest earned on 85 % deposit and interest due at NSDL rate
	(Rupees in lakh)						(Rupees in lakh)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1687 to 1696	70.00	59.50	6.4.91	21.12.94	45 months	22.28	18.94	25.66	6.72
	10.00	8.50	-do-	22.3.94	36 months	2.56	2.18	2.93	0.75
	19.61	16.67	-do-	22.4.92	12 months	2.09	1.78	1.92	0.14
	99.61	84.67				26.94	22.90	30.51	7.61
								(11.5 %)	
1853	11.53	9.80	14.11.91	10.4.96	52 months	4.47	3.80	5.10	1.30
1933	72.28	61.44	11.4.92	10.4.96	48 months	24.89	21.16	29.49	8.33
	83.81	71.24				29.36	24.96	34.59	9.63
								(12 %)	
2050	4.87	4.14	1.10.92	10.4.96	42 months	1.08	0.92	1.88	0.96
2176	38.85	33.02	26.3.93	21.12.94	21 months	4.64	3.94	7.51	3.57
	43.72	37.16				5.72	4.86	9.39	4.53
								(13%)	
2837	100.00	85.00	21.4.95	Due on 31.10.97	30 months	20.00**	17.00	29.75	12.75
						(at 8%)		(14%)	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
40	60.00	51.00	16.4.96	Due on 18 months	16.10.97	9.90** (@ 11%)	8.42	10.60 (13.85%)	2.18
39	87.50	74.38	13.1.96	Due on 21 months	31.10.97	17.61** (@ 11.5 %)	14.97	18.22 (14%)	3.25
	147.50	125.38				27.51	23.39	28.82	5.43
20	162.19	137.86	12.9.96	reinvested 12 months	11.9.97	9.17	7.79	19.09 (13.85%)	11.30
Total:-						118.70	100.90	152.15	51.25

* Interest rate of prescribed securities is based on interest allowed on NSDL and has been given in brackets.

** Interest calculated upto October 1997 i.e., due month of maturity. Date of closing/re-investment has not been intimated to Audit.

In reply, the Government stated (October 1997) that long term investment was not advisable as it would cause fund constraint for normal relief measures. The reply of the Government is not tenable because (a) in most cases investments were made only after meeting expenditure on relief measures and (b) as shown above, the six monthly interest available on investment in other gainful securities and the NSCB would have been sufficient for meeting expenditure on relief measures.

3.4.7 Calamity Relief Assistance

The SLC entertained the claims for assistance against destruction/damage of houses, properties and crops due to fire, flood, land-slide, soil erosion, drought, and damage by wild animals. All relief assistance was given to the affected persons in cash as per rates fixed by the Committee except Rs.150 lakh spent through Agriculture Department for free distribution of seeds, fertilisers etc., among the affected farmers for loss of crops etc. and Rs.35 lakh placed with two Government Departments for repair and restoration of roads etc., damaged due to natural calamities.

As decided by the SLC, all individual claims duly verified and forwarded by the DCs/ADCs with specific recommendations would be considered by the SLC for approval. Disbursement to the beneficiaries would be made by the DCs/ADCs.

However, scrutiny of records revealed the following irregularities/defects in implementation of the scheme.

(i) Claims entertained without proper authentication

In all cases of calamities for which relief was provided, Audit observed that the areas affected by natural calamities were not surveyed and specified as such by the Government. Also, there was no record to prove that actual assessment of loss suffered by the claimants was made before recommending the claims for assistance by the DCs/ADCs. As such, genuineness of claims entertained by the SLC could not be verified in audit.

(ii) Non-production of disbursement certificates/APRs

The Committee was responsible to oversee that the money drawn from the CRF was applied for the purpose for which the Fund had been set up.

During the years from 1990-91 to 1996-97 out of Rs.330.28 lakh drawn from CRF, a sum of Rs.171 lakh was drawn for payment as cash relief assistance to 16,682 individuals through DCs/ADCs. But, neither the Actual Payees' Receipts (APRs) nor certificate of disbursement of above amounts to the beneficiaries were produced to Audit. Hence, genuineness of disbursements of cash assistance could not be ascertained in audit.

Disbursement of Rs.171 lakh as cash relief assistance doubtful.

(iii) Calamity relief through 'Contingency Crop Production Scheme'

The SLC placed (December 1993) an amount of Rs.100 lakh with the Director of Agriculture with the stipulation that beside meeting expenditure on 'Contingency Crop Production Scheme', Agriculture Department was to accommodate all agriculture related pending claims for relief. The Director furnished (May 1997) a utilisation certificate of Rs.100 lakh but failed to produce relevant records for review in audit. However, local audit (August 1996) of the accounts of the Directorate for relevant period revealed the following:

(a) Low achievement of target fixed

Government (Agriculture Department) sanctioned Rs.95.05 lakh for purchase of seeds, fertilisers and chemicals and Rs.4.95 lakh towards transportation cost thereof for free distribution among calamity affected farmers. The targetted area to be covered with the seeds was 1625 hectares. But the Department spent Rs.20.52 lakh (i.e., Rs.15.57 lakh more) on transportation, market fee and handling charges and curtailed procurement of seeds and chemicals by Rs.15.57 lakh. It was clear that the target fixed for distribution of seeds was not achieved. There was no record to show that actual benefits had accrued to the calamity affected farmers whose claims were recommended by the SLC to the Agriculture Department.

However, it was seen that seeds and chemicals worth Rs.1.39 lakh were issued to the departmental officers and VIPs which deprived affected persons of the relief assistance.

(b) Extra expenditure on transportation of relief materials

Supply orders for procurement of seeds etc. were placed with local suppliers with the stipulation that destination of materials should be FOR Dimapur. However, the Director paid (December 1993 and January 1994) claims amounting to Rs.16.17 lakh on account of transportation cost (by road).

Thus, payment of Rs.16.17 lakh to the suppliers towards transportation cost by road resulted in an undue benefit to the suppliers and extra expenditure to the Department.

Irregular extra expenditure of Rs.16.17 lakh incurred on transportation of relief materials.

(c) Payment of inadmissible claims of handling charges

There was no provision for payment of any handling charges in the terms and conditions of supply. But the Director paid (January 1994) Rs.4.36 lakh as 10 per cent handling charges on the value of potato seeds (Rs.29.81 lakh) as well as on transportation cost (Rs.13.80 lakh) as claimed by the suppliers.

Thus, payment of inadmissible handling charges of Rs.4.36 lakh was irregular.

(d) Excess payment due to purchase of potato seeds at higher rate

The rates approved by a High Power Committee (Agriculture Department) for purchase of potato seeds were Rs.6000 per MT, Rs.5950 per MT and Rs.5850 per MT for 3 different sizes. Against orders for supply of 450 MTs Potato seeds (size not specified) the supplier supplied the whole quantity of mixed sizes and preferred his claim at the rate of Rs.6625 per MT which was paid (January 1994) alongwith 10 *per cent* handling charges and 1 *per cent* market fee.

If compared to the highest approved rate of Rs.6000 per MT for the biggest size of potato seeds, an excess payment of Rs.3.12¹ lakh was made to the supplier.

(iv) Utilisation of relief materials/money not shown to Audit

Utilisation of Rs.85 lakh on distribution of relief materials (Rs.50 lakh) and repairs/restoration of damaged roads, bridges etc., (Rs.35 lakh) could not be ascertained in audit due to non-production of records. Details are as follows:-

(a) Seeds and fertilisers

An amount of Rs.50 lakh was approved (March 1997) for payment to Agriculture Department to meet the expenditure on "Contingent plan to offset losses to farmers due to inclement weather." Under the programme the Director spent (March 1997) the entire amount on purchase of 280 MTs. of seeds (Rs.43.96 lakh) and fertilisers (Rs.6.04 lakh) for free distribution among the farmers.

However, records in support of actual distribution of the materials to the affected farmers were not shown to Audit except for issue of ginger Rhizomes (worth Rs.25.19 lakh) to the District/Sub-Divisional Agricultural Officers for further distribution to farmers.

Distribution of relief materials valuing Rs.50 lakh doubtful as records could not be produced.

Besides, CST @ 10 *per cent* was paid against the correct rate of 4 *per cent*, on purchase of seeds worth Rs.8.82 lakh resulting in excess payment of Rs.0.53 lakh to the supplier. The Director, however, stated (October 1997) that the excess payment made would be recovered and deposited into Government Account. Details of recovery/deposit had not been intimated to Audit as of January 1998.

(b) Repairs and restoration works

In 1994-95, the SLC approved payment of Rs.25 lakh (September 1994) and Rs.10 lakh (October 1994) to the Works and Housing Department and the Home Department (Police Project) respectively for executing works relating to repairs and restoration of roads, buildings etc., damaged due to natural calamities

¹ (Rs.625 x 450 MTs) x 111/100 = Rs.3.12 lakh

The Chief Engineer (Roads and Bridges) distributed (May 1995) the money to the Divisional Officers, but relevant records to substantiate the actual utilisation of the money/execution of the works were not produced to Audit. Similarly, Home Department could not produce any records in respect of works executed with the funds placed with them.

Due to non-production of records to substantiate utilisation of Rs.35 lakh on repairs/restoration of roads, buildings etc. the total expenditure proved doubtful.

3.4.9 The matter was reported to the Chief Secretary and the Financial Commissioner (August 1997). In reply (October 1997) the Finance Department accepted the lapses in observing formalities and assured (October 1997) improvement in the administration of the Fund in future.

3.5 Loss due to fraudulent drawal of pension etc.

Audit of the vouchers relating to payment of pensionary benefits for the period from January 1995 to March 1997 conducted during May-June 1996, April-May 1997 and July-August 1997 revealed that there were 412 cases of fraudulent drawals of Pension, Death-cum-retirement gratuity, commuted value of pension and overpayments of pension amounting to Rs.202.86 lakh in ten treasuries of the State. Of this pensionary benefits of Rs.89.59 lakh were drawn between March 1996 and March 1997 even after the matter was reported by Audit(June 1996) to the Chief Secretary(Home) and the Director General Police. The *modus-operandi* adopted by the drawee was as follows:-

- (i). Identical computerised forms as used by the AG office for authorisation of pensionary benefits were got printed fraudulently from some other sources.
- (ii). Signatures of the Accounts Officers of the Office of the Sr. Deputy Accountant General (A&E), Nagaland, Kohima were forged to authenticate the Pension Payment Orders (PPOs) etc.
- (iii). Fictitious names and numbers were inserted in the PPO.

Though the above irregularities were brought to the notice of Chief Secretary to the Government, Additional Chief Secretary (Home) and Director General of Police through a comprehensive report by the AG in June 1996 and request was made to get the matter investigated expeditiously, no information had been received regarding action taken, investigations made, responsibilities fixed and mechanisms devised to check the fraudulent drawals from the treasuries in the State as of January 1998.

1.	Kohima North	57 cases =	Rs.24.46 lakh
2.	Kohima South	54 cases =	Rs.25.19 lakh
3.	Dimapur	10 cases =	Rs. 3.28 lakh
4.	Phok	16 cases =	Rs. 7.84 lakh
5.	Pfutsiro	10 cases =	Rs. 4.88 lakh
6.	Zenheboto	106 cases=	Rs.49.67 lakh
7.	Wokha	41 cases =	Rs.20.63 lakh
8.	Mokokchung	30 cases =	Rs.26.76 lakh
9.	Tuensang	36 cases =	Rs.15.06 lakh
10.	Mon	52 cases =	Rs.25.09 lakh
	Total	412 cases=	Rs.202.86 lakh

More details are given in Appendix-XI.

When the fraudulent drawals were first detected by Audit, in May-June 1996, every Treasury Officer in the State was supplied with a monthly list of all pension authorities issued from the Office of the Sr. Deputy Accountant General (A&E) to guard against the fraudulent drawals.

Because of inaction on the part of the Government and non-observance of the prescribed procedure and instructions by the Treasury Officers, the fraudulent drawals of pensionary benefits from the treasuries in the State continued without check. Total loss suffered by the Government on this account upto March 1997 was Rs.202.86 lakh.

Despite the irregularities being reported to the Chief Secretary and Director General of Police to investigate fraudulent drawal of pensionary benefits no action was taken resulting in loss of Rs.202.86 lakh to the Government.

The matter was once again reported to the Chief Secretary to the Government in August 1997; replies had not been received (January 1998).

LABOUR AND EMPLOYMENT DEPARTMENT

3.6 Locking up of Government money in injudicious purchases

Industrial Training Institute (ITI), Mon was initially set up (September 1986) for imparting training in two trades viz. knitting and carpentry.

In June 1995 the Director of Employment and Craftsmen Training (DECT), submitted a proposal to the Government for expansion of the institution by introducing new trades at an estimated cost of Rs.103.56 lakh (Pay and allowances-

Of the funds of Rs.1.04 crore sanctioned for upgradation of ITI, Mon, Rs.56.26 lakh were diverted for purposes other than sanctioned. Materials worth Rs.65.60 lakh procured were lying idle in stock.

Rs.5.56 lakh, construction of workshop and administrative building- Rs.50 lakh, machinery and equipment- Rs.30 lakh, training materials- Rs.10 lakh, furniture- Rs.5 lakh and vehicles- Rs.3 lakh). The Government of Nagaland accorded expenditure sanction for Rs.103.56 lakh (Rs.50 lakh in November 1995 and Rs.53.56 lakh in June 1996) exclusively for procurement of training materials and machinery and equipment only.

During audit (November-December 1996) of the records of the DECT, it was noticed that the DECT without inviting tenders had on the orders of VVIP incurred an expenditure of Rs.103.56 lakh on procurement of training materials (Rs.28.08 lakh), building materials (Rs.46.38 lakh), machinery and equipment (Rs.19.22 lakh), spare parts of vehicles (Rs.4.06 lakh) and furniture (Rs.5.82 lakh) during December 1995 and June 1996.

Further scrutiny of records revealed that the entire materials worth Rs.103.56 lakh were lying idle in store as of December 1996. The reasons for non-utilisation of the materials procured in advance of actual requirement were neither placed on record nor stated by the Department. It was, therefore, clear that without the construction of the workshop and administrative building there was little chance for utilisation of the training materials, machinery & equipment and furniture.

Thus, due to hasty, injudicious and improper procedure adopted for the purchases by the Department, Government funds worth Rs.103.56 lakh were locked up defeating the purpose for which the funds were released.

The matter was reported to the Government and Department in March 1997. The Department in its reply (June 1997) stated that action was being taken to construct the building by obtaining additional funds. The Government in its reply (August 1997) while confirming the reply of the Department stated further that training materials worth Rs.7 lakh had been diverted for use in two other ITIs in the State. The replies are not acceptable in audit as the training materials diverted were specifically bought for use in ITI, Mon and the building materials worth Rs.65.60 lakh were lying unused till date (January 1998). The Department and Government were silent about the use of the furniture and vehicle spare parts.

AGRICULTURE DEPARTMENT

3.7 Production and Distribution of Seeds and Development Schemes for Major Crops

3.7.1 Introduction

During the VIIIth Plan period (1992-97) the Ministry of Agriculture launched various plan schemes for production and distribution of seeds with the objective of providing adequate infrastructural facilities for growth of the seed sector in particular and agricultural production in general. In Nagaland only two schemes namely National Pulses Development Programme (NPDP) and Integrated Cereal Development Programme- Rice (ICDP-R) were being implemented. The NPDP was designed to increase the productivity and production of pulses through adoption of location specific varieties and improved production technology. The ICDP-R aimed at improving the productivity of rice based on scientific cropping system by making available latest High Yielding Variety (HYV) seeds and specific varieties of seeds for problem areas.

According to the State Agricultural Census of 1990-91, out of 9.68 lakh hectares of land available for cultivation in the State, the area sown was only 2.18 lakh hectares (23 *per cent*). Of this, 2.08 lakh hectares were under food grains. The area under rice cultivation was 1.40 lakh hectares with 0.78 lakh hectares (56 *per cent*) under shifting cultivation (jhum). For other crops including pulses, cash crop etc. only 0.10 lakh hectares were available. The reason for high percentage of uncultivated area was prevalence of shifting cultivation in the state.

3.7.2 Organisational set up

The Director of Agriculture (DOA), Nagaland was in overall charge of implementation of the schemes assisted by Joint Director and two Deputy Directors, 7 District Agricultural Officers (DAO) and 18 Sub-Divisional Agricultural Officers.

3.7.3 Audit coverage

Records maintained by the Director of Agriculture, Nagaland, Sub-Divisional Officer, Stores, (SDO (S)) Dimapur and three (out of seven) District Agricultural Officers viz., Kohima, Mon and Mokokchung covering 32.5 *per cent* (67594 hectares) cultivable area of the State under food grains were test audited

during March-May 1997. Expenditure under both the schemes in these three districts constituted 30 *per cent* of the total expenditure incurred during the years under review. Results of the test check are contained in succeeding paragraphs.

3.7.4 Highlights

- Central Government grant of Rs.28.40 lakh (NPDP: Rs.12 lakh and ICDP-R: Rs.16.40 lakh) for the year 1994-95 was released by the State Government in 1995-96. Consequently the schemes could not be implemented in the year 1994-95.

(Paragraph 3.7.5(b) & (c))

- Release of Central Government share was inordinately delayed (2 to 10 months) by the State Government. All funds both Central and State Government shares were released in the month of March resulting in rush of expenditure at the fag end of the year.

(Paragraph 3.7.5.1(b))

- Rupees 43.42 lakh being funds for the year 1995-96 (NPDP: Rs.16 lakh and ICDP-R: Rs.27.42 lakh) were irregularly drawn in March 1996 through proforma bills to avoid lapse of budget provision and entire amount kept in 'Civil Deposit' till June 1996. Similarly, Rs.54.58 lakh were drawn (January and February 1997) for the year 1996-97 and entire amount remained unutilised till April 1997.

(Paragraph 3.7.5.1(c))

- Scheme funds of Rs.15.64 lakh were diverted to activities not connected with the approved components of the schemes.

(Paragraph 3.7.5.2)

- Central assistance of Rs.16.12 lakh was irregularly claimed and obtained by submitting grossly inflated progress reports by the Director of Agriculture.

(Paragraph 3.7.7.1)

- Instead of paying incentives at prescribed rates to the farmers for use of certified HYV seeds, the DOA purchased and distributed seeds free of cost arbitrarily resulting in excess payment of incentives of Rs. 14.69 lakh.

(Paragraph 3.7.7.2)

- Eighty *per cent* of certified seeds (2312.50 quintals) valued at Rs.42.33 lakh under both the schemes were purchased from private suppliers without ensuring that the seeds supplied were actually certified seeds of genetic purity and of the requisite quality.

(Paragraph 3.7.8)

- Paddy seeds valued at Rs.4.65 lakh (515 quintals) were distributed well after sowing and transplanting seasons.

(Paragraph 3.7.8.3)

- 300 quintals of paddy and 64.60 quintals of pulses seeds (value Rs.4.98 lakh) issued to the Director of Agriculture by the Sub-divisional Officer (Stores) remained unaccounted in the books of the Directorate.

(Paragraph 3.7.8.4)

- Payments of Rs.4.27 lakh was made for procurement of 187.08 quintals of Pulses and Maize seeds without actually receiving the supply of seeds.
(Paragraph 3.7.8.5)

- During 1992-97, 22,218 mini kits were to be distributed under NPDP. The Director of Agriculture reported distribution of 15,000 mini kits (cost: Rs.20.00 lakh) but audit scrutiny revealed that only 5,602 mini kits were actually distributed (value: Rs.5.13 lakh) indicating inflated reporting of progress under the scheme.

(Paragraph 3.7.10)

- There was no monitoring system and no evaluation was conducted to assess the impact of the implementation of the schemes.

(Paragraph 3.7.12)

3.7.4.1 Funding pattern

The expenditure under both the schemes was to be shared on the basis of 75:25 between Centre and State Government. However, on certain components such as Block demonstration, Integrated pest management, farmers training etc. under ICDP-R Central assistance admissible was 100 per cent.

3.7.5 Financial outlay and expenditure

Year-wise release of funds both by Central and State Government, Funds provided in the budget and actual expenditure incurred during the period 1992-93 to 1996-97 were as under:-

Year	Name of scheme	Grants released by Government of India	Funds released by the State Government			Budget provision	Expenditure	(+) Excess (-) Saving
			Central share	State share	Total			
		(Rupees in lakh)						
1992-93	NPDP	3.10	1.20	Nil	1.20	3.61	1.10	(-) 2.51
	ICDP-R	2.32	Nil	8.65	8.65	12.00	7.41	(-) 4.59
1993-94	NPDP	4.00	1.90	0.31	7.51	4.40	7.51	(+) 3.11
			4.00	1.30				
	ICDP-R	8.50	8.50	7.50	16.00	31.27	16.00	(-) 15.27
1994-95	NPDP	12.00	Nil	Nil	Nil	5.50	Nil	(-) 5.50
	ICDP-R	16.58	Nil	Nil	Nil	1.72	Nil	(-) 1.72
1995-96	NPDP	12.00	12.00	4.00	28.00	4.00	28.00	(+) 24.00
			12.00					
	ICDP-R	18.50	16.40	2.00	45.82	32.00	45.82	(+) 13.82
			18.50	8.92				
1996-97	NPDP	12.00	12.00	4.00	16.00	4.00	16.00	(+) 12.00
	ICDP-R	34.81	34.81	3.79	38.60	32.00	38.58	(+) 6.58
Total	NPDP	43.10	43.10	9.61	52.71	21.51	52.61	(+) 31.10
	ICDP-R	80.71	78.21	30.86	109.07	108.99	107.81	(-) 1.18

(a) The funds of Rs.13.50 lakh provided by the State Government in the annual budget during 1994-95 to 1996-97 under NPDP were short by Rs.22.50 lakh than Central share received (Rs.36 lakh).

During 1994-95 to 1996-97 budget provisions under NPDP were less by Rs.22.50 lakh than the Central share received.

(b) During 1992-93 out of the Central share of Rs.3.10 lakh under NPDP only Rs.1.20 lakh was released by the State Government in that year and the balance

amount of Rs.1.90 lakh was released in December 1993. Similarly, the Central share of Rs.12 lakh for the year 1994-95 was actually released in 1995-96.

(c) Under ICDP-R, the Central share of Rs.2.32 lakh sanctioned for the year 1992-93 had not been released by the State Government till date (April 1997). During 1994-95, out of Rs.16.58 lakh released by the Central Government, an amount of Rs.16.40 lakh was released in 1995-96. Thus, Central share of Rs.2.50 lakh was not released by the State Government.

The reasons for the above were not available on record nor stated to Audit.

3.7.5.1 Administration of funds

(a) Matching share

During the period 1992-97, the State Government was required to release its one third share of Rs.14.37 lakh under NPDP but only Rs.9.61 lakh were released. The Government stated (October 1997) that due to financial constraints the State Government's full share could not be released.

Short release of State's share under NPDP.

(b) Delay in release of funds

A review of the sanction orders received from the Government of India for release of funds to the State Government and administrative sanction orders issued by the State Government revealed that there were delays ranging between 2 and 10 months in release of funds. It was generally seen that the State Government released both Central and State shares for all the years at the fag end of the years in the month of March in respect of both the schemes. The delay in release of funds led to rush of expenditure at the fag end of the financial year resulting in cascading delays in distribution of seeds and other inputs to the farmers.

Release of Central share by State Government was delayed by 2 to 10 months.

(c) Drawal of money to avoid lapse of grants

The funds, both Central and State shares, for the year 1995-96 in respect of NPDP (Rs.16 lakh) and ICDP-R (Rs.27.42 lakh) were sanctioned by the State Government in the last week of March 1996. The DOA had drawn the amount partly under proforma bills and rest without proper supporting documents on the last day of the financial year and deposited the sum of Rs.43.42 lakh in 'Civil Deposit'. The amount was withdrawn in June 1996. While the amount was retained in 'Civil Deposit,' the DOA submitted progress report to the Government of India, showing that the entire amount had been utilised during 1995-96.

Drawal of funds to avoid lapse of budget grant.

Again in January and February 1997, Rs.54.58 lakh (NPDP: Rs.16 lakh and ICDP-R: Rs.38.58 lakh) being Central and State shares for the year 1996-97 were drawn in a similar manner as was done in 1995-96 and the amounts remained largely unutilised (April 1997). The progress report submitted to the Government of India, however, showed full utilisation of these funds indicating inflated reporting of progress under the scheme.

The Government admitted (October 1997) that due to late receipt of the sanction orders and to avoid lapse of budget grant, drawal of funds on the basis of proforma and improper bills were resorted to. The Director, however, could not explain why some of the amounts remained unutilised even after 18 months of their drawal.

3.7.5.2 Diversion of funds

A sum of Rs.15.64 lakh was diverted for components not covered under the scheme. These are discussed as under -

The pulses seeds procured under NPDP were to be utilised either for distribution through minikits or for block demonstration purposes. There was no provision for free distribution of seeds under the scheme. It was however, seen that 548 quintals of various varieties of pulses seeds valued at Rs.14.25 lakh were distributed free of costs during 1994-96 (335 quintals value Rs.6.68 lakh) and 1996-97 (213 quintals value Rs.7.57 lakh).

An expenditure of Rs.0.49 lakh was made by the DOA during 1996-97 under NPDP for purchase of POL, repair and maintainance of vehicle without any provision in the approved programme. Details of POL purchased and repair works undertaken were not made available to Audit.

Plant protection equipment costing Rs.0.40 lakh were purchased under NPDP in 1993-94 though this component was not included in the approved programme in the aforesaid year.

Though distribution of fertilisers was not an approved component under ICDP-R, the DOA purchased and distributed fertilisers costing Rs.0.50 lakh during 1995-96.

3.7.5.3 Fictitious payment for preparation of Minikits

Between 1993 and 1997 an amount of Rs.0.88 lakh was paid towards preparation cost of 14,210 minikits under NPDP at an average cost of Rs.6.20 paise per minikit. Audit scrutiny, however, revealed that only 4230 minikits (excluding 372 number prepacked minikits) were actually prepared and distributed. There was no stock balance of any minikit. Thus, expenditure of Rs.0.62 lakh incurred for preparation of 9980 non existent minikits was fictitious. During discussion the DOA stated (October 1997) that 11700 minikits were prepared and distributed but could not substantiate the statement with relevant records.

3.7.5.4 Misappropriation of sale proceeds of Plant Protection Equipments

During 1993-94 the DAO, Kohima sold at subsidised rate 108 number (value Rs.1.40 lakh) of Plant Protection (PP) equipment such as sprayers and dusters to the farmers. The sale proceeds of Rs.0.75 lakh realised by the DAO were neither accounted for in the cash book nor deposited in the treasury, and the amount was misappropriated by the DAO. The Government accepted (October 1997) the facts and assured recovery of the amount from the delinquent official.

DAO, Mokokchung distributed 50 numbers of PP equipment during May-June 1994 at subsidised rates and collected Rs.0.30 lakh as sale proceeds, but the

same was not accounted for in the cash book. The amount was, however, deposited in the treasury on 16 April 1997, this resulted in temporary misappropriation of Rs.0.30 lakh for 33 months.

3.7.6 Planning

The implementation of the schemes in the State was totally centralised in the Directorate. The DOA issued supply orders for sundry inputs and the supplies were received by the SDO(S), Dimapur. The SDO(S) distributed the inputs to different field offices according to the distribution list issued by the DOA.

No planning for procurement and positioning of the inputs well in advance of sowing seasons was made. The inputs were purchased without making any realistic assessment of requirement. No feed-back such as availability of demonstration plots, selection of beneficiaries under different components of the schemes, advance preparatory measures for various demonstrations and training etc. were obtained from the field offices. The number of demonstrations to be organised, their locations, area to be covered and arrangement of supervision were also not planned in advance by the DOA. Purchase of inputs was made as soon as funds were available and released regardless of sowing season.

The Government stated (October 1997) that due to erratic release of funds, proper planning of activities could not be done.

3.7.7 Physical progress

Physical targets and achievements of the various components of both the schemes as reported for the period from 1992-93 to 1996-97 are given in *Appendix-XII*.

The Progress Reports (PR) on implementation of both the schemes submitted by the DOA to the Government of India were grossly hypothetical and were not based on any feed back from the field offices. The records of three districts test checked revealed that no reports relating to implementation of the schemes were ever submitted by the DAOs during the period under review.

The component wise actual performance, excess achievements reported *vis-a-vis* ineligible Central assistance received by such inflated reports are discussed in the succeeding paragraphs.

3.7.7.1 National Pulses Development Programme (NPDP)

Against 22128 seed minikits targetted for distribution during 1992-97, the Department reported distribution of 15000 minikits at an expenditure of Rs.20 lakh. It was however seen that only 5602 (Money value Rs.5.13 lakh) minikits were actually distributed indicating inflated reporting of achievement by 268 *per cent* resulting in excess release and fictitious utilisation of Central assistance (75 *per cent*) by Rs.11.15 lakh and State's share of Rs.3.72 lakh. Moreover, with the distribution of 5602 minikits only 1120 hectares of land could be covered under the programme leading to a shortfall of 3306 hectares (75 *per cent*).

For distribution of Rhizobium Culture¹ Rs.1.87 lakh were released by the Government of India during 1992-97. The Department reported expenditure of Rs.1 lakh on this component. Audit scrutiny showed that expenditure of Rs.0.33 lakh only was made on Rhizobium culture during 1996-97. Thus, besides obtaining excess Central assistance of Rs.1.62² lakh, non distribution of Rhizobium culture resulted in denial of intended benefits of increased production of pulses in respect of 7146 hectares (8466-1320). The extent of loss of production had not been assessed by the Department.

Similarly, against reported achievement of holding 300 Pheromone trap³ demonstration at a cost of Rs.1.50 lakh, only Rs.0.40 lakh were spent in 1996-97 for purchase of traps and lures. No demonstration was however, organised and traps and lures were distributed free of costs. Thus, achievements were inflated by 275 *per cent*.

Against 201 numbers of improved farm implements targetted for distribution at subsidised rates during 1994-97, the DOA reported distribution of 134 implements for which expenditure of Rs.3 lakh was reported to have been incurred. It was however, seen in audit that no farm implements had been purchased by the Department till May 1997 and the amount of Rs.3 lakh drawn through proforma bills remained unutilised and shown as cash balance in the cash book. The Central assistance of Rs.2.25 lakh was irregularly obtained by submitting fictitious PRs.

3.7.7.2 Integrated Cereal Development Programme (ICDP)

(i) The scheme envisaged that for promoting the cultivation of latest HYV of rice, incentives would be provided to the farmers for the use of certified seeds. The rate of incentive per quintal of seeds would be between Rs.100 and Rs.400 depending on varieties of seeds used by the farmer. The DOA reported that during 1992-97 incentive of Rs.16.43 lakh was paid on 5752.50 quintals of certified seeds. Audit scrutiny, however, revealed that instead of providing incentives at prescribed rates to the farmers, the DOA procured 1238.50 quintals of seeds at a cost of Rs.16.43 lakh and distributed the same free of cost without obtaining any approval of the Government of India. Taking into consideration the varieties of seeds purchased and distributed, the incentive payable on 1238.50 quintals (of which 932.50 quintals were eligible for incentives) was only Rs.1.74 lakh.

Thus, excess payment of incentives of Rs.14.69 lakh (Central share being Rs.11.02 lakh) was made in violation of the scheme. The Department stated (October 1997) in reply that State Government approved free distribution of HYV seeds as the local farmers were very poor and there was no retail outlet of the HYV seeds in the State. The reply is, however, not tenable as the State Government did not obtain GOI's approval for the deviation.

(ii) During 1992-93 and 1993-94 expenditure of Rs.13.25 lakh which included central assistance of Rs.9.94 lakh (75 *per cent*) was incurred being subsidy on

¹ Rhizobium Culture is a kind of symbiotic bacteria which helps fixation of element 'Nitrogen' from atmosphere to solid and thereby maintain soil fertility. According to the guidelines it increases production by 5 to 10 *per cent*.

² Rs.(1.87 - 75% of 0.33) lakh = Rs.(1.87 - 0.25) lakh = Rs.1.62 lakh.

³ A device useful in detecting the presence and intensity of pest in the field which in turn helps in plant protection measures.

distribution of 2208 PP equipment. Maximum subsidy payable per equipment was Rs.600. Audit scrutiny, however, disclosed that only 995 equipment (450 in 1992-93 and 545 in 1993-94) were actually distributed during that period on which subsidy admissible was Rs.5.97 lakh and share of Central assistance (75 per cent) out of that worked out to Rs.4.48 lakh. The DOA however, claimed and obtained the amount of Rs.9.94 lakh (75 per cent of Rs.13.25 lakh) towards central share of subsidy by submitting fictitious and incomplete reports to the Government of India thus resulting in irregular and excess allowance of central assistance of Rs.5.46 lakh. The impact of distribution of the PP equipment on rice production was not assessed by the Department.

(iii) Sixteen number of farm implements like cultivators, transplanters etc. were purchased at a cost of Rs.1 lakh during 1993-94 for distribution at subsidised rates. These implements remained undistributed as of December 1997 as no local farmers came forward to purchase the same. Despite this the Department obtained further funds of Rs.4.34 lakh (75 per cent) from Government of India for the same purpose during 1994-95 to 1996-97 by submitting PRs showing distribution of 1180 implements involving subsidy of Rs.5.79 lakh. Audit scrutiny however, revealed that out of Rs.5.79 lakh drawn through proforma bills, an amount of Rs.4.99 lakh was paid (December 1996) as advance to a supplier for supply of the implements but no supply had been made as of April 1997. The Government stated (October 1997) that supply of the implements was completed and distribution of the same was in progress. The Government further stated that different types of implements were now purchased suitable for local farmers and admitted that the purchase made during 1993-94 was without assessing technology aspect of the implements.

(iv) Subsidy portion of Rs.2.40 lakh for distribution of 20 numbers of Powertillers was drawn and paid (February 1994) to a supplier. Instead of supplying 20 Powertillers, only 10 Powertillers were actually supplied till May 1997. The DOA however, reported distribution of 20 Powertillers. Thus, besides, excess payment of Rs.1.20 lakh for 10 Powertillers for which no supplies were made, the Department obtained inadmissible Central assistance of Rs.0.90 lakh (75 per cent of Rs.1.20 lakh) by submitting inflated PRs. During 1996-97 the rate of subsidy for Powertillers was enhanced from Rs.12,000 to Rs.30,000 per Powertiller. Accordingly, for 50 Powertillers, subsidy portion of Rs.15 lakh was drawn in February 1997 which remained unutilised (July 1997) but PR showing distribution of 50 Powertillers was sent to the Government of India (June 1997).

(v) Similarly, out of 1995-96 and 1996-97 funds, Rs.2.80 lakh were drawn (Rs.1.05 lakh on March 1996 and Rs.1.75 lakh on February 1997) being subsidy (Rs.15,000 each for 1995-96 and Rs.25,000 each for 1996-97) for 14 number of sprinkler sets. Though the amount remained unutilised, the DOA submitted PR showing distribution of 17 sprinkler sets. The Department stated (October 1997) that 8 numbers of sprinkler sets had already been procured and the remaining 6 would be procured soon indicating fictitious reporting of progress under this component of the scheme.

(vi) The scheme envisaged that awards be given to the best Panchayats in each block for highest productivity. Accordingly, the DOA drew Rs.23.40 lakh between November 1995 and February 1997, (Rs.8.40 lakh each in November 1995, and March 1996 and Rs.6.60 lakh in February 1997). The entire amount was lying as

cash balance (October 1997). The DOA, however, sent PR during 1994-95, 1995-96 and 1996-97 showing the above amounts as disbursed. During audit it was found that no harvesting survey had ever been conducted by the Department till date (July 1997). The Department stated (October 1997) that the award money was under process of disbursement.

3.7.8 Procurement and distribution of seeds

The guidelines of the schemes envisaged that only certified/truthfully labelled⁽¹⁾ seeds were to be used in the activities to be undertaken under NPDP and ICDP-R. Nagaland having no State Seed Corporation nor any registered seed growers, had to procure certified seeds for the programmes from National Seed Corporation (NSC) Regional Office at Guwahati. It was observed during audit that out of 2879.10 quintals of seeds purchased during 1992-97, 2312.50 quintals (80 *per cent*) of seeds were procured locally from private suppliers.

The details of seeds purchased during 1992-97 are given in *Appendix-XIII*.

Seventy-two *per cent* of Pulses seeds (970.50 quintals) were purchased from private suppliers at a cost of Rs.27.35 lakh which accounted for 82 *per cent* of the total expenditure made on procuring pulses seeds. Similarly 87 *per cent* of the total quantity of Cereal seeds (1342 quintals) purchased under ICDP-R was from private suppliers, which accounted for 91 *per cent* of total expenditure (Rs.16.43 lakh) on procurement of seeds under ICDP-R. The Department stated that as the NSC did not supply the seeds on credit, purchases were made from private suppliers. The argument is, however, not tenable in as much as it was seen that though NSC had volunteered to supply the requisite seeds but no supply orders were placed with NSC and all the purchases were made from private suppliers only after the funds were received. As such there was no question of credit purchases.

Only latest varieties of certified seeds were to be distributed for both the activities under the schemes but the seeds procured from private suppliers for NPDP and ICDP-R showed no evidence of being requisite standards i.e., certified seeds. In the absence of any certification of seeds got done by the private sources, it was not clear as to how the Department had ensured that the seeds supplied by the private suppliers were actually certified seeds of genetic purity and of the requisite quality.

3.7.8.2 Undue financial aid to private suppliers of seeds

The private suppliers supplied the seeds at rates equivalent to those of the NSC but while NSC supplied the seeds FOR Dimapur the private suppliers were, however, paid transportation charges for transporting seeds from Guwahati to Dimapur at varying rates. Besides, they were also paid Central Sales Tax (CST) at rates ranging between 4 *per cent* to 10 *per cent*. As all the private suppliers were located in Nagaland and sales took place within the State, the question of payment of CST did not arise at all. The payment of transportation charges (Rs.1.98 lakh) and CST (Rs.2.39 lakh) was irregular and tantamount to an undue financial benefit to the

⁽¹⁾ Truthfully labelled seeds are those seeds which conform to the variety, as stated but are not passed through certification standard.

suppliers. The reasons for irregular payment of transportation charges and CST were not stated.

3.7.8.3 Delay in distribution of seeds

In Nagaland, sowing season of paddy differs from district to district. While in Kohima and Mon districts sowing is done during March to April, in Mokokchung sowing takes place during April to May. It was seen during test check that in several cases seeds were procured and distributed after the sowing season was over. Two such cases are given in the table below:-

Year	Crop	Date of receipt of seeds by SDO(S)	Date of issue to field offices	Quantity (in qtls.)	Value (In lakh of rupees)
(a) 1993-94	Paddy	14 April to 21 April 1993	9 May to 25 May 1994-100 qtls. 13 June 1994 to 24 June-210 qtls.	310	2.65
(b) 1996-97	Paddy	18 May to 25 May 1996	30 May to 27 July 1996	205	2.00
Total:-				515	4.65

Out of the quantity at (a) above, 50 quintals of seeds were issued to DAO, Kohima in May 1994. The DAO, Kohima intimated (August 1994) DOA that due to receipt of the seeds after transplanting season, the same could not be issued to the farmers. Besides, as the seeds supplied by the private suppliers were not treated, storing of the same for next season was not possible. No action was, however, taken by the DOA to treat the seeds with the result 50 quintals of seeds (Value Rs.0.43 lakh) became substandard.

In the same year another 50 quintals of seeds were issued (June 1994) to DAO, Mon. As the sowing season was over, DAO Mon issued (June 1994) entire quantity of seed to Tizit Agricultural Farm. The DAO Mon, however, could not state as to how the Tizit Farm had utilised those seeds.

Similarly, during 1996-97, 205 quintals of paddy seeds were distributed to the field offices between 30 May and 27 July 1996 and in test checked district it was seen that seeds were supplied to farmers despite sowing and transplanting seasons were over.

No assessment was ever made by the DOA of the adverse impact on rice production due to delay in distribution of seeds.

3.7.8.4 Non-accounting of paddy seeds

In January 1996 a supply order was issued by the DOA to local supplier to supply 300 quintals of paddy seeds (3 varieties) for the 1996 sowing season under ICDP-R stipulating to complete the supply within 30 days from the date of issue of supply order. The supplier, however, supplied the seeds in June 1996 when the sowing season throughout the State was over. The SDO(S), Dimapur received the seeds and according to his stock accounts, the entire quantity of seeds valued at Rs.3.60 lakh was shown as issued to DOA on 22 July 1996 on the basis of a chit issued by the Joint Director.

Similarly, under NPDP the following quantity of seeds was shown to have been issued to the DOA by SDO(S), Dimapur:

Date	Name of Pulses	Quantity (Qtls.)	Value (Rupees in lakh)
October 1994	Pea	10.00	0.16
November 1995	Pea	48.00	
	Gram	6.00	
	Lentil	0.60	1.22
		64.60	1.38

The DOA could not produce any records regarding receipt and utilisation of these seeds.

The Department stated (October 1997) that 300 quintals of paddy seeds were distributed by the DOA but could not produce any details of the beneficiaries and relevant records in support of the statement, nor was it stated why the seeds were distributed when sowing and transplanting seasons were over throughout the State. As regards 64.60 quintals of pulses seeds, the matter was stated to be under investigation.

3.7.8.5 Short receipt of seeds against payments made

Scrutiny of records of SDO(S) disclosed that against total payment of Rs.9.43 lakh made for purchase of seeds both under NPDP and ICDP-R, seeds valued at Rs.4.27 lakh were not received and accounted for by the SDO(S). The details are as under:-

Scheme	Year	Name of seed	Payment made		Quantity received by SDO (S)	Shortage	Value (In lakh)
			Qty. (In qtls)	Value (In lakh)			
NPDP ICDP-R	1995-96	Pulses	330	7.53	155.92	174.08	4.05
	1996-97	Maize	113	1.90	100.00	13.00	0.22
		Total:-	443	9.43	255.92	187.08	4.27

No action was initiated by the Department/DOA either against the errant supplier or the official who made payments without receipt of seeds.

3.7.9 Field demonstration farms

Year-wise details of area covered by field demonstrations and expenditure incurred under both the schemes as reported by the DOA are given below:-

Year	Name of the scheme	Area covered		Expenditure (Rupees in lakh)
1992-93	NPDP	100	Hac	1.75
	ICDP-R	4	Acre	0.08
1993-94	NPDP	190	Hac	1.90
	ICDP-R	NIL		NIL
1994-95	NPDP	NIL		NIL
	ICDP-R	140	Acre	2.80
1995-96	NPDP	400	Hac	5.00
	ICDP-R	60	Acre	1.20
1996-97	NPDP	450	Hac	5.00
	ICDP-R	120	Acre	2.40

In three districts test checked, 160 acres (Kohima: 75, Mon: 45 and Mokokchung: 40 acres) were shown to have been covered by field demonstration

under ICDP-R during 1994-95 to 1996-97 as per records of the DOA at a cost of Rs.3.20 lakh. The concerned DAOs, however, stated that only 90 acres (Kohima: 40, Mon: 20 and Mokokchung: 30 acres) were actually covered during the said period though an amount of Rs.3.20 lakh¹ was reportedly spent. Computed at the admissible rate of Rs.2,000 per acre, the cost of organising field demonstrations in 90 acres should have been Rs.1.80 lakh. Thus, Central assistance (100 per cent) of Rs.1.40 lakh was claimed and received by submitting inflated progress reports.

The district-wise demonstrations under NPDP organised and expenditure incurred were not available in the Directorate. In the three districts test checked it was seen that during 1992-93 to 1996-97 only 36 demonstrations covering an area of 33 hectares, as against prescribed are of 360 hectares were held. The demonstration plots were fragmented and varied in sizes from 0.40 hectare (Kohima district) to 7 hectares (Mon district) instead of the stipulated size of 10 hectares as contemplated in the guidelines.

The following defects were also noticed:-

- (i) Identification of beneficiaries was not made in advance.
- (ii) Being a scientific experiment, the demonstrators should have maintained records indicating date of supply of inputs, sowing, supervision, harvesting etc. None of the DAOs maintained such records of progress of demonstrations.
- (iii) The progress and results of the demonstrations were to be monitored and results analysed but no such analysis was done in this regard. The concerned DAOs could not even state the yield from each demonstration plot to substantiate the superiority of Demonstration Farms over Private farms.
- (iv) Latest varieties of seeds were not utilised in all these demonstrations.
- (v) While seeds were issued far in excess of requirement, the other inputs issued were either below prescribed norms or not issued at all. Following are the few examples:-

District	Year	Crop	Number of plots	Area	Quantity of inputs supplied			
					Seeds	Fertilizers	PP Chemicals (In kg)	Rhizobium
Mon	1992-93	Peas	1	6 Hac	600 (360)	300 (900)	200 (NA)	NIL
	1995-96	Peas	1	7 Hac	700 (420)	NIL (1050)	NIL	NIL
Mokokchung	1995-96	Moong	1	1 Hac	400 (20)	1250 (100)	NIL	NIL
	1996-97	Peas	1	1 Hac	800 (60)	NIL (150)	NIL	NIL

* Figures in the parentheses denote prescribed quantity as per package of practices.

¹ Kohima -	Rs.1.50 lakh
Mon -	Rs.0.90 lakh
Mokokchung	<u>Rs.0.80 lakh</u>
Total:-	Rs.3.20 lakh

Since the demonstrations under both the schemes were not conducted in the manner prescribed, the very purpose of the Scheme was defeated. The total expenditure of Rs.20.13 lakh (NPDP: Rs.13.65 lakh and ICDP-R: Rs.6.48 lakh) on this component was thus wasteful.

3.7.10 Distribution of minikits (NPDP)

The thrust of this component was to make available seed of promising/latest released varieties to farmers. Pulses seed sufficient for covering 0.2 hectare area was to be supplied to the identified farmers charging about 10 *per cent* of the cost of the seedkit. Each minikit contained seeds treated with fungicide along with a packet of Rhizobium Culture and pamphlet on improved package of practices.

Reported number of minikits distribution grossly inflated.

The year-wise number of minikits distributed with their money value as reported by the DOA and numbers actually distributed as found during test check are tabulated below:-

Year	Reported number	Value	Actual number Distributed	Value
(Rupees in lakh)				
1992-93	1000	2.00	1000	1.79
1993-94	1600	2.00	1000	0.79
1994-95	Nil	NIL	372	0.62
1995-96	6000	8.00	NIL	NIL
1996-97	6400	8.00	3230	1.93
Total:-	15,000	20.00	5602	5.13

The following points were also noticed:-

- (i) Identification of farmers was not made by the DAOs and minikits were distributed to farmers as directed by the DOA. No acquittance of receipt were also obtained from the farmers to whom the minikits were supplied.
- (ii) Minikits were prepared departmentally from the bulk purchase of seeds made both for minikits and demonstrations. Due to reasons mentioned in para 3.8 it was not ascertainable whether seeds supplied through minikits were actually certified/latest varieties of seeds.
- (iii) No Rhizobium Culture was supplied with the minikits nor was there any evidence that seeds were treated with fungicide. The effect of distribution of untreated seeds and non-supply of Rhizobium Culture was not evaluated by the Department.
- (iv) Out of 3,230 kits distributed in 1996-97, 2,750 minikits of Moong, Arhar and Blackgram contained only 1 kg. seed instead of the prescribed quantity of 4 kg. per minikit. In the remaining 480 minikits of peas and gram instead of 12 kg., only 5 kg. seeds were packed in each minikit distributed.
- (v) 372 minikits received in November-December 1994 and infested with borers were distributed in December 1994 much after the sowing season (October). The Department had not assessed the adverse impact

due to the distribution of infested seeds through minikits much after the sowing season. The expenditure of Rs.0.62 lakh was thus infructuous.

- (vi) According to the guidelines, minikits were to be distributed charging atleast 10 *per cent* of the cost. Minikits valued at Rs.5.10 lakh were distributed free of cost. This resulted in non-realisation of beneficiary's share of cost of Rs.0.51 lakh.

3.7.11 Demonstration of Integrated Pest Management (IPM)

Demonstration on Integrated Pest Management (IPM) were to be organised in the identified blocks and were meant to educate the farmers about the IPM demonstrations including training of farmers. The cost of organising IPM demonstration in a plot of 40 hectares with 30 farmer participants was limited to Rs.6,000¹ per demonstration under ICDP-R. As regards NPDP ceiling of assistance admissible was Rs.1,500 per hectare.

The year-wise IPM demonstrations organised under both the schemes and expenditure claimed to have been incurred were as follows:-

Year	Name of the scheme	Number/hectare of demonstration	Expenditure (Rupees in lakh)
1995-96	ICDP-R	50 Nos.	3.60
	NPDP	67 Hac	1.00
1996-97	ICDP-R	120 Nos.	5.40
	NPDP	67 Hac	1.00

In the three districts test-checked the number of demonstration organised, expenditure incurred as reported by the DOA and number of demonstrations actually held as stated by the concerned DAOs are given below:-

District	Name of the scheme	Nos.	and expenditure as per DOA records	No. of demonstration actually held as per DAO	Expenditure	Percentage of actual demonstration
Mon	ICDP-R	25	1.50	1	N.A.	4
	NPDP	25	.38	1	N.A.	4
Mokokchung	ICDP-R	25	1.50	1	N.A.	4
	NPDP	30	.45	2	N.A.	7
Kohima	ICDP-R	50	3.00	8	N.A.	16
	NPDP	51	.77	8	N.A.	16

The respective DAOs could not furnish details of number of participants, size of demonstration plots, total expenditure incurred on each demonstration, relevant vouchers, IPM kits/Pheromone trap etc. if any, issued and source of procurement. No records of result of such demonstrations were also maintained.

Thus, expenditure of Rs.7.60 lakh claimed to have been incurred on organising of IPM demonstrations in test checked districts was, thus, doubtful.

¹ Rs.1750.00 (working tea)
Rs.3000.00 (IPM Kit @ Rs. 100 each)
Rs.1250.00 (contingent expenditure)
Rs.6000.00

3.7.12 Monitoring and evaluation

Though the Government of India emphasised the need for systematic and result-oriented monitoring system, the State Government however, did not evolve any monitoring system, to watch effective implementation of the schemes. The prescribed monthly PRs required to be sent to the Government of India were not sent regularly, and whenever sent contained fictitious/contradictory figures. The Ministry of Agriculture pointed out (June 1994) such anomalies in the reports submitted by the DOA to the State Government and also lamented that despite such irregularities having been pointed out, things remained unchanged. The DOA continued to send PRs containing hypothetical and imaginary figures of achievements. Thus, due to indifferent attitude on the part of the State Government, no monitoring system was evolved resulting in the irregularities pointed out above.

The schemes were also not evaluated so far either by the Department or by any outside agency to assess whether and to what extent the objectives for which the schemes were launched, were achieved.

3.7.13. The points mentioned above were reported to the Government and Department in August 1997. The Department and the Government reply are incorporated in the relevant paragraphs.

INDUSTRIES AND COMMERCE DEPARTMENT

3.8 Excess release of subsidy on sugarcane and its misutilisation

To improve the financial viability of the Nagaland Sugar Mills Company Ltd. (NSMC), Dimapur (a Government of Nagaland Undertaking), the Government of Nagaland releases every year "sugar cane support price" on the basis of the quantity of sugarcane crushed by the Mill during the previous year. For the crushing years 1993-94 to 1995-96, the Government had fixed the rate of subsidy at Rs.11.50 per quintal.

Excess subsidy of Rs.75.15 lakh released to Nagaland Sugar Mills Company Ltd. was unauthorisedly diverted.

During audit (June 1996) of the records of the Director of Industries, Nagaland, Kohima it was seen that the Government (Industries and Commerce Department) had released (May 1994 to September 1996) subsidy of Rs.126 lakh to NSMC for the crushing years 1993-94 to 1995-96 against the admissible amount of Rs.50.85 lakh, resulting in excess release of subsidy of Rs.75.15 lakh for the years 1994-95 to 1996-97 as detailed below:-

Crushing year	Sugar cane crushed (in qtls)	Supporting price year	Amount admissible	Amount released (Rupees in lakh)	Excess released
1993-94	1,78,550	1994-95	20.53	42	21.47
1994-95	1,08,780	1995-96	12.51	42	29.49
1995-96	1,54,890	1996-97	17.81	42	24.19
Total:-	4,42,220		50.85	126	75.15

The matter was reported to the Government and Department in September 1996; replies had not been received (January 1998).

3.9 Non-realisation of lease rent from private parties

The new industrial policy of the Government of Nagaland, 1993 envisaged privatisation of its industrial projects with a view to encourage private entrepreneurs. In pursuance of the above policy, the Director of Industries (DI), had leased out (September 1991 to November 1993) four citronella demonstration distillation farms to four private individuals for a period of five years.

Privatisation of industrial projects without protecting interest of Government.

According to the lease deed monthly lease rent fixed by the Department had to be paid by the lessee quarterly, failing which they were liable to pay penal interest at the rate of 10 *per cent* per annum on the amount of lease rent defaulted. The lessor reserved the right to cancel the lease deed with prior notice of 2 months in case the lessee defaulted for more than a year in the payment of rent. Lease Deed did not provide for payment of goodwill or security by the lessee or any other penal clause to attach/enforce recovery of outstanding dues together with penal interest.

During audit (July 1996) of the records of the DI, it was noticed that though all the four lessees had failed to pay the lease rent of Rs.3.27 lakh in quarterly instalments upto June 1996, no action was taken by the Department to realise the outstanding dues of Rs.3.59 lakh (including penal interest of Rs.0.32 lakh) as of June 1996. In one case¹ the lease deed was terminated (February 1996) without realising outstanding dues of Rs.1.45 lakh (including penal interest of Rs.0.13 lakh).

Thus, non-incorporation of any penal clause in the lease agreements for realising the outstanding dues together with interest in case of non-payment of amount by the lessee led to non-realisation of Government revenue amounting to Rs.2.14 lakh from 3 lessees and loss of revenue of Rs.1.45 lakh in respect of the fourth lessee whose agreement was terminated.

The matter was reported to the Government and Department in September 1996. In reply, the Department stated (September 1997) that legal action was being initiated to realise the outstanding dues. Reply of the Government was still awaited (January 1998).

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.10 Appointment and deployment of work charged manpower

3.10.1 Introduction

According to the Nagaland Public Works Department (NPWD) Code which is also applicable to the Public Health Engineering Department (PHED), the work-charged (WC) establishment consists of staff employed on actual execution of a work or sub-works of a specific project and on repair/renovation of existing works.

1. Lipok Walling, Mongkolemba.
 2. Zululemba, Kubulong.
 3. A.S.Anung, Yaongyimsen.
 4. H.P.Phungnyic Konyak, Totok.
- ¹ Lipok Walling.

The WC establishment does not, however, include non-industrial employees such as clerks, draftsman, subordinate and extra establishment of any kind for the Divisional and Sub-Divisional Officers.

According to the delegation of powers vested in the NPWD Code for the Works Departments (including PHED), the Divisional Officers (DOs)/Executive Engineers (EEs), subject to general or special Government restrictions enjoyed full powers for appointment and entertainment of WC staff and no ceiling limit was imposed.

To curb indiscriminate appointment of WC staff, the Finance Department had banned (16 July 1990) fresh appointment of WC employees and also ordered reduction of the existing strength of WC staff by 50 *per cent* from 1 August 1990. As the Government (Finance Department) did not notice any tangible reduction in expenditure on account of WC staff, further instructions were issued in July 1996, conveying the cabinet decision to keep the provisions of NPWD Code delegating powers to DOs/EEs for engagement/ employment of Muster Roll/WC staff in abeyance till such time the relevant provisions of the said Code were amended.

3.10.2 Organisational set-up

The PHE Department is headed by the Commissioner & Secretary to the Government of Nagaland at the Government level and an Additional Chief Engineer (ACE) and 9 EEs¹ at the Directorate and the Divisional (field) level respectively.

3.10.3 Audit coverage

The appointment and deployment of WC establishment in the PHED during 1991-92 to 1996-97 was reviewed in audit partly during May-June 1997 and partly during August-September 1997 by test-check of the records of ACE, PHED and 4 PHE² Divisions. The results of test-check are highlighted in succeeding paragraphs.

3.10.4 Highlights

- Sixty-two *per cent* of the non-plan provisions made for running and maintenance of water supply schemes during 1992-97 and 51 *per cent* of State Plan (MNP) allocations for 1996-97 were spent on entertainment of work-charged (WC) establishment.

(Paragraph 3.10.5.1(a))

- Expenditure on WC staff during 1992-95 had exceeded the funds released by the Government for the purpose by Rs.12.79 crore which amounted to unauthorised expenditure by the Department on work charged staff.

(Paragraph 3.10.5.1(b))

- Out of the funds released at the end of 1995-96 for payment of salaries and wages of WC employees, Rs.1.86 crore remained undisbursed at the end of the year. Similarly, funds of Rs.22.16 lakh released during the last quarter of 1996-97 had remained unspent as of August 1997.

(Paragraph 3.10.5.1(d))

¹ Kohima, Dimapur Store, Dimapur Working (renamed as Peren from 2/97), Wokha, Phick, Zunheboto, Mokokchung, Tuensang and Mon.

² Kohima, Dimapur Store, Mokokchung and Tuensang.

- For operation and maintenance of existing water supply schemes, the Department incurred an excess expenditure of Rs.90.53 crore over the norms fixed by GOI. Bulk (Rs.72.39 crore = 80 per cent) of this expenditure related to indiscriminate appointment and entertainment of WC staff.

(Paragraph 3.10.6.1 & 3.10.6.2)

- In the absence of any prescribed norms and ceiling limit for employment of WC employees, the Department had entertained 7401 WC employees as of March 1997 which led to increase in the cost of maintenance of the water supply schemes by 20 times over the prescribed norms, resulting in an excess expenditure of Rs.90.53 crore.

(Paragraph 3.10.6.2 & 3.10.6.3)

- According to the norms prescribed by the Department and the Government in September 1990, the Department was entertaining 2109 WC staff in excess of the maximum ceiling limit of WC staff against 157 villages (1048 staff) and 4 major towns (1061 staff) under 4 Divisions and thereby had incurred an expenditure of Rs.21.57 crore during 1992-97. Besides, the Department had incurred expenditure of Rs.4.05 crore on 477 idle WC staff deployed in 83 (NC category) villages having no water supply.

(Paragraph 3.10.6.4(a) & (b))

- The Department had incurred irregular expenditure of Rs.75.25 lakh during 1992-97 on deployment of 74 WC staff in 2 Divisions against works without having prescribed norms for such deployment.

(Paragraph 3.10.6.5)

- Records of two out of four Divisions test-checked showed that the Department had incurred expenditure of Rs.1.47 crore on appointment of 208 WC staff between August 1990 and March 1996 (by SDOs/EEs/SE/ACE) in violation of Government (Finance Department) order of July 1990. The remaining 2 Divisions did not furnish the relevant information.

(Paragraph 3.10.6)

- There was doubtful expenditure of Rs.1.45 crore due to entertainment of 100 WC staff by 3 Divisions without Green Cards and service particulars (Rs.1.16 crore) and due to disbursement of salaries and wages of WC staff by 2 Divisions without obtaining proper (97 cases) or any (1779 cases) actual payees' receipts (Rs.0.29 crore).

(Paragraph 3.10.8 (a) & (c))

3.10.5 Financial outlay and expenditure

3.10.5.1 Provision of funds and expenditure

The State Government had not made any budget provision for meeting the expenditure on WC establishment. Yet, the Finance Department of the Government released funds from time to time through 'Letter of Credit' (LOC) for meeting the expenditure on salaries and wages of WC employees against the non-plan allocations of the PHE Department meant for operational cost (running and maintenance-RM) of existing water supply schemes (revenue sector). The budget provisions of the

Department, LOCs released thereagainst by the Government (Finance Department) and the amount spent on WC establishment during the last 5 years were as under:-

Year	Budget allotment		Central assistance for CSS schemes (ARWSP)	LOC released for WC staff	Expenditure on			Total expenditure
	Non-plan (RM)	Plan (MNP) (Urban & Rural)			Works		WC Estt. (Non-Plan & Plan)	
					Non Plan	Plan		
(Rupees in lakh)								
1992-93	2,215.38	560.00	228.07	937.32	573.13	176.57	1,031.60	1781.30
1993-94	1,393.40	490.00	389.00	1098.43	225.99	384.79	1,222.04	1832.82
1994-95	2,013.21	15.37	---	241.34	720.93	14.16	1,302.87	2037.96
1995-96	2,707.94	1,065.00	211.00	2049.62	718.39	197.48	1,863.40	2779.27
1996-97	2,482.09	1,065.00	450.00	1840.99	22.63	969.61	1,818.83	2811.07
Total:	10,812.02	3,195.37	1,278.07	6167.70	2,261.07	1,742.61	7,238.74	11,242.42
1992-97								

From the table given above following points have emerged:-

(a) Sixty two¹ per cent of the non-plan budget provisions (Rs.108.12 crore) made for running and maintenance (RM) of water supply during 1992-97 were spent on entertainment of WC establishment (Rs.66.97 crore) alone. Besides, 51² per cent of the State plan funds MNP for 1996-97 were also diverted towards payment of wages of WC staff. With reference to the actuals for these years (1992-97), the cost of WC establishment met out of non-plan budget constituted 75³ per cent of total non-plan expenditure on RM of water supply. The balance 25 per cent only was spent on execution of non-plan works.

Expenditure of Rs.72.39 lakh on WC staff was not covered by any norms and constituted 62 per cent of the total Non-Plan provisions for the years 1992-97.

(b) During the years 1992-93 to 1994-95, the actual expenditure of Rs.35.56 crore on WC establishment exceeded the funds released (Rs.22.77 crore) by the Government (Finance Department) by Rs.12.79 crore. Available records of the Department did not show any authority against which the said excess amount was drawn and spent.

Expenditure on WC staff had exceeded the funds released by Government by Rs.12.79 crore during 1992-93 to 1994-95.

In reply, the ACE stated (December 1997) that during 1992-93 to 1994-95, the Finance Department had issued LOCs for WC staff directly to the Divisional officers who incurred expenditure accordingly. The reply of the ACE is not tenable in as much as the same was not corroborated by all the copies of LOCs in support of drawal of funds for WC staff during 1992-95.

Includes Rs.541.67 lakh released and spent out of State Plan (MNP) fund.:

$$1 \quad \frac{6697.07 \times 100}{10,812.02} = 61.94 \text{ say } 62$$

$$2 \quad \frac{541.67}{1065.00} \times 100 = 50.86 \text{ say } 51$$

$$3 \quad \frac{6697.07}{(9499.81 - 541.67)} \times 100 = 74.75 \text{ say } 75$$

(c) During 1996-97, an amount of Rs.5.42 crore meant for Plan works was diverted for meeting the salaries and wages of WC staff and constituted 56⁽¹⁾ per cent of the total State Plan expenditure of Rs.9.70 crore incurred during 1996-97. This expenditure was debited to Plan (MNP). The release and diversion of Plan funds by the Government (Finance Department) for meeting the cost of WC establishment violated all norms of financial discipline. No authority in support of this diversion of plan fund voted by the legislature was available on record. As a result of the diversion, execution of plan works had suffered during the year 1996-97. In reply, the ACE confirmed (December 1997) the facts mentioned above.

State Plan funds of Rs.5.42 crore unauthorisedly diverted for payment of salaries/wages of WC staff during 1996-97.

(d) During the years 1995-96 and 1996-97, the Government released funds to meet the expenditure on WC staff at the fag end of March which resulted in savings of Rs.1.86⁽²⁾ crore and Rs.0.22⁽³⁾ crore respectively. Since the EEs of the Divisions drew the entire amounts through self cheques, as per LOC released by the Government, the surplus cash drawn was kept by them in the form of banker's cheques or in current account of State Bank of India (SBI) opened in the official designation of the EEs. Of the excess drawal made during 1995-96, Rs.0.60 crore were credited to Government revenue in 1996-97 (May 1996) as per Government instruction of April 1996 leaving a balance of Rs.1.26 crore with the Divisions. There was no account as to how the above amount was utilised since the Divisions test-checked did not show any fresh appointment of WC staff against works. Of the unutilised amount of Rs.22.16 lakh released for WC staff in 1996-97, Rs.17.06 lakh were drawn in excess of requirement by EE, Tuensang and the amount remained credited to the EE's current account with SBI, Tuensang as of August 1997.

Huge savings (Rs.2.08 crore) resulted from unassessed release of funds for WC staff.

In reply, the ACE stated (November 1997) that savings of Rs.1.26 crore during 1995-96 were spent on payment of outstanding liabilities, emergency maintenance, power charges, chemicals and repair of pumps. The ACE, however, had not indicated the details of expenditure alongwith supporting documents, period and the authority under which the amount was spent.

As regards the savings during the year 1996-97, the ACE stated that

(1) $\text{Rs.} 541.67/969.61 \times 100 = 55.86$ say 56.

(2) LOC/drawal

(-) expenditure = $\text{Rs.} (2049.62 - 1863.40)$ lakh = $\text{Rs.} 186.22$ lakh.

(3) -do- = $\text{Rs.} (1840.99 - 1818.83)$ lakh = $\text{Rs.} 22.16$ lakh.

actual saving was Rs.32.05¹ lakh (non-plan) which was due to reduction/retranchment of WC staff in 8 Divisions. As per Government instruction, the amount was kept in banker's cheques (by respective Divisions) and proposal was sent (November 1997) to Government (PHED) for utilisation of the savings towards clearance of pending bills (non-plan) of contractors.

Savings in all the above cases indicated that funds were being released in excess by the Finance Department. Reasons for excess releases could not be ascertained as the Department (ACE) had not furnished the budget or fund requirement proposals for WC establishment of the Department despite repeated requests.

3.10.6. Budget and work-charged establishment

3.10.6.1 Defective budgetary practice and irregular release of funds by the Government

The Department and the Government had never made any separate budget provisions for the salaries and wages of the WC establishment of the Department. The salaries and wages of WC employees were paid out of non-plan budget provisions made for running and maintenance of water supply schemes.

Non budgeting for cost of WC establishment allowed Government to randomly divert Plan and non-Plan funds for this expenditure.

This facilitated both the Government and the Department to release funds and incur expenditure on entertainment of WC establishment without any restrictions or limitations. Consequently, bulk of the provisions made under non-plan and plan sector of the Department were set off towards meeting the cost of WC employees. In reply, the ACE stated (December 1997) that despite the Department's (PHED) effort to project sub-head wise allocations for WC staff, the Finance Department had not incorporated the same in the budget documents.

3.10.6.2 Excess spending over norms prescribed by GOI and the State Government

As per norms prescribed by the GOI, 10 *per cent* of the annual budget provisions for plan works under State sector MNP and (along with) another 10 *per cent* of the Central assistance received by the State for implementation of the CSS projects could be spent on the operational cost (RM) of

Of the Running and maintenance cost of Rs.95 crore which was 20 times in excess of prescribed norms, 80 *per cent* was due to payments to WC staff.

Kohima	Rs. 5.87 lakh
Peren	Rs. 0.22 lakh
Phuk	Rs. 0.44 lakh
Wokha	Rs. 1.35 lakh
Zunheboto	Rs. 2.17 lakh
Mokokchung	Rs. 1.60 lakh
Tuensang	Rs.17.06 lakh
Mon	Rs. 3.34 lakh
	<u>Rs.32.05 lakh</u>

This differs from the Accounts figures by (Rs.32.05 - 22.16 lakh) Rs.9.89 lakh. The discrepancy is under reconciliation.

existing water supply schemes. Based on the above norms, the Department was entitled to spend Rs.4.47¹ crore only during the last 5 years out of the plan allocations (State + CSS) for operation and maintenance including entertainment of WC establishment on existing water supply schemes. As against this, the Department had spent Rs.95 crore (Rs.22.61 + Rs.72.39 crore) and thereby incurred an excess expenditure of Rs.90.53² crore which was 20 times over the prescribed norm. The excess spending was attributed largely to entertainment of 7401 WC staff on whom Rs.72.39 crore were spent. The expenditure on WC staff constituted 76³ per cent of the total expenditure on RM of water supply and 80⁴ per cent of the excess expenditure.

3.10.6.3 Criteria for deployment of WC employees

(a) Absence of standard norms

As per Codal provisions, appointment and entertainment of WC staff is to be made against the specific provisions and requirement of ongoing works as per the annual works programme. Such employees borne on cadre of fixed charges or on time scale of pay had to be discharged or redeployed on other works as soon as the concerned work gets completed. As per instructions of the GOI, the village schemes after completion were to be handed over to the village authorities for their upkeep and maintenance as a community asset. However, the above process was not evolved and implemented in the State as of November 1997. Consequently, the Department kept on deploying WC staff on RM of the said village schemes even though there was no provision in the codes to do so.

Government order of July 1990 to reduce WC strength in the Department could not be put into effect as Department had no month-wise statistics of WC staff engaged since 1992-93.

As on 31 March 1997 the number of WC establishment was as under:-

Name of the PHE Division	Number of WC staff on roll as on 31 March 1997		
	On time scale pay	On Fixed pay	Total
1. Kohima (Store)	764	273	1,037
2. Dimapur Store	744	311	1,055
3. Dimapur Working/Person	99	153	252
4. Phok	420	301	721
5. Wokha	217	257	534
6. Zunheboto	347	400	747
7. Mokokchung	750	159	909
8. Tuensang	749	738	1,487
9. Mon	254	405	659
Total:-	4,404	2,997	7,401

¹ MNP provisions (1992-97) = Rs.3195.37 lakh
 Central assistance
 for CSS Project = Rs.1278.07 lakh
 Total:- = Rs.4473.44 lakh
 10% of Rs.4473.44 = Rs. 447.34 lakh
 = Rs. 4.47 crore

² Rs.(95.00 - 4.47) crore = Rs.90.53 crore.

³ 72.39/95.00 X 100 = 76%

⁴ 72.39/90.53 x 100 = 79.96 = 80%.

The Divisions and the ACE for the Department as a whole could not furnish year-wise/month-wise information on engagement and deployment of WC staff for the years from 1990-91 to 1995-96. As a result, either reduction in the strength of WC staff on the basis of Government order of July 1990 or further increase thereof in subsequent years could not be verified in audit.

Employment of huge staff (4404) on time scale of pay was injudicious and responsible for the high cost of maintenance of the water supply scheme.

The ACE while admitting the fact stated (December 1997) that termination of excess WC staff in pursuance of Government orders of July 1990 could not be given effect due to court injunction. The ACE further added that various proposals made by the Departments for reduction of WC staff had not been responded by the Government. However, during 1996-97, the Department had terminated the services of 1139 WC staff and demoted another 529 WC staff appointed in violation of Government order. This had resulted in saving of Rs.32.05 lakh during the year 1996-97.

(b) Fixation of irregular norms for WC staff

The Department by a notification in September 1990 laid down scale/norms for deployment of all WC employees as follows:-

Criteria		No. of WC staff to be deployed
A.	Rural Areas	
(i)	Small villages consisting of 100 houses	2 staff
(ii)	Medium villages consisting of 101 to 500 houses	3 staff
(iii)	Big villages consisting of 501 to 800 houses	4 staff
(iv)	The villages having houses above 800	5 staff
B.	Urban areas	
	The strength of WC staff in urban areas would be at the Headquarters of	
(v)	All Deputy Commissioners	6 staff per sector/ward
(vi)	All Addl. Deputy Commissioners	4 -do-
(vii)	All Sub-Divisional Officers (Civil)	2 -do-

The above norms prescribed by the Government (PHED) through their Departmental administrative orders were deficient and irregular in as much as-

(a) Prior to issue of the order or thereafter the Department and the Divisions had not conducted any survey on the status of water supply in urban (sector/ward-wise) as well as rural (village-wise) areas. However, a status survey conducted in 1993 and updated in March 1996 (showing position as on 1 April 1996) indicated status of water supply village-wise. But the report remained silent on the number of house-holds, the number of sectors/wards and status of water supply in urban areas.

(b) The norms prescribed did not spell out whether the villages/urban areas where WC staff were to be deployed had any completed water supply scheme/project with sustained supply of water or not. The size of the project and length of pipe lines, number of machinery and equipment installed had also not been specified.

(c) Total manpower required for maintenance and upkeep of each of the village schemes and sectors/wards in urban areas had not been assessed. Thus,

duplication of staff in the form of regular and WC staff against single requirement were also not ruled out.

3.10.6.4 Indiscriminate deployment of WC staff

(a) Deployment in excess of norms prescribed by Government

Though the Department and the Government (PHED) had fixed the norms in September 1990 for entertainment/deployment of WC staff in urban and rural areas, it was found that these were not adhered to.

During test-check of the records of 4 Divisions and of the ACE, it was noticed that no information had been collected and kept on record to justify deployment of WC staff. From the available records produced to Audit, it was noticed that there were random deployment of staff in urban and rural areas in violation of even the norms fixed by the Government. In the absence of sizes of the villages and number of house-holds in each of them and even assuming that each village had above 800 houses (maximum possible number), there was excess deployment of 1048 WC staff in 157 villages of 4 Divisions test-checked as detailed below:-

Name of the Division	No. of villages where WC staff deployed	No. of WC staff (Position as of March 1997)	Requirement as per maximum of prescribed scale i.e., @ 5 persons per village	No. of excess WC staff	Expenditure on excess WC staff during 1992-97
				(Rupees in crore)	
Kohima	28	358	140	218	2.10
Dimapur Store	22	227	110	117	1.02
Mokokchung	27	293	135	158	2.00
Tuensang	80	955	400	555	5.66
Total:-	157	1,833	785	1,048	10.78

Similarly, in the urban areas WC staff were deployed at random without adhering to any prescribed criteria as shown below:-

Name of Divisions	No. and name of towns	Sectors/wards in each of town	No. of persons actually deployed	Requirement as per prescribed criteria (maximum)	Excess staff	Extra expenditure during 1992-97 (Rupees in crore)
Kohima (Store)	1 (1)Kohima	9 (2)	536	54	482	4.65
Dimapur	1 (1)Dimapur	14 (2)	224	84	140	1.23
Mokokchung	1 (1) Mokokchung	13 (2)	249	78	171	2.18
Tuensang	1 (1)Tuensang	7 (2)	310	42	268	2.73
Total:-	4 ⁽¹⁾	43 ⁽²⁾	1,319	258	1,061	10.79
Total villages & towns	157	4	3,152	1,043	2,109	21.57

(1) Comparison has been made for major and district towns only. Though Dimapur is a Sub-Divisional town headed by ADC (since upgraded to district town in December 1997), it is equated at par with district headquarter since it is the biggest major town in the State. Information on wards and sizes of other major towns under the above 4 Divisions could not be ascertained and compared.

(2) As per information made available to Audit.

Thus, due to deployment of WC staff in excess of even the maximum of the norms prescribed by Government, the Department had incurred an extra expenditure of Rs.32.35 crore during 1992-97.

Department had to bear an extra burden of Rs.32.35 crore on deployment of excess WC staff during 1992-97 as norms were not adhered to.

In reply, the ACE stated (December 1997) that assessment of village-wise requirement of WC staff was made on the basis of house-holds of villages (as registered by RD Department) having completed water supply schemes. Surplus staff identified thereby was proposed to be terminated but the same could not be given effect for want of Government decision and court injunction. Consequently, the Department had to bear extra burden of WC staff. The Divisions test-checked, however, failed to produce such assessment records to Audit.

(b) Deployment against villages having no water supply

Test-check of the records of 4 Divisions revealed that during 1992-97, the Department entertained 477 WC staff against 83 Not Covered (NC) category villages and incurred an expenditure of Rs.4.05 crore on their salaries/wages as shown below:-

Infructuous expenditure of Rs.4.05 crore incurred on deployment of WC staff in villages having no water supply.

Name of PHE Divisions	No. of villages under NC category or not included in survey	No. of WC staff deployed during 1992-97	Gross salary and wages paid during 1992-97
(Rupees in lakh)			
1. Kohima (Store)	4	14	14.14
2. (a) Dimapur Store	44	231	198.23
(b) Dimapur Store	4	62	64.44
3. Mokokchung	13	55	67.36
4. Tuensang	18	115	61.14
Total:-	83	477	405.31
			or Rs.4.05 crore

Since the above villages had no water supply and water supply installations, the WC staff deployed therein remained idle. Thus, the entire expenditure of Rs.4.05 crore was infructuous.

In reply, the ACE stated (December 1997) that he had sought clarifications from the Divisions since WC staff was to be deployed in partially/fully covered villages only.

3.10.6.5 Irregular deployment of WC staff on works having no prescribed norms or criteria for such staff

The NPWD Code clearly provides that WC employee could be appointed only against the provisions of a sanctioned work. The Code ibid also prohibits appointment of non-industrial workers meant for office works under any establishment of Works Departments.

These villages/areas were not found included in the status survey report of 1996.

During test-check of records of 2¹ Divisions it was noticed that the Divisions had entertained WC staff against certain non-industrial jobs or works and had incurred an expenditure of Rs.75.25 lakh during 1992-97 as shown below:-

Name of the PHE Divisions	Name of works	No. of WC staff entertained	Amount spent during 1992-97 (Rupees in lakh)
(a) Dimapur Store	(i) Water testing laboratory	17	14.88
	(ii) Departmental Rest house at Dimapur	18	15.76
	(iii) Pump House at Chumukedima for Dimapur Water Supply	12	10.50
(b) Mokokchung	(i) Superintending Engineer's Establishment	4	5.05
	(ii) Angityong water source	17	21.48
	(iii) Telephone attendant	6	7.58
Total (a) & (b)		74	75.25

Thus, due to irregular deployment of WC staff in violation of codal provisions, the Department had incurred an irregular expenditure of Rs.0.75 crore during 1992-97 in respect of 2 Divisions alone. Records in respect of other two² divisions were not produced to Audit.

In reply, the ACE stated (December 1997) that deployment of some WC staff had to be done due to exigencies of work. He, however, stated that EEs have been instructed to refrain from such practice. Copy of the instructions issued was not made available to Audit.

3.10.6 Appointments of WC staff after imposition of ban by Government

Despite ban imposed (July 1990) by Government and made effective from 1 August 1990 on fresh appointments of WC staff, there were instances of fresh appointments as indicated below.

Records of 2³ Divisions made available to Audit showed that during the period from August 1990 to March 1996, as many as 208 WC employees had been appointed by the Department between August 1990 and March 1997 and expenditure of Rs.1.47 crore incurred as shown below:-

Rs.1.47 crore incurred on fresh WC staff appointed in violation of Government order of September 1990.

Name of the Division	No. of staff appointed after 1.8.90	Who appointed	Expenditure (Gross) from 1.8.90 to 31.3.97. (Rupees in crore)
Mokokchung	47	SDO/EE/SE = 22	0.34
		ACE = 25	
Tuensang	161	SDO/EE = 147	1.13
		ACE = 14	
Total:-	208		1.47

¹ Dimapur Store and Mokokchung.

² Kohima and Tuensang.

³ Mokokchung and Tuensang.

Of the 208 employees recruited during the above period, 39 were appointed by the ACE and the remaining 169 by the SDO/EE and SE, of respective Divisions/Circles. Reasons for such appointments in violation of the Government order were neither on record of the Division/Department nor stated by the Department.

Similar information was called from the other 2¹ Divisions and the ACE's office but as the same was incomplete Hence, no analysis could be made by Audit.

The ACE in his reply stated (December 1997) that the appointment orders issued by him were on the basis of Government approval. He, however, added that he had instructed all the EEs to dispense with the staff appointed in violation of the Government order. Final action taken was awaited (January 1998).

3.10.7 Doubtful expenditure

(a) Entertainment of staff without Green Card

Scrutiny of the incumbency list of 3² Divisions furnished to Audit showed that 100 persons were appointed and retained in service without service cards called 'Green Card' as detailed below:-

Name of the Divisions	No. of employees	Date of appointment	Period of retention in service	Amount spent during 1992-97 (Rupees in crore)
Dimapur Store	20	Not indicated	1992-97	0.27
Mokokchung	13	Between 1/84 and 10/95	From the date of appointment to March 1997	0.24
Tuensang	67	Not indicated	1992-97	0.65
Total:-	100			1.16

Thus, the Department incurred an expenditure of Rs.1.16 crore during above the period on WC employees whose identity and existence could not be proved in absence of service cards (green cards). The ACE for the Department as a whole and the EE, PHE Kohima Division did not furnish similar information for their respective jurisdictions though requisitioned by Audit.

Doubtful expenditure of Rs.1.16 crore incurred on unidentified persons.

The ACE stated (December 1997) that he had asked the concerned EEs to explain the position.

(b) Overlapping in employment of WC staff against green cards

Test-check of the APRs for the month of May 1996 in respect of Tenning Sub-Division under Dimapur Store Division³ revealed that altogether 19 WC staff were entertained against 9 green cards. Thus, appointment of 10 employees

¹ Kohima and Dimapur Store.

² Dimapur Store, Mokokchung and Tuensang.

³ Transferred to newly created Percn Division in February 1997.

against the green card numbers already allotted was a duplication and led to doubtful expenditure of Rs.0.11 lakh per month.

Due to non-production of service cards of the WC employees, the authenticity of the 10 employees appointed subsequently could not be verified in audit. The ACE, however, stated (December 1997) that the matter was under investigation.

(c) Absence of Actual Payees' receipts (APR) or incomplete APR

As per the Central Government Receipt and Payment Rules which are also applicable to the Government of Nagaland, a Government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Government, a voucher setting forth full and clear particulars of claims and all information necessary for its proper classification and identification in accounts. Every voucher must bear or have attached to it, an acknowledgement signed by the person who or on whose behalf the claim is put forward. The acknowledgement should be taken at the time of payment.

Contrary to the above provisions 2¹ of the 3² Divisions (whose records were made available to Audit) had disbursed Rs.29.53 lakh in the months test-checked without obtaining proper acquittances/Actual payees' receipts (APRs) as shown below:-

Name of the Division/ Sub-Divisions	Month of salary/ wages	No. of persons to whom paid	Amount (Rupees in lakh)	Details of APRs
(a) Dimapur Store Nikuland Sub-Division	March 1997	97	1.12	Salary of 2 to 7 persons paid to a single person whose signature was not identified.
Total (a):-		97	1.12	
(b) Tuensang:	July 1996	283	4.38	No APR in support of amounts paid to the individual employee was on record. The vouchers were simply marked as paid.
(i) Tuensang Sub-Division	November 1996	336	5.40	
(ii) Kiphire Sub-Division	July 1996	567	9.58	
	January 1997	503	7.92	
(iii) Longleng Sub-Division	January 1997	90	1.13	
Total (b):		1,779	28.41	
Total (a) + (b):		1,876	29.53	

Thus, the bonafide of the amounts (Rs.29.53 lakh) claimed to have been actually paid to the individual employee could not be authenticated. The Divisions also did not furnish any viable reasons for showing disbursement without obtaining APR or with incomplete APR. Disbursement records of Kohima Division were not produced to Audit despite repeated persuasion with the Division and the ACE.

In reply, the ACE stated (December 1997) that he had asked the concerned EEs to submit details of disbursements as pointed out by Audit.

¹ Dimapur Store & Tuensang.

² Dimapur Store, Mokokchung & Tuensang.

3.10.8 Non production of records

Despite repeated persuasions, the ACE and the EE, PHE (Store) Division, Kohima had not furnished (January 1998) the information and records as detailed in *Appendix-XIV*.

In reply, the ACE stated (December 1997) that due to time constraints the records as detailed in Appendix could not be produced to Audit. The reply of the ACE is not tenable since the matter was pursued with the Department (ACE) and the Divisions between May-September 1997.

3.10.9 The matter was reported to the Government and Department in November 1997. The Government (PHED) forwarded (December 1997) the reply of ACE without any comment. The reply of ACE has been incorporated in the relevant paragraphs.

RURAL DEVELOPMENT DEPARTMENT**3.11 Locking up of funds under Rural Artisan Development Programme**

With a view to improving the financial position of the rural artisans and prevent their migration from the villages, a scheme of providing modern tools to village artisans was introduced (1992-93) in the State. The scheme formed a part of Integrated Rural Development Programme (IRDP) and all traditional rural artisans living below the poverty line were to be covered under the scheme. Accordingly, the State Rural Development Agency (SRDA) (defunct from 1 October 1995) paid through cheque Rs.22.74 lakh to the Director, Rural Development (RD) Blocks, Nagaland for utilisation under IRDP. The Director, RD Blocks received the cheque on 8 September 1995.

During audit (April 1996) of the accounts of the Director, RD Blocks, Nagaland it was noticed that at the instance of the Secretary, RD Department, the cheque was deposited (11 September 1995) in a current account opened with the State Bank of India, Kohima, without taking this amount into the cash book in contravention of Rule 13(ii) of Receipt and Payment Rules. Consequently, the amount of Rs.22.74 lakh remained out of Government account without being utilised for the Rural Artisan Development Programme as of November 1995. The Government in their reply (August 1997) have admitted that an error was committed in not entering this amount in the cash book.

Rs.22.74 lakh meant for Rural Artisan Development Programme kept out of Government account.

Further, the Department purchased (December 1995) 758 tool kits at a cost of Rs.23.24 lakh for supply to rural artisans under IRDP at subsidised rate but admitted (August 1997) that the same were lying idle in the departmental godown as of January 1998 thus leading to locking up of Government funds worth Rs.23.24 lakh. The Government/Department was silent about the source of extra expenditure of Rs.0.50 lakh and the authority therefor.

Tool kits worth Rs.23.24 lakh meant for rural artisans remained idle.

FOREST, ECOLOGY AND ENVIRONMENT AND WILD LIFE DEPARTMENT

3.12 Human Resource Management

3.12.1 Introduction

The most vital resource in the working of any organisation is the human resource. The productivity of the organisation depends on the scientific management of this resource.

3.12.2 Organisational set-up

At the State level, the Department of Forests, Ecology and Environment and Wildlife is administered by the Commissioner and Secretary. At the Directorate level, the Principal Chief Conservator of Forests (PCCF) supervises the implementation of the Forest Act and various Plantation programmes/Schemes. The PCCF is assisted by one Chief Conservator of Forests (CCF), 2 Additional Chief Conservator of Forests (ACCF) and 4 Conservator of Forests (CF). At the district level there are 15 Divisional Forest Officers (DFO) who run the day to day work of the Department with the help of 14 Assistant Conservator of Forests (ACF), 58 Range Officers and 41 Deputy Range Officers.

3.12.3 Audit coverage

In order to make an assessment of the human resource deployment and justification thereof, a test-check of the records (1992-93 to 1996-97) of 6, out of 15 Forest Divisions was conducted by Audit during July-August 1997. Results of test-check are contained in the succeeding paragraphs:-

3.12.4 Highlights

- The Department had not specified the sanctioned strength of staff for its various Divisions and the staffing pattern of the Division/Range/Beat offices.

(Paragraph 3.12.5(ii) & 3.12.5(i))

- The Range Officer of the Nursery Range under DFO, Mokokchung remained idle from December 1992 to June 1997 and Rs.3.62 lakh was spent on his salary during the said period.

(Paragraph 3.12.5(iii)(a))

- Rupees 3.74 lakh was spent on pay and allowances of the Range Officer (RO) of Kohima North Range under Social Forestry Division and Rs.0.36 lakh spent on payment of wages to the Personal Peon attached to the RO during October 1990 to June 1997 though the Range against which the posting was made, did not exist.

(Paragraph 3.12.5(iii)(b))

- The work of Forest Utilisation Range under Forest Utilisation Division (FUD) was transferred to the establishment of Wild Life Preservation Officer (WLPO) in August 1995 without transferring the staff. Consequently, the staff remained idle from August 1995 to March 1997 but the FUD spent Rs.4.13

lakh on account of pay and allowances for these idle staff during the same period.

(Paragraph 3.12.5(iii)(c))

- Two Boiler Drivers were appointed in January and March 1996 and placed at the disposal of 2 DFOs viz., Social Forestry Division, Kohima and Mokokchung Forest Division despite no boilers existing in these divisions. Rs.0.91 lakh was spent on account of their pay and allowances during February 1996 to June 1997 despite their services remaining unutilised. Besides, one Gangmate and 3 Gangmen were also appointed by the PCCF in January and March 1996 against non-existent posts and Rs.1.55 lakh were spent on account of pay and allowances during February 1996 to June 1997.

(Paragraph 3.12.5(iv)(a)&(b))

- Without executing any agreements with the owners of the land, the Department carried out plantation works on private/community land at a cost of Rs.2.79 crore during 1992-96. The interest of Government was thus not protected.

(Paragraph 3.12.6)

- The Department had not prescribed the proportion of material and labour and number of labour days required for plantation works undertaken by the Department. Consequently expenditure on wages varied from Division to Division by 83 per cent to 99 per cent.

(Paragraph 3.12.6(a))

- The Department had spent Rs.2.15 crore for plantation works during 1992-96 by 4 DFOs (Kohima, Mokokchung and Mon) but no plantation journals showing creation of plantations had been maintained. There was also no report regarding survival of the plants.

(Paragraph 3.12.6(c))

3.12.5 Deployment of staff

(i) Men in position *vis-a-vis* sanctioned strength

None of the Divisional Forest Officers (DFO) test-checked had any records regarding the number of various categories of posts sanctioned for their respective Divisions.

Staff for the Divisions appointed and posted in absence of sanctioned strength.

The staff was appointed and posted by the Principal Chief Conservator of Forests (PCCF). As the DFOs were not aware of the number of posts of various categories sanctioned for their Divisions, no appraisal of the excess/shortage of the men in position *vis-a-vis* sanctioned strength could be undertaken by them. No work allotment order/duty list except posting orders of the staff could be produced to Audit.

The Department had not prescribed/formulated any monitoring system of the men in position *vis-a-vis* sanctioned strength for each DFO and this indicated lack of any system to assess the work requirement and manpower. The Department also could not produce any work allotment order/duty list etc. to be done by the officials.

In reply, the Department stated (November 1997) that PCCF appoints and puts staff to various Divisional Offices depending on the requirements. Further, it

was stated that in some Divisions the posts were not sanctioned and the details of sanctioned posts will be communicated to DFOs and a monitoring system of men-in-position *vis-a-vis* sanctioned strength will be prescribed.

(ii) Staffing pattern

The Department had not prescribed any norm/criterion for the staffing pattern of the Division/Range/Beat offices. Deployment of staff in the Range/Beat offices was not uniform as illustrated below (position as on March 1997) :-

Sl. No.	Name of Division	No. of Range offices	No. of Beat offices	No. of staff deployed					
				ACF	RO	Dy.RO	FR-I	FR-II	FGd
1.	Kohima, Dimapur	6	4	1	11	9	36	31	59
2.	Social Forestry, Kohima	1	--	1	2	--	4	--	5
3.	Wokha	3	3	1	4	4	4	10	23
4.	Doyang Plantation, Wokha	3	--	--	4	--	1	1	11
5.	Mokokchung	5	3	2	3	6	13	5	21
6.	Mon	5	2	--	3	8	10	12	41
Total:-		23	12	5	27	27	68	59	160

It would, however, be seen from the table above that against 23 Ranges and 12 Beat offices there were 5 ACFs, 27 Range Officers, 27 Deputy Range Officers, 68 Foresters Grade-I, 59 Foresters Grade-II and 160 Forest Guards, but due to non-availability of prescribed norms/staffing pattern in the field offices, Audit could not assess the actual requirement of field staff in 6 Divisions test-checked as well as indicate disproportionate deployment of the staff with financial implications. On audit query the Directorate also could not furnish any reason for such disproportionate deployment of staff. In Mon Division against 5 Ranges, only 2 Range Officers were posted and the remaining 3 Ranges were headed by Dy. Range Officers. It was also seen that one Beat office viz. Aboi Beat was placed under the charge of one Range Officer.

In Kohima Division against 6 Range offices, 1 ACF and 11 Range Officers were posted while for 4 Beat offices, 9 Deputy Range Officers had been appointed.

Under DFO Mokokchung, it was observed that for Mokokchung Range, 1 ACF and 1 Ranger were posted, whereas the Longchem Range under the same DFO was headed by a Deputy Range Officer.

Deployment of other categories of staff viz. Foresters I & II grades as well as Forest Guards in all the Ranges and Beats was also not uniform as indicated in the table above. In reply, the Department stated (November 1997) that the postings of staff are made to Range/Beat offices depending on the area covered by Range/Beat. But the Department could not produce any records showing the area of each Range/Beat to substantiate its statement regarding deployment of staff to Ranges/Beats as shown in the table above. It was further stated that the Department will try to deploy staff uniformly to all Ranges/Beats. Basis/criterion to be adopted for this was not intimated to Audit.

(iii) Idle man power

(a) Under DFO, Mokokchung, one Range Officer (RO) had been posted against the Nursery Range since December 1992. Besides the RO, no other officer viz., Deputy Range Officer, Forester, Forest Guard was posted in the Range. Scrutiny of the records of the DFO and the concerned Range office revealed that no funds except for the pay and allowances of the RO and wages for the personal peon (contingent paid staff at the fixed pay of Rs.450 p.m.) had been allotted to the Range Officer concerned. No plantation was done by the RO in the nursery range. Thus, the expenditure on pay and allowances of RO (Rs.3.62 lakh) and wages of Rs.0.25 lakh paid to the personal peon respectively during December 1992 to June 1997 was unfruitful.

Rs.3.62 lakh spent on a Forest Range Officer who remained idle since December 1992.

(b) The PCCF vide his order dated 22 October 1990 transferred one Range Officer 'A' from the office of the Conservator of Forests (TC), Kohima to Kohima North Range under Social Forestry Division, Kohima. It was noticed during audit that no such Range under Social Forestry Division ever existed. The Range Officer joined the Divisional Forest Office of Social Forestry Division, Kohima on 29 October 1990. Due to non-existence/non-establishment of the Range, the Range Officer was sitting idle and was drawing his pay and allowances from the DFO, Social Forestry Division. The expenditure of Rs.4.10 lakh during October 1990 to June 1997 on account of his pay and allowances (Rs.3.74 lakh) and wages (Rs.0.36 lakh) paid to the personal peon attached to the RO respectively, was infructuous.

One Forest Range Officer posted to a non-existent range remained idle since October 1990 and was paid Rs.3.74 lakh.

In reply, the Department stated (November 1997) that Nursery Range, Mokokchung under Mokokchung Division and North Range under Social Forestry Division are not Revenue Stations^(a) and hence Forest advances were not paid to the ROs posted to these ranges as no works were executed by them. It was also stated that these two ROs worked alongwith Headquarter Range Officers. The reply is not tenable as ROs posted in Ranges/Beats other than revenue stations were being paid Forest advances (e.g. Social Forestry Range, Ranges under Doyang Plantation Division). Besides, no records were produced by these two Divisions substantiating that these two ROs were working alongwith the Headquarter Range Officers.

(c) Forest Utilisation Range, under Forest Utilisation Division, Dimapur, was created for looking after the Rubber and Coffee Plantations at Rangapahar. In pursuance of PCCF's order dated 30 June 1995, the said plantation works were transferred to Wild Life Preservation Officer, Dimapur in August 1995. Though the works of the Forest Utilisation Range were transferred but the staff (Range Officer-1, Draftsman-1, Dy.Range Officer-1, Forester Grade I-2 and night Chowkidar-1) attached to that Range remained attached to the Forest Utilisation Division without any work. The amount of Rs.4.13 lakh paid to them on account of salaries from August 1995 to March 1997 was infructuous.

Rs.4.13 lakh paid to idle staff.

^(a) Revenue Stations are such stations headed by an authorised Forest Officer for the purpose of realisation of prescribed forest royalty and permit fee against issue of transit passes and to affix the marks on the forest produce.

In reply, the Department stated (November 1997) that with the transfer of plantation works from Forest Utilisation Division, Dimapur to Wild Life Range under Wild Life Division, the staff were also transferred to the Wild Life Range. Reply of the Department is not correct as the records of the Forest Utilisation Division did not substantiate transfer of manpower as stated by the Department.

(iv) Appointment of staff against defunct plant leading to payment of idle wages

Two posts of Boiler Drivers sanctioned (February 1965) against the Seasoning and Treatment Plant, (STP) Dimapur (which was non-functional from April 1985 and dismantled and disposed on 15 September 1995) were filled up and the drivers posted in the Social Forestry Division, Kohima and Mokokchung Forest Division, respectively by the PCCF in January and March 1996 respectively.

There were no boilers available with any of the DFOs at whose disposal the Boiler Drivers were placed. During the period from February 1996 to June 1997, Rs.0.91 lakh were spent on account of their pay and allowances. This expenditure was thus nugatory.

Rs.2.46 lakh paid to staff appointed against a defunct plant.

In addition to the above, one Gangmate (Pay scale- Rs.1000-1880) and 3 Gangmen (Pay scale- Rs.800-1475) were also appointed by the PCCF against the same defunct STP in January 1996 and March 1996 and were posted with DFO, Mokokchung and Social Forestry Division, Kohima. During the period from February 1996 to June 1997, Rs.1.55 lakh were spent on account of their pay and allowances. Perusal of the list of temporary posts which were in existence continuously beyond 5 years in Forest Department, as communicated by the Government to the Accountant General in June 1997, revealed that none of the 3 posts were in existence in the Department. Thus, the expenditure of Rs.1.55 lakh was infructuous.

3.12.6 Deployment of labourers through Muster Roll

Expenditure of Rs.234.99 lakh towards payment of wages of labourers constituted 84 *per cent* of the total expenditure (Rs.279.07 lakh) incurred on plantations by 6 Divisions (Kohima, Mokokchung, Mon,

Without protecting Government's interest, Rs.279.07 lakh were spent by the Department on plantations in private land.

Doyang Plantation, Wokha and Social Forestry) during 1992-96 (engagement of labourers through Muster Roll had, however, been discontinued from 1996-97 at the instance of the Finance Department of the Government). Only 16 *per cent* of the expenditure was incurred on purchase of materials like seeds, stumps etc. All the plantation works were done on private/community land and no agreements were made with the land owners for future maintenance of the plantation created on their land.

In reply, the Department stated (November 1997) that in Nagaland 88 *per cent* of land is owned by village/community where plantation works were done after verification and selection of areas for plantation by the Forest Officer on receipt of application voluntarily from the land owners upto 1996-97. The Department, however, stated that it had decided (March 1997) to draw up agreements between the land owners and the Department from 1997-98 onwards for such plantations in private lands. The Department's reply clearly indicated that the Government's interests were

not protected. Further, the records relating to verification and selection of areas for plantations were not produced to Audit.

Scrutiny of the relevant records of the Division and Ranges/Beats attached to those Divisions revealed the following irregularities:-

(a) **Non-fixation of quantum of material and labour**

For undertaking plantation works under several Schemes viz., Economic plantation, Rehabilitation of degraded forests, Mixed plantation etc. a rate of Rs.1250 per hectare for creation of all types of plantation was fixed. A fixed amount of 50 paise each for raising of each seedling and 50 paise for distribution of each seedling was allowed. This rate was only for the labour component. The basis on which these rates were fixed by the PCCF was not produced to Audit. To carry out such plantation work, the Department had neither prepared any Manual nor prescribed a schedule of rates for apportioning the labour and material components for each type of plantation. As such, Audit could not check the reasonableness of utilisation of labour days for various plantation works carried out and quantum of materials and labour utilised. As a result, expenditure on wages both in creation of plantation as well as raising of seedlings varied from Division to Division and ranged between 83 *per cent* and 99 *per cent* and between 0 *per cent* and 100 *per cent* respectively as illustrated below:-

Basis of flat rate fixed for creation of plantations not on record.

	Name of the Scheme	Name of the DFO	Total expenditure during 1992-96	Wages		Materials	
				(Rupees in lakh)			
1.	Economic Plantation	Mokokchung	14.42	14	(97%)	0.42	(3%)
		Kohima	18.17	17.74	(98%)	0.43	(2%)
		Mon	7.69	6.87	(89%)	0.82	(11%)
		Doyang	6.15	5.13	(83%)	1.02	(17%)
		Plantation					
		Wokha	4.46	4.43	(99%)	0.03	(1%)
2.	Distribution of seedlings	Mokokchung	7.75	5.85	(75%)	1.90	(25%)
		Kohima	30.64	12.86	(42%)	17.78	(58%)
		Mon	4.92	3.75	(76%)	1.17	(24%)
		Doyang	2.08	1.21	(58%)	0.87	(42%)
		Plantation					
		Wokha	3.73	--		3.73	(100%)
		Social Forestry	2.94	2.94	(100%)	--	--

To an audit query as to how the rate of Rs.1250 per hectare for creation of all types of plantation was fixed, the Department stated that the rate was fixed considering the labour factor of interior places of Nagaland and daily labour wage rates of all Districts/Sub-divisions. The Department further stated that this amount comprised the wage component only.

The contention of the Department could not be substantiated due to non-production of records to Audit. Further, the claim that this amount was only for wage component is not borne out by facts in the light of the findings above that showed that a material component was also included in the rate fixed.

(b) Non-fixation of norms for labour days *vis-a-vis* volume of works

(i) The Department had not prescribed the norms of requirement of labour days *vis-a-vis* volume of work to be carried out. Moreover, it did not prescribe/approve any schedule of rates. Audit could thus not appraise the reasonableness of utilisation of labour days for various plantation works carried out.

Test-check of the Muster Rolls revealed that for similar nature of work, the number of labour days utilised varied widely. For example, for creation of plantation in each hectare of land under Mixed Plantation Scheme, the number of labour days utilised as shown in the Muster Roll (December 1992 to March 1996) by 6 Range officers (Rangapahar, Dimapur, Tuli, Longchen, Mon and Namsa) and 2 Beat Officers (Aboi and Longching) varied from 8 (Mon Range) to 83 per hectare (Rangapahar Range), as analysed below :-

Name of the Division	Name of the Range/Beat	Name of the Scheme	No. of labour engaged	No. of days for which they were engaged	Particular of works	No. of labour days engaged per hectare of land	Period of works as per Muster Roll
Kohima	Rangapahar Range	Mixed Plantation	3.30	25.24	Creation of plantation	83.3	December 1992
	Dimapur	-do-	1.90	26.32	-do-	50	December 1992
Mokokchung	Tuli Range	-do-	2.31	25.00	-do-	58	September 1995
	Longchen Range	-do-	1.12	25.00	-do-	28	March 1996
Mon	Mon Range	-do-	0.32	25.00	-do-	8	June 1993
	Namsa Range	-do-	0.66	25.24	-do-	16.66	June 1993
	Aboi Beat	-do-	1.00	25.00	-do-	25.00	June 1993
	Longching Beat	-do-	2.60	25.63	-do-	66.66	June 1993

The Department stated (November 1997) that the number of labour days for creation of different plantation was not uniform due to different climatic regions but stated that necessary steps will be taken for fixation of norms for labour days *vis-a-vis* volume of work.

(c) Maintenance of Plantation journals

Plantation journal is a register in which all details of works carried out in respect of a plantation and other points of interest concerning it, are recorded from time to time, so that it may serve as an authentic record for reference. As it was a very important record, it should have been maintained for each plantation separately and kept upto date. But the PCCF stated (July 1997) that no Departmental instructions exist for maintenance of plantation journal as the plantations were done in private lands.

Since no Plantation Journals were maintained, the survival of plantation and veracity of expenditure of Rs.215.40 lakh not ascertainable.

On test-check of records it was noticed that though Rs.209.90 lakh (wages Rs.175.47 lakh + material Rs.34.43 lakh) were spent for plantation works during 1992-96 by 3 DFOs (Kohima, Mokokchung and Mon Divisions), no plantation

journals were maintained. Under Social Forestry Division, Kohima, no Plantation Journal was maintained in support of an expenditure of Rs.5.50 lakh incurred during September 1995 to March 1996. In the absence of this vital record, genuineness of the actual number of plantations and their survival could not be verified and corroborated with the expenditure.

In reply, the Department admitted (July 1997) that no orders exist for maintenance of Plantation Journals. However, in further reply (November 1997) the Department stated that DFOs are being asked why Plantation Journals were not maintained as necessary instructions were given to the DFOs to maintain Plantation Journal for each plantation separately and keep the same upto date. The conflicting replies of the Department and its inability to produce a copy of the orders issued for maintenance of Plantation Journals has raised doubts about the existence of such orders.

(d) Non-authentication of Muster Roll

(i) At the foot of format prescribed for preparation of Muster Rolls the following certificate is printed- "Certified that the daily labour whose wages have been charged in the Muster Roll were actually entertained and paid for".

Muster Roll payments for Rs.14.93 lakh were not authenticated by the Divisional Officers.

The above certificate is to be furnished by the Range Officer/Beat Officer who engaged the labourers and the same is to be countersigned by the concerned DFO.

Test check of Muster Rolls revealed that the certificate furnished by the Range Officers/Beat Officers had not been countersigned by the DFOs on many occasions, as illustrated below:-

Name of the DFO	Month's MR	Name of the RO/BO	Sl.No. of MR	Amount of MR (Rupees in lakh)
Kohima Division	December 1992	Rangapahar	3	0.42
	March 1994	Kohima	47	7.64
	December 1994	Dimapur	4	0.21
		Tseminyu	5	1.02
	March 1996	Kohima	15	1.90
Mon Division	September 1995	Singphan	3	0.75
	June 1993	Aboi	15	1.42
	June 1993	Mon	10	0.69
	June 1993	Namsa	13	0.88
Total:-				14.93

3.12.7 Monitoring and evaluation

(i) No record was produced to Audit to show that the divisional/headquarters office had ever made inspections of the plantation areas.

(ii) No reports on conducting of periodical survey of the plantations created to ascertain the survival rates of the plants were available with any of the DFOs.

Monitoring and evaluation of plantations created non-existent.

The Department in reply stated (December 1997) that there were no prescribed levels and number of inspections laid down. However, in its earlier reply of November 1997, it was stated that the inspections could not be carried out as the Government vide an order of July 1990 had curtailed the travel expenses of all officers in the State by 30 per cent because of austerity measures and financial crisis.

3.12.8 The matter was reported to the Government/Department in September 1997; replies had not been received (January 1998).

3.13 Infertuous expenditure on idle staff

Mention was made in paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 regarding infertuous expenditure of Rs.23.28 lakh incurred by the Forest Utilisation Officer (FUO), Dimapur during the years from 1985-86 to 1991-92 on payment of salaries to the staff of the defunct Seasoning and Treatment Plant.

During audit (May 1997) of the accounts (April 1995 to March 1997) of FUO, Dimapur, it was noticed that as per order (June 1995) of the Government, the Plant was dismantled and disposed of in September 1995 for Rs.2.13 lakh.

Rs.23.07 lakh paid as salaries to idle staff of a defunct plant which was disposed of in September 1995.

Despite non-functioning of this Plant since 1985-86, services of 16 employees were continued further and salaries of Rs.23.07 lakh paid to them during 1992-93 to 1996-97. It was also observed that 4 of these employees had been appointed between April 1987 and August 1994 when the Plant had become non-functional in 1985-86.

Thus, failure the Department to adjust the surplus employees on some fruitful work led to an infertuous expenditure of Rs.23.07 lakh.

The matter was reported to the Government and Department in August 1997. The Government stated (August 1997) that salaries were paid to the permanent Government servants. The reply of the Government is silent on non-utilisation of the idle staff of the defunct plant on some alternate fruitful work. It was, however, stated that after the retirement of the experienced hands who originally ran the mill, no new experienced person was recruited. Contention of the Department is not tenable as four employees were appointed between April 1987 and August 1994 as stated in the para.

PLANNING AND CO-ORDINATION DEPARTMENT

3.14 Misappropriation of funds under 'District Plan' Scheme

The Planning and Co-ordination Department sanctioned (November 1994) Rs.18.50 lakh for providing financial and material assistance under 6 programmes (Rs.10 lakh), purchase of sports goods for various youth clubs (Rs.4.5 lakh), purchase of blankets for poor/widows (Rs.3 lakh) and purchase of furniture for Kohima Deputy Commissioner's office (Rs.1 lakh) during 1994-95 under the Scheme 'District Plan'. Under the same Scheme the Government sanctioned (December 1995) Rs.13.30 lakh

Funds of Rs.31.80 lakh meant for financial and material assistance under 'District Plan Scheme' misutilised.

for financial assistance under 7 programmes (Rs.11.30 lakh) and purchase of blankets for the old-aged and needy (Rs.2 lakh) during the year 1995-96.

Test check (January - February 1996) of the records of the District Planning Officer, Kohima for the period from August 1987 to December 1995 revealed that the entire amount of Rs.31.80 lakh was drawn in two AC Bills in November 1994 (Rs.18.50 lakh) and December 1995 (Rs.13.30 lakh) and paid to 5¹ individuals between December 1994 and December 1995.

Audit scrutiny revealed that the beneficiaries entitled for financial and material assistance had not been selected and approved by the District Planning Board till the date of audit (February 1996). Also no supply orders for procurement of sports goods, blankets and furniture etc. were issued nor were these materials received by then DPO. No records relating to distribution of the materials to the beneficiaries were also produced to Audit. Thus, District Plan funds of Rs.31.80 lakh were misappropriated.

The matter was reported to the Government and Department in June 1996, replies had not been received (January 1998).

3.15 Expenditure on construction of gallery shed kept out of Government Accounts.

The Government of Nagaland (Planning and Co-ordination Department) had sanctioned (November 1994) Rs.20 lakh for construction of gallery shed in the local football ground, Kohima under 'District Plan Scheme' 1994-95.

During audit (January-February 1996) of the records of the District Planning Officer (DPO), Kohima it was noticed that on the basis of the above sanction the DPO drew (December 1994 and March 1995) the money and paid the amount of Rs.20 lakh to Executive Engineer (EE), Civil Administration Works Division (CAWD), Kohima in 4 instalments². On cross verification of the records of the EE, CAWD it was seen that the EE had not accounted for the amount in his cash book. On enquiry, the EE, CAWD stated (April 1996) that since the work was not entrusted to him as deposit work, but was requested by Deputy Commissioner (DC), Kohima only to supervise the work, the amount he received was not entered in the cash book.

The contention of the EE is not correct since as per financial rules of the Government the EE was accountable for the money he received and also responsible for maintenance of clear records of disbursements and actual payees receipts. Besides, action of the EE was in violation of the minutes of Planning Department's meeting of August 1993 which stipulated release of payments only after check measurements. Scrutiny of records revealed that EE had not maintained and produced detailed accounts of utilisation of the money, measurement book(s), physical progress and completion certificate of the work executed.

¹ (i) Shri Ruovilic Solo of Kohima town, (ii) Chairman, Chakhabama Village, (iii) Interpreter (Dobashi) of DC's office, Kohima, (iv) Shri Meguokhelie of Kohima town and (v) Shri Vilckuolic of Kohima town.

² December 1994: Rs.4 lakh, January 1995: Rs.4 lakh, April 1995: Rs.4.50 lakh and July 1995: Rs.7.50 lakh.

Thus, while there were procedural lapses on the part of the EE, proper utilisation of money and execution of the work could not be vouchsafed and veracity of the expenditure of Rs.20 lakh could also not be established in audit.

The matter was reported to the Department (June 1996) and the Government (July 1997). While reply from the Department and the Government were awaited (January 1998), the DPO stated (November 1997) that though the work order was issued in December 1994, its commencement and completion were not known to him. However, the DC, Kohima had certified (date not indicated) that the work has since been completed.

HEALTH AND FAMILY WELFARE DEPARTMENT

3.16 Payment made without receipt of materials

Rule 106 of the General Financial Rules lays down that a Government officer responsible for receiving stores is required to physically verify and record a certificate to the effect that he has actually received the materials, that the supplies are as per specifications and have been taken on stock before making/authorising payment of the supplier's claims.

During audit (March-April 1996) of the records of the Director of Health Services (Director), Nagaland, Kohima it was noticed that the Director had made payment (March to December 1995) of Rs.8.18 lakh towards the cost of Medicines, Chemicals, Nursing Sundries and equipment. The relevant supply orders were not made available to Audit but during collateral checks exercised by Audit in respect of supply bills with the relevant stock registers it was noticed that neither certificates indicating receipt of materials were found recorded on the body of the bills nor were any entries made in the Stock Register in support thereof. The Department could not produce any other records to substantiate that the materials had actually been received and accounted for. Thus, the entire expenditure of Rs.8.18 lakh on non-existent stores proved fictitious.

Rs.8.18 lakh paid for non-receipt of stores.

The matter was reported to the Government and the Department in July 1996; replies had not been received (January 1998).

3.17 Extra expenditure on transportation of insecticides

Directorate of National Malaria Eradication Programme (NMEP), Government of India allot 100 Metric Tonnes (MTs) of DDT 50 per cent to Nagaland every year under NMEP. The Director of Health Services, Nagaland (Director) is required to collect the same from M/s Hindusthan Insecticides Ltd., New Delhi. During audit (August 1993 and April 1996) of the accounts of Directorate it was seen that for carriage of DDT for the year 1991-92, Government engaged (December 1991) Mr. 'X' as carriage contractor on the recommendation of a VVIP¹ at the previous year's rate of Rs.1.40 per MT/Km for a total cost of Rs.3.08 lakh (100 MT x 2200 Km. x Rs.1.40). However, on the request made by the contractor (December 1991), Government

Non-acceptance of lowest tendered rate for transportation of DDT resulted in extra expenditure of Rs.7.17 lakh during the years 1991-92 to 1993-94.

¹ Minister in charge, Health & Family Welfare Department, Nagaland.

approved (March 1992) an enhanced rate of Rs.2.38 per MT/Km plus loading and unloading charges of Rs.10,000 resulting in overall carriage rate of Rs.2.43 per MT/Km. Accordingly, Mr. 'X' was paid Rs.5.34 lakh in March 1992 (Rs.3.40 lakh) and July 1993 (Rs.1.94 lakh) resulting in extra expenditure of Rs.2.26 lakh.

The rate increase allowed to Mr. 'X' on the ground of increased market rate was not justified as during 1992-93 carriage rate of Rs.1.50 per MT/Km, offered by another contractor, Mr. 'Y' was accepted (November 1992) by the Government after call of tenders (September 1992). Rates of 5 other tenderers (lowest being Re.0.80 per MT/Km), were considered 'too low to work'. However, during 1993-94 Mr. 'Z' was appointed (June 1993) as carriage contractor arbitrarily by the Government at the enhanced rate of Rs.1.50 per MT/Km. Total cost of transportation for the years 1992-93 and 1993-94 at lowest rate received (Rs.0.80 per MT/Km) would have been Rs.3.75 lakh while the Director paid a total amount of Rs.7.34 lakh¹ to 'Y' (December 1993) and 'Z' (April 1994).

It was also noticed that Mr. 'Y' and 'Z' transported the DDT through other transport agency 'A' in 1992-93 and 'B' in 1993-94 at a total cost of Rs.0.92 lakh (approximate carriage rate Re.0.42 per MT/Km) and Rs.1.08 lakh (approximate carriage rate Re.0.49 per MT/Km) respectively and had earned undue profits of Rs.2.70 lakh and Rs.2.64 lakh respectively which proved that the Government's action for enhancement of rate in March 1992 and rejection of lowest rate in November 1992 was not justified and prejudiced to the financial interests of the State.

Calculated at the lowest tendered rate of Re.0.80 per MT/Km as offered in September 1992, the Government incurred an extra expenditure of Rs.7.17 lakh² for transportation of DDT 50 per cent during the years 1991-92 to 1993-94.

The matter was reported to the Department and Government in October 1993 and July 1996. The Department stated (August 1997) that selection of contractors and fixation of carriage rates was done by the Government. Government on the other hand, stated (November 1997) that carriage rate was enhanced in 1991-92 with reference to the rate approved by the nodal department (State Transport Department). As regards 1992-93 and 1993-94 Government stated that the rate was fixed by the Purchase Board consisting of representatives of various Departments. The replies are not tenable in as much as the Purchase Board was headed by the Health and Family Welfare Department of the Government and the State Transport Department did not approve any rate for carriage of goods by truck except the rate of luggage carrying charges by passenger buses.

AGRICULTURE AND SOIL AND WATER CONSERVATION DEPARTMENTS

3.18 Outstanding Inspection Reports

Audit observations on financial irregularities and defects in initial accounts noticed during local audit and not settled on the spot are communicated to

¹ 1992-93 (Rs.1.50 X 100 MT X 2345 Km)+loading and unloading charge- Rs.10,000 =Rs.3.62 lakh
1993-94 (Rs.1.50 X 100 MT X 2345 Km)+loading and unloading charge- Rs.20,000 =Rs.3.72 lakh.
² 1991-93 Rs.(5.34 - 1.76) lakh = Rs.3.58 lakh
1993-94 Rs.(7.34 - 3.75) lakh = Rs.3.59 lakh
Total:- Rs.(12.68 - 5.51) lakh = Rs.7.17 lakh

the Heads of Offices and to the higher departmental authorities through audit inspection reports. More important irregularities are reported to the Heads of Departments and Government for initiating immediate corrective action.

At the end of June 1997, 417 numbers of paragraphs/items in respect of Agriculture Department and Soil and Water Conservation Department issued upto December 1996 remained unsettled. Details regarding nature of objections and monetary value of the paras are shown below:-

Sl. No.	Nature of objection	Agriculture Department		Soil & Water Conservation Department	
		No. of items	Money value (Rupees in lakh)	No. of items	Money value (Rupees in lakh)
1.	Avoidable/extra/excess expenditure	13	38.59	11	30.52
2.	Misappropriation/shortage/loss of stores etc.	33	18.60	01	8.21
3.	Irregular/unauthorised expenditure/purchase/locking up of Government money/stores	32	93.09	14	130.29
4.	Loss due to non-realisation of Government money	32	16.03	06	8.60
5.	Drawal of money in advance of requirement	04	25.05	01	1.05
6.	Fictitious/Doubtful payment/undue financial aid	06	8.73	04	30.39
7.	Excess payment	06	5.02	06	16.13
8.	Idle outlay/idle stock	06	20.01	05	16.03
9.	Outstanding loans	02	5.41	---	---
10.	Diversion of Funds	01	3.00	---	---
11.	Infructuous expenditure	04	24.53	---	---
12.	Miscellaneous	128	1.16	102	715.51
Total:-		267	259.22	150	956.73

The matter was reported to the Government and Departments in June 1997; replies had not been received (January 1998).

GENERAL

3.19 Non-production of records to audit

Rule 10 of General Financial Rule provide that Auditee units shall furnish fullest possible information required by the Inspecting Officers for the preparation of any report. Rule 11 *ibid* further provides that the said units shall not withheld any information, books or other documents required by the Inspecting Officers of the Audit Department.

It was noticed during audit that on several occasions the drawing and disbursing officers did not furnish records for verification by Audit as of March 1997 inspite of written requisitions and constant persuasion.

Few important cases are cited below:-

Sl. No.	Name of Department/Name of DDO and period of accounts	Period of audit	Name of records not produced	Brief indication of matters which could not be seen in audit.
1.	Food & Civil Supplies Department			
(i)	Director, Food & Civil Supplies, Dimapur (2/95 to 6/96)	17.08.96 to 30.08.96	Subsidiary cash book	Hire charge of private vehicles and transportation cost of rice etc. - Rs.165.39 lakh.
(ii)	Asstt. Director of Food & Civil Supplies, Phck (7/95 to 10/96)	18.11.96 to 22.11.96	Stock and issue registers	Actual receipt and issue of rice etc. pertaining to 5 CPO centre.
2.	Health and Family Welfare Department			
(i)	Principal, Para Medical Training Institute, Kohima (7/93 to 11/96)	09.12.96 to 16.12.96	List of year-wise enrolment and payment of stipend	Enrolment and payment of stipend.
3.	Works and Housing Department			
(i)	Executive Engineer (PWD), Central Division, Kohima (8/91 to 12/96)	06.01.97 to 25.01.97	Handing and taking over report of stock, tools and plan accounts vouchers	Transfer of stores between two Divisional offices.
4.	Police Department			
(i)	Director General of Police, Kohima (9/95 to 3/97)	09.04.97 to 02.05.97	Stock register of Arms & Ammunitions and the action taken reports	Loss of Arms and Ammunitions.
5.	Agriculture Department			
(i)	District Agricultural Officer, Mokochung (3/93 to 7/97)	11.08.97 to 18.08.97	Stock register of Seeds and Fertilizers and sale proceed register	Actual receipt of Seeds and Fertilizers, details of sale and realisation of sale proceeds.
(ii)	Director of Agriculture, Kohima (5/93 to 7/96)	05.08.96 to 19.08.96	Files relating to procurement of potato seeds & stock register	Actual procurement of potato seeds and sale proceeds thereof.
6.	Home Department			
(i)	Special Officer (Accounts), Civil Secretariat, Kohima (9/95 to 1/97)	27.01.97 to 01.02.97	Files relating to procurement of vehicles	Vehicles procured during the year 1995-96 and 1996-97 and allotment thereof.
7.	Social Security & Welfare Department			
(i)	Child Development Project Officer, Meluri (3/93 to 9/96)	03.10.96 to 08.10.96	Stock and issue register of nutrition materials, vouchers	Receipt and distribution of nutrition materials such as biscuits, milk etc.
8.	Forest Department			
(i)	Working Plan Officer, Working Division, Kohima (8/94 to 6/96)	11.09.96 to 20.09.96	Due and drawn statement of ROP 93 arrear payment	Payment of ROP 93 arrear pay and allowances.

CHAPTER IV

WORKS EXPENDITURE

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.1 Rajiv Gandhi National Drinking Water Mission

4.1.1. Introduction

Providing drinking water supply in the rural areas is the responsibility of the State. It was found that during the mid-sixties, rural water supply schemes were implemented mostly in easily accessible villages neglecting the difficult rural areas. To accelerate the pace of coverage of 'Problem Villages' (PVs), Government of India introduced Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 with 100 *per cent* grants-in-aid. In order to accelerate the coverage of no-source PVs and to improve the quality of life of rural people and drinking water, the Technology Mission (TM) on Drinking Water was launched in 1986. In 1991, the Government renamed it as 'Rajiv Gandhi National Drinking Water Mission (RGNDWM)' and the ARWSP was merged with it.

Dr. B. R. Ambedkar Centenary Programme was approved by the Government of India in September 1991 for supply of safe drinking water to SC/ST population of the State and was a sub-scheme under the ARWSP and MNP.

In Nagaland, the scheme was implemented since 1972-73. The State being inhabited mainly by tribal population¹, all water supply programmes under both Central and State sectors were implemented throughout the State without any reservation.

4.1.2. Organisational setup

The Public Health Engineering Department (PHED) of the Government was responsible for proper implementation of the schemes through the Directorate of PHED at Kohima headed by an Additional Chief Engineer (ACE). The ACE was assisted by Superintending Engineer (SE) and Executive Engineer (EE), Monitoring Cell (MC) at Headquarters (Hqrs) and 9² Divisional Officers of the rank of EE at the field level. Procurement of Stores was centralised and made by the ACE.

4.1.3. Audit coverage

The implementation of the RGNDWM was reviewed in audit (February-May 1997) by test check of the records for the period from 1992-93 to 1996-97 in the offices of the ACE, PHED, SE/EE (MC) Kohima and 5³ Divisional Officers (EEs) of 3 districts. Results of audit findings are incorporated in the succeeding paragraphs.

As per 1981 census - Population 7.75 lakh

ST = 6.5 lakh = 84%

SC = NIL

Others = 1.24 lakh = 16%

² Kohima, Dimapur Store, Dimapur Working (renamed as Peren and shifted to Peren in 2/97), of Kohima district, Phok, Wokha, Zunheboto, Mokokchung, Tuensang and Mon.

³ Kohima, Dimapur Store, Dimapur Working, Wokha and Mon.

4.1.4. Highlights

- The Department took up implementation of water supply programmes without proper surveys, investigations, scientific data analysis and preparation of geohydrological maps. This led to failure of schemes and as of March 1997, the Department could cover only 66 *per cent* of rural population under the programme.

(Paragraph 4.1.6(i)(a) & (b) and 4.1.7.2(e))

- Physical performance reports were not in the records of 5 Divisions test checked as well as in the PHE Directorate. Thus, benefits accrued to the people remained unassessed.

(Paragraph 4.1.6.2)

- Despite poor coverage of only 66 *per cent* villages (completed 14 *per cent* and partially 52 *per cent*) as of March 1997, the operation and maintenance cost of these schemes during 1992-97 which was 20 times over Government of India norms.

(Paragraph 4.1.6.3(b))

- As of March 1997, the Department had an unspent balance of Rs.8.19 crore out of central assistance for Accelerated Rural Water Supply Programme due to non-release/short release of funds which was due to diversion of central plan assistance for disbursement of the salary of its employees (Rs.4.22 crore), execution of urban projects (Rs.4.05 crore) and on unauthorised works (Rs.0.41 crore) not covered under the scheme.

(Paragraph 4.1.5(a) & (b)(i) to (iii))

- During the entire period of the VIIth and VIIIth 5 Year Plans, the State's matching share under MNP fell short by Rs.8.90 crore which violated the norms for release of Central assistance for implementation of Rajiv Gandhi National Drinking Water Mission.

(Paragraph 4.1.5(d))

- The Department's claim of having provided drinking water to 96 *per cent* villages by the end of VIIth Plan was proved fictitious in the fresh survey conducted by the Department in 1993 and updated in March 1996. Of the 1525 villages and rural habitations identified in fresh survey, only 1011 villages (66 *per cent*) were covered (FC=14 *per cent* and PC=52 *per cent*) leaving 514 village/habitations (34 *per cent*) to be covered as of 1 April 1996. As of March 1997, the Department had provided water supply to 1014 villages (66 *per cent*) only.

(Paragraph 4.1.7.1 & 4.1.7.2(a))

During 1990-97, the Department recorded an overall achievement in providing water supply to 68 *per cent* villages. This included 35 *per cent* ARWSP schemes and 11 *per cent* of schemes covered outside action Plan. Records of 5 divisions test-checked revealed that of the 148 schemes targeted for completion/taken up during VIIIth Plan, these divisions had recorded completion of only 35 schemes (24 *per cent*) as of March 1997. Of the balance 113 schemes, 50 were in slow progress, 10 abandoned and 53 were yet to be implemented as of March 1997. The poor achievement was due to diversion of

ARWSP funds by the Government (Rs.4.22 crore) and misuse/diversion of the same by the Department (Rs.4.46 crore).

(Paragraph 4.1.7.2(a) & b(i) to (iii))

- Records of 5 divisions test-checked showed that due to abnormal delay in implementation of ARWSP projects, 38 schemes of VIIth Plan and 1 scheme of VIth Plan had cost overrun of Rs.1.02 crore (25 per cent) and time overrun of 4 to 12 years.

(Paragraph 4.1.7.2(c))

- Despite availability of central assistance, the Department had not taken up ten ARWSP schemes sanctioned at an estimated cost: Rs.2.52 crore for Phek and Wokha districts for implementation during VIIth and VIIIth Plan periods.

(Paragraph 4.1.7.2(d))

- Three divisions had abandoned ten ARWSP schemes of VIIth plan (Kohima district-5 and Mon district-5) after incurring an expenditure of Rs.0.89 crore without assigning any reason. There were also no account of the materials issued/utilised on the said schemes. Besides, the Department abandoned another scheme of Wokha after incurring an expenditure of Rs.1.53 crore during VIth to VIIIth Plan period due to remoteness of water source and communication problem.

(Paragraph 4.1.7.2(e)(i) & (ii))

- The Department was unable to provide water supply to the targeted 17 villages of Wokha district through the biggest ARWSP project "Providing Water supply to Lotha Middle Range" taken up in 1982-83. In March 1990, the Department with the approval of State Government took up a smaller parallel water supply scheme under the same nomenclature for 3 villages already included in the old scheme. As of March 1997, the Wokha Division implementing both the schemes had unauthorisedly spent Central assistance of Rs.49.21 lakh on the new scheme without obtaining the approval of Government of India.

(Paragraph 4.1.7.2(e)(i))

- The Department procured materials through local suppliers instead of direct purchase from the manufacturers or through approved contractors of DGS&D. Indiscriminate issue of supply orders without assessing requirement for procurement of materials worth Rs.32.05 crore resulted in huge accumulation of store materials besides locking up of Government funds of Rs.18.04 crore as of March 1997.

(Paragraph 4.1.8.1(a) & (b))

- The Department incurred an extra expenditure of Rs.11.77 crore due to erroneous fixation of procurement rates, irregular payment of price escalation and payment of excise duty, central sales tax, carriage from factory to Dimapur over and above the approved rates.

(Paragraph 4.1.8.2(a), (b) & (c))

- The Department had allowed undue financial benefit of Rs.15.85 crore by way of advance payments made between March 1991 and June 1997 to 41 suppliers of GI pipes and PS tanks without obtaining any bank guarantees/securities from them. Of this, advances of Rs.8.01 crore remained outstanding as

of March 1997 for non-supply of materials by the suppliers. No action was taken by the Department for getting the materials or refund of the advances.

(Paragraph 4.1.8.3 & 4.1.8.4)

- The Department had incurred an expenditure of Rs.0.75 crore between 1991-97 on payment of wages/salaries to idle regular and work charged staff attached to the 2 non-functional water testing laboratories. Despite availability of infrastructure and receipt of central assistance, the Department had not carried out any water quality tests and also had not adopted water purification methods. Thus, the rural people were served with untreated water ignoring the hazards of water borne diseases.

(Paragraph 4.1.9 & 4.1.11)

- Since monitoring of implementation of the scheme was virtually non-existent the impact of its implementation could not be evaluated by the Department.

(Paragraph 4.1.12)

4.1.5 Financial outlay and expenditure

The Central assistance received for ARWSP, State's matching share released for MNP and expenditure incurred by the State during the VIIth and VIIIth 5 Year Plan periods were as under:-

Plan and Year	ARWSP (CSS Plan)				MNP	
	Central assistance received	Expenditure incurred	Savings (-) Excess (+)	Progressive unspent funds available	Budget provision	Expenditure
	(Both revenue and capital plan) (Rupees in lakh)					
VIIth Plan					1,905.50	848.84
1985-90	2155.48	1,939.56	(-) 215.92	(-) 215.92		
Annual Plan					915.00	443.86
1990-92	951.47	406.70	(-) 544.77	(-) 760.69		
VIIIth Plan					360.00	176.57
1992-93	245.66	166.65	(-) 79.01	(-) 839.70		
1993-94	399.00	148.86	(-) 250.14	(-) 1,089.84	385.00	384.79
1994-95	10.00	27.02	(+) 17.02	(-) 1,072.82	15.15	14.16
1995-96	250.82	462.74	(+) 211.92	(-) 860.90	450.00	197.48
1996-97	445.08	486.82	(+) 41.74	(-) 819.16	450.00	682.43 ¹
Total VIIIth Plan	1,350.56	1,292.09	(-) 58.47		1,660.15	1,455.43
Grand total:-	4,457.51	3,638.35	(-) 819.16	(-) 819.16	4,480.65	2,748.13

The following points were noticed:-

(a) Unspent balance and diversion of funds

Unutilised funds with the Finance Department as on 31 March 1997 stood at Rs.8.19 crore. Because of non-utilisation of funds of Rs.10.90 crore by the State Government upto the end of 1993-94, the Central Government did not release any

Central assistance of Rs.4.22 crore unauthorisedly diverted for payment of salaries of its employees thereby affecting implementation of water supply schemes.

¹ Includes Rs.541.67 lakh spent on salaries and wages of work charged staff by way of diversion.

funds during 1994-95 for implementation of RGNDWM (CSS Programme of ARWSP) except Rs.10 lakh for survey and investigation (revenue plan). The Department attributed the accumulation of unspent balance to non-release of funds by the Finance Department of the State Government. The Government further admitted (November 1997) diversion of Central assistance of Rs.4.22 crore meant for PHED (RGNDWM) towards payment of salaries of staff in view of acute financial constraints faced by the State during 1994-95.

(b) Execution of urban projects

(i) Similarly, the Department incurred an expenditure of Rs.4.05 crore during 1990-91 and 1992-93 on implementation of Medium Town Projects out of the CSS funds meant for implementation of ARWSP. Approval of the GOI for this diversion had not been obtained as of December 1997.

The Department, however, could not furnish the details of the expenditure of Rs.4.05 crore. Expenditure incurred between 1990-91 and 1995-96 on MT Projects (AUWSP) as partially identified by Audit, stood at Rs.3.81 crore which was spent on Augmentation of Water Supply Projects at Zunheboto district town (Rs.0.95 crore)¹, Mon district town (Rs.1.06 crore) and clearance (February-March 1991) of past (non-plan) liabilities (Rs.1.80 crore) of Kohima Division.

The Department stated (November 1997) that the amount was spent out of State Plan funds (MNP) released to the Department during 1990-93, the GOI had not released any funds for AUWSP (MT Projects). The reply of the Department is not tenable in as much as the same was not supported by details of State (MNP) funds (LOC) released and amount spent on MNP (rural) schemes including AUWSP during these years.

(ii) Purchase of vehicles

The guidelines of RGNDWM (ARWSP) and the sanctioned estimates of ARWSP schemes did not provide for procurement of vehicles. However, 4² out of 5 PHE Divisions test checked had procured between March 1993 and March 1996, 4 Maruti Gypsies (Hard Top) by diverting scheme funds of Rs.11.53 lakh provided to them. Diversion of CSS Programme funds of Rs.11.53 lakh for purchase of vehicles was irregular and unauthorised. The ACE stated (November 1997) that the vehicles were purchased for the respective EEs with the approval of State Government.

(iii) Implementation of State (MNP) Schemes

Between 1992-93 and 1995-96, two Divisions incurred expenditure of Rs.29.97 lakh (Kohima Rs.12.69 lakh, Dimapur Store Rs.17.28 lakh) out of ARWSP funds for procurement of material (Rs.24.52 lakh), Civil Works (Rs.3.28 lakh) and payment of salaries of work charged staff (Rs.2.17 lakh) in respect of implementation of 25 State schemes under MNP. Such diversion was unauthorised and amounted to irregular utilisation of CSS funds.

¹ Already featured in Para 4.3 of the Report of the Comptroller & Auditor General of India-1995-96. The Department incurred expenditure treating the project as ARWSP.

² Kohima, Dimapur Store, Mon and Wokha.

(c) Unreconciled/unauthorised expenditure

The PHE Department had not reconciled the annual expenditure under the programme as booked by the Sr. Deputy Accountant General (A&E) on the basis of accounts rendered by the executing officers through monthly accounts of the Divisions since 1991-92. As per accounts, the Department had incurred an expenditure of Rs.27.02 lakh in 1994-95 without any authorisation (LOC) from the Government.

(d) Shortfall in release of State's matching share under MNP

In contravention of the guidelines for release of Central assistance for ARWSP, GOI had released funds for ARWSP during both the plan periods (VIIth

State share of matching funds of Rs.8.90 crore not released.

and VIIIth) without monitoring the actual expenditure incurred under MNP. The State Finance Department released funds for ARWSP to the PHE Department without releasing the State's matching share under MNP. Despite having legislative authority to appropriate funds under MNP, the State Government did not release the total voted MNP funds during both the plan periods. Consequently, the expenditure under ARWSP exceeded than that booked under MNP by Rs.8.90 crore¹ and violated the norms for release of Central assistance to the State for implementation of CSS programme of RGNDWM. Reasons for short release of funds under MNP had not been stated (June 1997).

4.1.6 Planning and implementation of the scheme**4.1.6.1 Survey and investigation - identification of problem villages**

(a) According to its 1993-94 Annual Administrative Report, the Department, through a survey conducted in 1985-86, had identified 1442 villages/habitations which did not have any

Implementation of water supply schemes not based on scientific data analysis of Problem villages.

source of drinking water. This survey report showed a different number of villages from those appearing in 1981 (1119 villages) and 1991 (1272 villages) Census reports². The Department attributed the discrepancy to non-accounting of the new habitations emerging up in and around school and hospital compounds and along with the National/State Highways etc. While implementing the Technology Mission (a mini mission) on drinking water between 1987-90, the Department, however, showed the number of problem villages as 1507. According to an elaborate survey conducted by the Department in 1993 and updated in March 1996, the number of villages/habitations was shown as 1525 as of 1 April 1996. The department did not categorise these villages into problem (Pv) and non-problem ones. Thus, the Department had taken up water supply schemes both under ARWSP and MNP (Rural) categorising all the villages as PVs.

¹ Rs.(3638.35 - 2748.13) lakh = Rs.890.22 lakh

²

Total population of the State	1981 Census	Rural population	No. of village/habitation
7,74,930		6,54,696 (84%)	1119

	1991 Census	
12,15,573	10,05,478 (83%)	1272

Other Departments like Rural Development (RD), Soil Conservation etc. were also implementing various programmes for supply and conservation of drinking water under the ambit of JRY¹, EAS², DPAP³ etc.

Hand pumps/ring wells installed by PHE and other Departments but no feed back on their sustainability and population served.

but at no point of time did the PHED consult its sister Departments to ensure whether the works undertaken by it had already been implemented by them. Since none of the Departments (Divisions and BDOs) had maintained any inventory register showing the location/area of construction/installation of ring wells and hand pumps/tube wells, overlapping and duplication of such works could not be verified in audit. Moreover, the implementing authorities had not indicated the size of population served by such installations and thus the benefit was not assessed. In reply (November 1997) the Department had admitted that other agencies like SRDA⁴, DRDA⁵ etc. had irregularly implemented water supply programmes without consulting PHED which was the nodal Department for the purpose.

(b) Ground water survey and scientific source finding

The Department could not produce any records regarding the geophysical, geohydrological and ground water surveys conducted by it before undertaking various water supply programmes in the State. Satellite images of the State from the National Remote Sensing Agency (NRSA), Hyderabad could have been got by the Department for preparation of geohydrological maps and scientifically locating water sources and ground water availability. Though the Department of Geology and Mining (G&M) of the Government had adequate infrastructure (both technologists and technological inputs) to carry out ground water surveys through digging of trial bores, the PHED did not take advantage of the technological expertise available with its sister Department (G&M). In reply, the Department stated (November 1997) that the selection of schemes was based on surface water reports alone and that scientific method of source finding could not be adopted for want of infrastructure and technical inputs. The Department also stated that contacts had been made with NRSA.

Thus, without any scientific source finding, the Department went on setting up hand pumps, tube wells and RCC ring wells in and around foot hills of Dimapur.

4.1.6.2 Sustainability

The primary objective of the RGNDWM was to provide sustainable safe drinking water through creation of infrastructure and assets (ring wells, hand pumps and piped supply) by the Department. Though the Department had claimed to have provided water supply to the rural population through the completed schemes, there was no feed back from the implementing Divisions about the sustainability of water supply through the assets/ projects completed by them. Records of 5 Divisions test checked did not substantiate that the intended supply of water had actually reached the beneficiaries through the completed piped water supply schemes and the ring wells/tube wells set up by the Department.

¹ Jawahar Rojgar Yojana

² Employment Assurance Scheme

³ Drought Prone Area Programme

⁴ State Rural Development Agency

⁵ District Rural Development Agency

4.1.6.3 Operation and maintenance

(a) Non-maintenance of inventory register

Although expenditure of Rs.32.05 crore (including liability but excluding additional charges) had been incurred by the Department during 1992-95 for procurement of stores for the implementation of the scheme and other programmes, it was seen in audit that division-wise inventory register of the assets created (water supply projects, ring wells, hand pumps) as well as stores procured since inception were not maintained. The Monitoring Cell (MC) of the CE's office also had no record of the assets created by the Department. In the absence of such inventory register, the money spent on creation of such assets could not be vouched in audit.

(b) Operation and maintenance cost

As per statistical update of 1996 only 420 projects (ARWSP 217, MNP 203) covering 218 villages (Population 3.31 lakh) were completed and commissioned during 1990-96. So far, only 14 *per cent* of the total rural population of 10.05 lakh (1991 census), was fully covered, 52 *per cent* partially covered and 34 *per cent* had not been covered at all as of 1 April 1996. Despite this poor coverage, the expenditure on running and maintenance (non-plan) of these rural water supply schemes during 1992-93 to 1996-97 was 20 times more than the norms laid down by GOI. Further details are given in Para 3.10.6.2 of the Report.

Operation and maintenance cost were 20 times more than GOI norms.

4.1.6.4 Human Resource Development

The primary focus of Human Resource Development (HRD) was on building up of capacity and capability of rural beneficiaries to effect more active community participation and on elevating their performance and productivity levels. The HRD activities in the State were to be carried out in collaboration with the Non-Government Organisations (NGOs) and in co-ordination with the State Institute of Rural Development (SIRD) and Technical Teachers' Training Institute (TTTI) etc.

Implementation of HRD activities delayed due to late release of funds by State Government.

The HRD activities taken up in the State in 1995-96 at an approved project cost of Rs.59.97 lakh envisaged setting up of HRD Cell (Rs.25.45 lakh) and computerisation project (Rs.34.52 lakh) in 5 offices of the Department. Of the total project cost, Central Government share was Rs.49.22 lakh (100 *per cent* for inputs: Rs.21.60 lakh and 80 *per cent* of computerisation project: Rs.27.62 lakh) and balance Rs.10.75 lakh was to be borne by the State Government (50 *per cent* cost of establishment: Rs.3.85 lakh and 20 *per cent* cost of computer project: Rs.6.90 lakh).

Though GOI released Rs.33.74 lakh in March 1996, the State Government had not released its share as of June 1997. The State Government had even delayed the release of Central share to the Department by 7 months.

The ACE on receipt of release order (LOC) from the Government drew the entire Central assistance of Rs.33.74 lakh in November 1996 and spent Rs.23.31 lakh between November 1996 and June 1997 on procurement of a Maruti Gypsy (Rs.3.60 lakh) and computers and allied accessories (Rs.19.71 lakh). The Department

had not procured mini bus, training materials and equipment viz., TV/VCP, Slide Projector, Laminator etc. The unspent-balance of Rs.10.43¹ lakh was kept in a current account with SBI, Kohima. The ACE stated (November 1997) that he drew the amount in advance as the LOC was released by the Finance Department (November 1996) with a validity period of 25 days only.

Besides, against 13 posts approved by GOI for the HRD Cell, the State Government had sanctioned only 6 posts as of October 1996. None of the officials in the HRD Cell had undergone any training as of June 1997. In reply (November 1997) the Department stated that only one officer had been trained so far and the remaining 5 officers had been deputed for training in September 1997. Thus, establishment of the HRD Cell has been delayed though funds were released by the GOI in March 1996.

4.1.7. Physical performance

4.1.7.1 Targets and achievements- fictitious reporting

According to the information furnished by the Department (April-June 1990) and incorporated in Para 4.1.6 of the Report of the Comptroller and Auditor General of India, Government of Nagaland, for the year 1989-90 the State had provided water supply to 1440 villages (96 *per cent*)² out of 1507 identified villages till the end of VIIth Plan.

It was, however, noticed from the statistical update of 1996 based on the survey conducted by the Department in 1993 that the achievements of water supply schemes as on 1 April 1996 were as under:-

Name of district	No. of villages/ habitations	Coverage status (as on 1st April 1996)			Total coverage
		NC	PC	FC	
1. Kohima	461	221	183	57	240
2. Wokha	136	62	64	10	74
3. Zunheboto	240	61	128	51	179
4. Phck	112	19	86	7	93
5. Mokokchung	153	45	76	32	108
6. Tuensang	277	62	187	28	215
7. Mon	146	44	69	33	102
Total:-	1,525	514	793	218	1,011
Percentage of coverage		34	52	14	66

NC= Not covered PC= Partially covered FC= Fully covered.

Thus, all the past reports showing coverage of 96 *per cent* villages till the end of VIIth Plan were exaggerated because as on 1 April 1996 only 14 *per cent* of the total villages were fully

Fictitious and discrepant reporting of achievements by Department.

covered and 52 *per cent* partially covered under the scheme. This fact was also confirmed by the ACE (November 1997) who had stated that the Department had

¹ This includes Rs.1.82,553 being sales tax deducted in cash from the supplier of computer and furniture and kept in bank account instead of crediting the same to Government account.

² VIIth Plan 820 villages Population = 4.04 lakh

VIIIth Plan 620 -do- -do- = 3.23 lakh

Total:- 1440 -do- -do- = 7.27 lakh

Percentage of coverage = 1440/1505 = 95.68 = or say 96 *per cent*.

covered 1014 villages (66 *per cent*)¹ out of the 1525 identified villages as of March 1997.

4.1.7.2 Discrepant performance reports

(a) Schemes taken up during VIIth Plan period (1985-92)

The poor achievement as shown above was also corroborated from the Annual Works Programme (AWP) of the Department for the years 1990-91 to 1996-97 which showed that *cent per cent* of the village schemes reported completed during 1989-90, were spilled over to the VIIIth Plan as shown below:-

Period	No. of schemes taken up under ARWSP	No. of schemes completed to the end of 1989-90	No. of schemes spilled over to VIIIth Plan	No. of schemes targeted for completion by 1992-93 (Revised target) and completed	Position at the end of 1992-93	
					In progress	Abandoned
VIIth Plan 1985-90	93 for 123 villages	None	93	93 but none completed	80	13

(b) Schemes taken up during VIIIth Plan (1992-97)

According to the information furnished by the ACE, the Department had made an overall achievement of 68 *per cent* in providing water supply to 420 (population= 3.21 lakh) villages (both ARWSP and MNP) against the target of 617 villages for the years during 1992-97. These achievements included 219 projects (35 *per cent*) covered under ARWSP and 69 projects (11 *per cent*) covered outside the action plan. Further details are given in Appendix-XV

Test check of the records of 5 PHE Divisions revealed the following position:-

Period of scheme	Name of executing Division	No. of schemes taken up	Estim-ated cost	No. of schemes completed to the end of 1996-97	No. of schemes completed partially/ abandoned			Total expenditure till the end of 1996-97 (Rupees in lakh)	Percent-age of achievement (Financial)
			(Rupees in lakh)		50% and above	50% and below	Abandoned		
VIIth Plan 1985-90	Kohima	12	53.79	7	3		2	55.80	104
	Dimapur Store	18	221.98	15	3		NIL	248.81	112
	Dimapur Working	14	153.87	5	6		3	141.23	92
	Wokha	10	137.47	7	3		NIL	154.70	113
	Mon	6	42.83	1	NIL		5	50.91	119
Total:-		60	609.94	35	15		10	651.45	107

40 Lpcd	218 villages	=	14%
10 to 40 Lpcd	561 -do-	=	37%
10-Lpcd	235 -do-	=	15%
Total:-	1,014 -do-	=	66%

Lpcd= Litre per capita per day

VIIIth Plan 1992-97	Kohima	21	269.00	NIL	NIL	11	NIL	31.22	11.60
	Dimapur Store	22	428.39	NIL	NIL	11	NIL	30.41	3.67
	Dimapur Working	11	211.82	NIL	NIL	6	NIL	11.13	5.25
	Wokha	4	128.84	NIL	NIL	NIL	NIL	NIL	NIL
	Mon	30	321.00	NIL	NIL	7	NIL	70.49	21.95
Total:-		88	1359.05	NIL	NIL	35	NIL	143.25	10.50
Grand total:-		148	1968.99	35	15	35	10	794.70	---

From the above table, it would be seen that-

(i) Of the 60 schemes taken up in the VIIth Plan period only 35 (58 *per cent*) schemes were completed during VIIIth Plan period, 15 schemes (25 *per cent*) were in progress as of March 1997 and the remaining 10 schemes (17 *per cent*) were abandoned. The physical achievement was low despite spending funds in excess of the approved estimated cost by Rs.41.51 lakh (7 *per cent*).

(ii) Of the 88 schemes taken up during VIIIth Plan period at an estimated and sanctioned cost of Rs.13.59 crore, not a single scheme was completed as of March 1997. It is evident that progress of implementation of the water supply schemes was very poor despite release of funds amounting to Rs.13.51 crore by the Government of India during the VIIIth Plan period.

58 *per cent* of VIIth Plan schemes completed during VIIIth Plan. The remaining schemes of VIIth Plan and all schemes of VIIIth Plan show poor progress in implementation during the last 5 years.

Analysis in audit showed that the shortfall in achievement under RGNDWM was due to diversion of funds by the State Government (Finance Department: Rs.4.22 crore), misutilisation (by diversion) of funds (Rs.4.47 crore) by the Department (PHED) on purchase of vehicles (Rs.11.53 lakh), on State schemes (Rs.29.97 lakh), on Urban Projects (Rs.4.05 crore) and non-receipt of materials ordered for (Rs.16.25 crore)¹ against advance payments of Rs.7.19 crore and execution of 69² schemes outside AWP during 1990-91 as discussed in the relevant paras in the Report.

Besides, the Annual Works Programmes (AWP) of the Department were not tabled alongwith other Budget documents in the Legislature, indicating that funds for the Department were voted without any AWP. As a consequence of this, both the Finance and PHE Departments of the Government resorted to random release and utilisation of CSS and other programme (Plan) funds. The Department, in reply (November 1997) attributed the poor performance to short release of funds by the Government alone. The contention of the Department is not acceptable to Audit in the absence of documentary evidence to show that it had not misutilised/diverted ARWSP funds as pointed out above.

(c) Cost and time overruns

According to the targets of VIIth Plan, 60 ARWSP schemes in 5 Divisions test-checked were required to be completed by 1989-90 at an estimated and sanctioned cost of Rs.6.10 crore. Due to non-completion of these schemes in time

¹ Rs.(28.43 - 12.18) crore = Rs.16.25 crore.

² 183 - 114 = 69 (ref. Appendix-IV)

these were spilled over to the VIIIth Plan. Of these 60 schemes, only 35 were recorded to have been completed between 1993-94 and 1996-97. Twenty-eight of the 35 completed schemes and another 10 incomplete schemes (which included 5 abandoned schemes) had a total cost overrun of Rs.68.51 lakh and time overruns ranging from 4 to 7 years.

Similarly, another ARWSP scheme scheduled for completion by VIth Plan period was stretched over to the VIIth & VIIIth Plan periods and finally abandoned in 1993-94 with a cost and time overrun of Rs.33.29 lakh and 12 years respectively.

Time overrun ranging from 4 to 12 years led to an extra cost burden of Rs.1.02 crore in 39 schemes.

Thus, there was a total cost overrun of Rs.1.02 crore on 39 schemes as per details given in *Appendix-XVI*. The excess expenditure had not been got regularised from the State as well as Central Government.

(d) Non-execution of sanctioned schemes

Government of India sanctioned 10 ARWSP schemes for implementation in Phek (6: estimated cost: Rs.0.40 crore) and Wokha (4: estimated cost: Rs.2.12 crore) districts during the VIIth and VIIIth Plan periods respectively but these had not been executed at all though there was no shortfall in release of Central assistance. From the works programme of VIIIth Plan, it was seen that only one (Sathori village) of the 6 schemes of Phek district had been included in the VIIIth Plan. The Department, however, stated (November 1997) that in consideration of local demands, all the schemes selected at district level could not be accommodated in AWP's of the Department. The contention of the Department is not correct in as the said schemes had already been included in the Department's works programme and GOI had released funds accordingly.

Scrutiny in audit showed that non-release/short release of funds by the Government coupled with misutilisation and diversion of CSS funds by the Department was mainly responsible for non-implementation of sanctioned schemes.

(e) Abandoned schemes- wasteful and idle outlay

(i) Schemes of VIth Plan

One of the biggest ARWSP projects, "Providing Water Supply to Lotha-Middle Range" (LMR) for Wokha district was approved and sanctioned by the GOI at an estimated cost of Rs.1.20 crore during the VIth Plan period. The project was to cover a population of over 6,000 (1981 census) in a cluster of 17 villages. The PHE Wokha Division executing the project since 1982-83 abandoned (1993-94) it after incurring an expenditure of Rs.1.53 crore without assigning any reason. The Department had not recorded any physical achievement against this abandoned work nor could it state the actual date of abandonment of the project.

Eleven schemes were abandoned after incurring an expenditure of Rs.2.42 crore.

From the records made available by the Department, expenditure of

Rs.1.40 crore¹ incurred on this abandoned work was identified by Audit. The Divisional Officer (EE) could not furnish details of the balance expenditure of Rs.13.06 lakh.

Of the material component of Rs.1.04 crore, the Division had taken back to stock in 1985-87, material worth Rs.0.09 crore from the original scheme at LMR leaving balance materials (pipes and fitting, pump sets etc.) worth Rs.0.95 crore at site. It was noticed that since inception of the project the site stores had never been verified by the Divisional Officer.

The reasons for failure of the scheme were neither available on record nor stated to Audit and the entire expenditure of Rs.1.53 crore was thus wasteful.

The Government of Nagaland in March 1990 approved and sanctioned Rs.49.73 lakh for the implementation of a new project for providing water supply to 3 villages (Baghty, Sanis and Sunglep- population: 3643) which, however, already stood included in this abandoned scheme. This mini scheme was also given the same nomenclature of providing water supply to Lotha Middle Range. On this overlapping scheme the PHE Wokha Division had incurred an expenditure of Rs.49.21 lakh as of March 1997, which included an unsecured advance payment of Rs.7.50 lakh made to a local firm for supply of 2 pump sets (35 HP). Supply order was placed by ACE despite availability of 4 pump sets of the same capacity at the Project site of old LMR. The supplier had not supplied any pump sets as of November 1997.

In reply, the Department stated (November 1997) that non-commissioning of the project was due to delay in providing power supply, non-installation of transformer (11KVA), communication problems and remoteness of the water source. The Department, however, did not comment on the abandonment of the scheme or its future prospects of commissioning though it was admitted that all the materials were lying at worksite.

The Departmental reply is indicative of irregular planning and taking up of water supply projects without proper survey which led to the failure of the scheme.

(ii) Schemes of VIIth Plan

From the records of 5 PHE Divisions in 3 districts test checked it was noticed that 10 schemes of VIIth Plan sanctioned at an estimated cost of Rs.83.34 lakh were abandoned after incurring an expenditure of Rs.88.92 lakh as detailed in *Appendix-XVII*.

The schemes at Sl.No.4 and 5 of the *Appendix-XVII* (Seithekima 'C' and Pimla and Zutovi) had been re-included in the works programme of VIIth Plan.

None of the 3 Divisions under which the 10 schemes were under execution and subsequently abandoned had maintained any accounts of the progress of work done and the value of material taken to the site of the schemes. Thus, the material component of the said schemes included in the expenditure of Rs.88.92 lakh could not be ascertained. The Divisions had also not maintained accounts of the dismantled/salvaged materials and recorded reasons for abandonment of these

¹ Civil Works-Rs.17.88 lakh, CI&GI pipes and fittings-Rs.79.41 lakh, PS tank-Rs.4.27 lakh, chlorinator-Rs.1.33 lakh, PS control box-Rs.0.20 lakh, pumpsets & accessories-Rs.12.92 lakh, payments to power department-Rs.10.42 lakh, fitting, fixing of pipes-Rs.5.44 lakh, carriage-Rs.6.10 lakh and WC estt.-Rs.2.00 lakh = Rs.139.97 lakh/or say Rs.1.40 crore.

schemes. In reply, the Department stated (November 1997) that the schemes were not dropped but their execution was temporarily suspended due to dispute over water source. It also added that the schemes at Seithekima 'C', Pimla and Zutovi have been completed but, the date of completion and total cost involved had not been stated.

Departmental reply is not tenable as the same was neither corroborated through records nor was evidenced in audit during test-check of Divisional records (February-May 1997).

It was, however, noticed from Store adjustment account of March 1994 that materials worth Rs.26.20 lakh (pumps, pipes and fittings Rs.18.99¹ lakh, T&P=Rs.7.21 lakh) were transferred from the work site of the scheme at Pimla and Zutovi to stock in March 1988 stating that the said scheme had been abandoned. Even after transfer of materials from work site to the stock, this abandoned scheme was saddled with an expenditure of Rs.25.28 lakh which included execution of some unauthorised items of works (RCC ring wells and repair of building) valued at Rs.1.95 lakh.

4.1.8 Material management

4.1.8.1 Acquisition of stores

(a) Procurement without assessing requirements

The ACE (PHE) issued various supply orders for procurement of bulk quantities of GI pipes of various sizes and Pressed Steel (PS) tanks and fitting materials against the material component of 'ARWSP' (CSS), MNP (State) and Basic Minimum Service (BMS) without assessing actual requirement and without maintaining separate account of materials purchased for each scheme. This resulted in accumulation of stores in excess of sanctioned Reserve stock limit as shown in the *Appendix-XVIII*. Because of mix up of all materials procured under different State and Central schemes, it was not possible in audit to ascertain the quantity of materials actually procured and utilised on CSS programme of ARWSP.

Injudicious procurement of store materials led to locking up of Government funds worth Rs.18.04 crore and undischarged liabilities of Rs.15.20 crore.

As per available records, the ACE, PHE had issued supply orders for materials valuing Rs.32.05 crore between 1990-91 and 1996-97 as shown below:-

Years	Materials					Total value
	GI pipes		PS tanks			
	Quantity (metres)	Value (Rupees in lakh)	Quantity (No.)	Value (Rupees in lakh)	Fitting and other materials (Rupees in lakh)	(Rupees in lakh)
1990-91						
1991-92	4,93,010	415.92	800	94.76	N.A. ²	510.76
1992-93	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
1993-94	5,25,800	381.78	---	---	N.A.	381.78
1994-95	---	---	---	---	102.76	102.76
1995-96						
1996-97	16,74,642	1,815.88	1,230	134.31	259.22	2,209.41
Total:-	26,93,452	2,613.58	2,030	229.07	361.98	3,204.71

¹ Rs.5.11 lakh being cost of pumpset stands included in Para 4.4 of the Report of the Comptroller and Auditor General of India, Government of Nagaland, for the year 1993-94.

² Information not available.

The injudicious procurement of materials had also led to locking up of Government funds to the tune of Rs.18.04¹ crore as of March 1997. During 1995-97, such injudicious procurement of store materials led to blockade of Government funds by way of advance payments of Rs.10.47 crore and undischarged liabilities of Rs.15.20 crore² were created against the ARWSP schemes (Rs.9.28 crore) and BMS (Rs.5.92 crore).

(b) Procurement at the instance of VVIPs/VIPs etc.

It was observed in audit that supply orders were issued at the instance of VVIPs/VIPs. On occasions, the suppliers³ 'assessed' the departmental requirements of GI pipes, PS tanks and requested the VVIP/VIP to advise his Department to issue supply orders in their favour. Such recommendations and sponsoring of suppliers was in total violation of established procedures for procurement of stores. Scrutiny of records revealed that the ACE had issued as many as 42 supply orders for supply of GI pipes, PS tanks and fitting materials worth Rs.4.89⁴ crore (included in the total value of Rs.32.05 crore) based on the orders of VVIPs/VIPs and recommendations of the suppliers.

On orders of VVIP/VIP and in disregard of established procedures stores worth Rs.4.89 crore were procured.

4.1.8.2 Extra expenditure on procurement of GI pipes and PS tanks

(a) Irregular fixation of procurement prices

During the entire period covered by audit, the Department was procuring store materials especially GI pipes and PS tanks at rates finalised

Arbitrary approval of rates by Government led to extra expenditure of Rs.6.46 crore on procurement of store materials.

from time to time by the Department/Government on call of tenders or otherwise by allowing percentage premium on the earlier approved rates without proper verification/comparison of prevailing market rates or ensuring the same from DGS&D. The ACE stated (July 1997) that the Department had resorted to local procurement due to their inability to pay 98 per cent advance to the DGS&D rate contract holders due to erratic release of funds by the Finance Department as well as for non-settlement of long pending Railway claims against short receipt of Railway consignments.

The local procurement rates as approved or adopted by the Department from time to time were not found deficient and uneconomic as indicated below:-

¹ As per departmental accounts. Please refer para 5.5.5.1 of this Report.

² Total value of materials	Rs.1950.19 lakh
Less advance paid	Rs.1047.10 lakh
Balance payable	Rs. 903.09 lakh
Add ED/CST/EC (App.VIII)	Rs. 460.90 lakh
NST @ 8% on Rs.1950.19 lakh	Rs. 156.01 lakh
Total:-	Rs.1520.00 lakh

³ M/s Trade Links Nagaland, M/s Unique Enterprise and M/s K.T. Agency, all from Dimapur

⁴ GI pipes and PS tanks	1995-97	11 Nos.	Rs.456.85 lakh
Fitting materials	1994-97	31 Nos.	Rs. 32.15 lakh
Total:-		42	Rs.489.00 lakh

Year	Mode of collection/ adoption of rates.	How approved and when	Remarks on	
			Approved rates	Supply orders
1990-91	By call of tenders in March 1991	(a) Approved (March 1991) 2nd lowest quoted rate of Firm 'B' rejecting first lowest quoted rate of Firm 'A' without assigning reasons. (b) Further price escalation (20%) allowed in September 1991 over the above rates.	Approved rates higher than DGS&D rates as offered by 'A'.	Supply orders issued to Firms 'C' & 'D' who were not tenderers.
1991-92 to 1993-94	Tenders called in July 1992 but lowest quoted rates of Firm 'E' not approved by Govt. ACE recommended for approval of rates of September 1991.	Rates approved (August 1993) by Govt. by allowing 20% enhancement over the approved rate of September 1991. This rate remained valid upto 1993-94. The approved rates were lower than tendered rates of July 1992.	Govt. approved rates were higher than DGS&D approved rates valid upto August 1994.	Supply orders placed on 32 local suppliers who were neither manufacturers nor approved dealers of manufacturer.
1994-95	Tenders called in June-July 1994.	2nd lowest quoted rates of 4 local firms (F) approved in September 1994 by rejecting lowest quoted rate of a manufacturer 'G' for non-affixing court fee stamp. These approved rates were, however, cancelled by Government in September 1994 and ACE was asked to float fresh tenders. The Govt. had not acceded to the ACE's proposal for adoption of 1993-94 rates.	Approved rates were higher than DGS&D rates prevailing upto August 1994 and Departmental approved rate of 1993-94. ACE also recommended to the Govt. for adoption of Departmental approved rate of 1993-94.	No supply orders were issued.
1995-96	No tenders called but rates were collected from 4 local firms stated as authorised dealer of manufacturer as per instruction (September 1994) of Govt. while cancelling rates of 1994-95.	Lowest quoted rates of a local firm 'H' approved (July 1995). The Government delayed in approving the procurement rates of pipes and PS tanks by more than 12 months. The codal procedures were neither observed nor the prevailing market and approved rates of DGS&D ensured.	The approved rates were higher than approved rates of 1993-94 and higher than tendered rates of manufacturer firm 'G'.	The ACE placed supply order between August 1995 and March 1997 at the approved rates of July 1995 for supply of 16,74,642 metres GI pipes (of different sizes) and 1,230 PS tanks (400 gallon capacity) costing Rs.19.50 crore (excluding ED, CST, EC etc) on 10 local firms 3 individuals and 1 firm each from Guwahati, Calcutta and Delhi.
1996-97	No fresh tender floated.	Approved rates of 1995-96 adopted.		
A= M/s Trans-Asia, Jammu & Kashmir. C= M/s Y.Y.Trade Agency, Dimapur E= M/s Jatindra Steel Tubes, Delhi G= M/s Bihariji Ispat Udyog Ltd., Haryana			B= M/s Indus Tubes, Delhi. D= M/s SNH India, Delhi F= M/s Jemti Ao, M/s Therie, M/s Tragopan Agencies, M/s J.L.Traders, all from Dimapur. H= M/s Trade Links, Nagaland, Dimapur	

The unilateral decision of the Government who approved rates of procurement of store materials without considering the prevailing DGS&D approved rates or manufacturers' ex-factory price and market conditions, lower tendered rates and non-comparison with DGS&D approved rates was irregular. Thus, due to procurement of major items like GI pipes and PS tanks at the irregularly approved rates of Government, the Department incurred an extra expenditure of Rs.6.46 crore (details given in *Appendix-XIX*). The Department contended (November 1997) that they had finalised the workable rate in most reasonable and economic manner and after call of tenders wherever felt necessary. While doing so quotations were obtained from reputed manufacturing firms and their authorised dealers and the rates thus approved were equal to manufacturers' ex-factory price. As regards allowance of 20 per cent price escalation on the approved rate of 1990-91, the Department attributed this to increase in the cost of raw materials based on the National policy of devaluation.

The reply of the Department is not acceptable because in 1991 the lowest quoted rates of firm 'A' were not accepted without assigning any reasons, the

lowest approved rates of September 1994 were cancelled without any reason and in 1995-96, no tenders were invited but rates were approved without transparency. Further, the reply of Government is neither corroborated by records nor could be verified in audit during test-check of the records of the Directorate (ACE).

(b) Payment of additional charges

As per stipulations made in the supply orders, the Department was required to pay, in addition to the rates indicated in the supply orders,

A liability of Rs.5.06 crore created on inadmissible charges of which Rs.1.60 crore were paid to suppliers.

Excise Duty (ED), Central Sales Tax (CST) and Extra Carriage (EC) from factory to Dimapur. On these accounts, liabilities of Rs.5.06 crore had been created. Against this, 2 Store Divisions had paid (between March 1996 and June 1997) Rs.1.60 crore in respect of 16 supply bills finalised on receipt of materials leaving committed/undischarged liability of Rs.3.46 crore. The payments *inter alia* included Central Sales Tax of Rs.15.34 lakh paid by the Dimapur Store Division.

Since the rates quoted by the local suppliers were 'FOR' Dimapur and had no relevance to the manufacturers' ex-factory price, the provision for payment of Excise Duty, CST and Carriage from Delhi to Dimapur was injudicious and amounted to undue benefits to the suppliers and extra expenditure to the Department. All the local suppliers had claimed their factory at Ghaziabad or Delhi despite the fact that declared factory of the approved firm was located at Calcutta. Besides, the concerned suppliers had not produced any documentary evidence of the materials cleared from factory on payment of ED, CST and carriage challans, and above all, the proof of ex-factory price. Besides, as per provisions of Nagaland Sales Tax Act 1967 both NST and CST were not payable on a single supply. Therefore, except local tax (NST), no other charges were payable to the suppliers. Thus, payment of Rs.1.60 crore was irregular and resulted in extra expenditure to the Department.

In reply, the Department stated (November 1997) that ED/CST/EC was paid to the suppliers as the approved rates were exclusive of these charges. The Department stated that it did not insist on production of documentary evidence as the said charges were deemed payable by the suppliers while mobilising materials into the State. As regards payment of CST, the same was reimbursed under the authority of OM of March 1972 issued by the Commissioner of Taxes.

The reply of the Department is not acceptable because:-

- (i) The approved suppliers were authorised dealers of manufacturers but, nowhere on records was it mentioned or vouched that the rates approved were ex-factory price of manufacturer. Thus, on local quoted and approved rates, payment of ED/CST/EC was superfluous within the meaning of 'Sale Price' as defined under section 2(12)(a) of the Nagaland Sales Tax Act 1967.
- (ii) Tender/quotation documents showing the rates quoted by the firms and that of their manufacturer, terms and conditions of supplies and the analysis of the rates done by the Department were not made available to Audit to verify the veracity of the rates approved.
- (iii) The supply orders indicated rates 'FOR'¹ Dimapur.

¹ Free on Rail.

(iv) OM of the Commissioner of Taxes of March 1992 had not been ratified by the Government and included in any of the subsequent amendments issued by the Government.

(c) Revision of supply orders

It was further seen that 13 of the 32 suppliers for the year 1993-94, who were also given advance payments aggregating Rs.83.25¹ lakh between September 1993 and January 1994 had not supplied any materials till July 1996. On the basis of representation submitted by 12 of them in January 1996, expressing their inability to supply the materials in time due to power and labour problem with their principals and due to indefinite bandhs throughout the country, the ACE with the approval of the Government (July 1996) allowed (27 July 1996) them to supply the materials at the enhanced approved rates of 1995-96.

Thus, due to irregular revision of rates, the Department incurred an avoidable extra expenditure of Rs.25.60 lakh. Audit scrutiny showed that 3 suppliers under Wokha Division who had already supplied materials worth Rs.10.73 lakh were also allowed these revised rates.

Thus, on procurement of GI pipes and PS tanks during the period from 1990-91 to 1996-97, the Department incurred a total extra avoidable expenditure of Rs.11.77 crore². Besides for non-procurement of the materials through DGS&D, the Department had created a further liability of Rs.1.56 crore on account of State Sales Tax.

4.1.8.3 Undue financial aid to the supplier

There was no provision in the guidelines of RGNDWM (ARWSP) and the BMS and in NPWD Code for advance payment to the contractors and suppliers without any security of materials brought to site or without having proof of despatch of materials. But it was seen that during the period from 1990-91 to 1996-97, the ACE through his Divisional Officers made the following advance payments to the suppliers in contravention to the guidelines of the schemes and the codal provisions:-

Irregular advance payment of Rs.15.85 crore made to suppliers which was an undue financial benefit.

Years	No. of suppliers	Amount of advance payments made	Total value of materials ordered for supply
(Rupees in lakh)			
1990-92	3	359.89	510.68
1992-93	---	N.A.	N.A.
1993-94	22	177.66 ³	381.78
1995-97	16	1047.10	1950.19
Total:-	41	1584.65	2842.65

The above payments were made out of the Central assistance released to the State for implementation of ARWSP and BMS Schemes in the State in

¹ Includes Rs.42.45 lakh outstanding against 3 suppliers (Kedongbe, Dingalo, Yenechu) of Wokha Division who were recorded to have supplied materials worth Rs.10.73 lakh.

² Rs.(6.46 + 5.06 + 0.25) crore = Rs.11.77 crore.

³ Rs.135.76 lakh already highlighted in Paras 4.9 (a&b), 4.10 of 1994-95 and Para 4.5 of 1995-96 of the report of the Comptroller and Auditor General of India, Government of Nagaland.

violation of the Government instructions for obtaining bank guarantee/security before making advance payments to contractors/ suppliers.

Thus, by violating the codal provisions and overruling the Government instructions, the Department allowed undue financial benefit to the suppliers by way of making irregular advance payments to the magnitude of Rs.15.85 crore (as per available records) during the period of 1990-97.

In reply (November 1997) the Department remained silent on the irregular advance payments but stated that all the advances had been recovered/adjusted upto March 1997. The reply is not convincing since the same is not supported by evidence of receipt of materials.

4.1.8.4 Materials not supplied by the suppliers after receipt of advance payments- outstanding advances

Despite the payment of unsecured advances to the suppliers, most of them did not supply the requisite quantity of pipes and PS tanks even after expiry of the stipulated period of 90 days. Thus, bulk (Rs.9.67 crore) of the advance payments made out of CSS programme funds remained outstanding under MPWA as of March 1997 for non-receipt of materials. As a result the concerned schemes under both CSS and State Plan suffered a set back due to non-receipt of materials in time.

It may be seen from the *Appendix-XX* that against supply orders of Rs.28.43 crore issued during the period from 1990-91 to 1996-97, the Department had received materials worth Rs.12.18 crore only. Against the remaining materials worth Rs.16.25¹ crore yet to be supplied as of March 1997, advance payments of Rs.8.01 crore were outstanding against the suppliers and were yet to be adjusted. Further, details of materials not supplied against supply orders issued during 1995-97 are given in the *Appendix-XXI*.

Despite irregular advance payments of Rs.8.01 crore to suppliers materials not yet received by Department.

In reply, the Department stated (November 1997) that against the outstanding amount of Rs.6.34 crore advanced during 1995-97, they had already adjusted Rs.4.88 crore on receipt of materials. The reply of the Department is not supported by documentary evidence showing receipt of materials and adjustment of advances thereagainst and the months of accounts in which such adjustments had been carried out. Thus, the authenticity of the Department's reply could not be verified in audit.

The Department remained silent about adjustments of the advances paid between 1990-94. It was, however, noticed from the records of Wokha Division that against advance payments aggregating Rs.49.54² lakh (out of ARWSP funds) made to 5 local suppliers between October 1993 and March 1994, the Division received materials worth Rs.17.82 lakh only leaving advance of Rs.31.72 lakh unadjusted as of March 1997.

In subsequent audit (March 1997) it was noticed that the Division made a further payment of Rs.5.37³ lakh in final settlement of bills of 2 suppliers who

¹ Rs.(2842.65 - 1217.79) lakh = Rs.1624.86 lakh.

² Highlighted in para 4.9(a) of the Report of the C&AG of India- Government of Nagaland for the year 1994-95.

³ Rs.3.41 lakh in March 1996 and Rs.1.96 lakh in February 1997.

were given an advance aggregating Rs.7.09 lakh in 1993-94. Scrutiny in audit, however, revealed that against the total payment of Rs.12.46 lakh made to these 2 suppliers, materials worth Rs.8.35 lakh only had been supplied. Thus, the EE had made an excess payment of Rs.4.11 lakh without receipt of any material.

4.1.8.5 Delay in distribution and utilisation of materials

Though both the Store procurement Divisions had recorded receipt of the bulk quantity of materials ordered for, the records of the Divisions showed very poor distribution and utilisation of materials as shown in *Appendix-XXII*.

The records showing utilisation of these materials on the ongoing projects (CSS) under the Kohima Division were not made available to Audit. The technical estimate of the schemes were not produced by the 5 Divisional Officers nor the ACE whose records were test-checked to verify the actual quantity and sizes of GI pipes required for the ongoing projects. The huge balances in stores was indicative of injudicious procurement of pipes and PS tanks out of Central assistance without any assessment of requirements for the ARWSP schemes.

The Department stated (November 1997) that during 1996-97, 10,47,724 metres GI pipe and 820 PS tanks had been received, of which 9,76,929 metres GI pipes and 791 PS tanks had been utilised/distributed (to user Divisions). The reply of the Department could not be verified in audit as the same was not supported by Division-wise, year-wise and supply order-wise details of receipt of materials and Division-wise, year-wise distribution/utilisation thereof on works. Besides, the Department had also not categorically furnished details of materials received and distributed together with evidence of such receipts (inspection reports) and distribution (challans).

4.1.8.6 Materials not accounted for

It was seen from the March (Supplementary) 1996 Accounts of Kohima Division that 16,087 metres of GI Pipes valued at Rs.20.25 lakh were issued to Wokha Division for implementation of CSS programme of ARWSP. Cross verification of the monthly stock receipt accounts of Wokha Division upto 3/97 (P) Accounts in audit revealed that the said materials had not been accounted for. On being pointed out in audit, the ACE admitted lapse on the part of the Divisional Officers and stated (November 1997) that the materials have been accounted for in March 1997(S) accounts.

4.1.9 Sub-missions

4.1.9.1 Water Quality Testing Laboratories

During the operation period (1987-90) of TM on drinking water, a stationery and a mobile Water Testing Laboratory were set up in Dimapur. These 2 laboratories remained defunct since 1991. Between 1991-92 and 1996-97 the Department had incurred Rs.43.14 lakh on pay and allowances of 8¹ regular staff and Rs.31.68 lakh on salaries/wages of 15 WC staff attached to these laboratories.

¹ Chemist - 1 Technical Assistants - 2 Clerk/Typists - 2 Helper - 2 Driver - 1 (Total: 8).

It was further noticed from the records of ACE that the GOI released (May 1996) Rs.12.52 lakh¹ with a view to revive the activities of these defunct laboratories.

On receipt of drawal authority from the State Government, the ACE drew (October 1996) the entire amount of Rs.12.52 lakh and spent between October 1996 and June 1997 Rs.7.99 lakh on programme objectives² and Rs.2.69³ lakh on purposes other than specified in the GOI release. Unspent balance of Rs.1.84 lakh remained in cash chest as of June 1997.

4.1.9.2 Water treatment plant for removal of iron and deflouridation/dechlorination

The Department had not taken any action for setting up treatment plants for removal of biological (guinea worm, Cholera etc. parasites) and chemical (iron and flouride/ chloride) contaminations of water.

The ACE stated (June and November 1997) that the Department had not set up any Iron removal plant, deflouridation/ dechlorination plant since it had not experienced any problem relating to chlorides/flourides. The statement of the ACE could not be corroborated in audit in the absence of water quality testing reports.

4.1.10 Dr. Ambedkar Centenary Programme

From September 1991, the GOI launched Dr. B. R. Ambedkar Centenary Programme, a sub-scheme under ARWSP and MNP for the benefit of SC/ST population in the rural areas. Under the award of this scheme, the State received Rs.50 lakh in 1991 which was not drawn or utilised.

Scrutiny in audit did not reveal any activities undertaken by the Department for implementation of this sub-scheme. In reply to an audit query, the ACE stated that though he had prepared technical estimates and proposed for their implementation, the clearance and sanction of the Government (PHED) was not received and hence the funds provided by the GOI remained merged with the unutilised balance under ARWSP. Thus, the poor rural population was deprived of the benefits of the Dr. Ambedkar Centenary Programme.

4.1.11 Information, Education and Communication (IEC) activities

Kohima district was selected for the purpose of IEC activities to create a common awareness among the people and to disseminate information on hazards of drinking impure water and water-borne diseases. The ACE stated to audit that the IEC activities had not yet been taken up by the Department despite receipt of Central assistance of Rs.10.56 lakh during 1996-97. Thus, the population was kept in dark about the hazards of use of impure water and related water-borne diseases. The Department stated (November 1997) that the amount would be utilised during 1997-98.

¹ Cost of POL for laboratory vehicles= Rs.1.57 lakh. TA of 7 survey and Investigating Officers and outstanding TA claims of field officers/staff and ACE = Rs.6.05 lakh. 1 Diesel Jeep = Rs.3.65 lakh. Theodolite = Rs.0.80 lakh and Honorarium and outstanding expenses on training= Rs.0.45 lakh.

² Tata Sumo Jeep = Rs.3.65 lakh. TA of ACE/HRD and Directorate Officers = Rs.4.34 lakh

³ POL reimbursement of vehicle attached to Directorate officers = Rs.1.74 lakh. Office expense = Rs.0.95 lakh

4.1.12 Monitoring and evaluation

The implementation of the scheme at the State level was to be monitored by the Ministries of Rural Areas and Programme Implementation of the Government of India through monthly, quarterly, half yearly and annual progress reports of financial and physical achievements. Besides, the progress of implementation was also required to be reviewed in the meetings of the State level Empowered Committee of RGNDWM.

From the records of the Divisions test checked and of the Monitoring Cell of ACE, PHE, it was noticed that the Department had not ever furnished monthly, quarterly and half yearly progress reports of implementation of the scheme to the State as well as Central Government. The Department monitored only annual progress reports for the years 1991-92 to 1993-94 after 3 to 9 months of the closing of the related financial year. Since 1994-95, no such progress report was found to have been prepared and sent. The achievement report of 1996-97 has not been received by the MC Cell from the implementing Division as of June 1997. Besides, from the annual progress reports, it was seen that the physical achievements were recorded as percentage of financial outlay and as such these were not corroborated by the physical achievements village-wise, completion of schemes as well as their commissioning and sustainability. The time to time review of implementation of the scheme (if any) required to be made by the empowered committee had also not been made available to Audit.

No monitoring of implementation and evaluation of water supply schemes undertaken by Department.

Ever since implementation of the scheme its impact had not been evaluated either by the Department or by an independent agency viz., Directorate of Evaluation.

4.1.13 Conclusion

The poor achievement in the implementation of the Scheme in the State was mainly attributable to unscientific planning as no proper survey and investigations were carried out. Coupled with this were the gross financial irregularities committed in the diversion/misuse of programme funds (Rs.8.68 crore), unassessed/irregular procurement of materials (Rs.18.04 crore) which remained idle in stock, irregular advance payments to suppliers of (Rs.10.47 crore, non-receipt of materials against advance payments of Rs.8.01 crore and creation of inadmissible charges of Rs.5.06 crore. Due to time overrun of 4 to 12 years in the implementation of 39 schemes, an avoidable extra expenditure of Rs.1.02 crore had to be incurred and 11 schemes were abandoned after incurring an expenditure of Rs.2.42 crore.

4.1.14 The matter was reported to the Government and the Department in September 1997. In response, the Government forwarded (November 1997) the replies of the Department, which have been incorporated in the relevant paragraphs. The Government have not, however, offered any comments.

4.2 Double payment to supplier

Chief Engineer, Public Health Engineering Department (PHED), Nagaland had placed (October 1989) supply order with a local supplier 'A' for procurement of 13 items of water supply fitting materials at a cost of Rs.1.24 lakh to

be supplied to the Executive Engineer, PHED, Phek. According to entries recorded in the measurement book all the materials were stated to be received in December 1989.

During audit (July 1996) of the accounts of the Executive Engineer, PHED, Phek (April 1991 to March 1996) it was found that against the claim of Rs.1.24 lakh preferred by the supplier, Rs.0.80 lakh were paid to the firm in August 1991 withholding the payment of Rs.0.44 lakh due to shortage of funds. Subsequently, in May 1994 once again the full claim of Rs.1.24 lakh was passed and paid to the supplier by the Division without verifying the earlier payment particulars recorded in the MB resulting in excess payment of Rs.0.80 lakh.

Non-verification of records led to double payment of Rs.0.80 lakh to supplier.

The matter was reported to the Department and the Government in August 1996. In reply, the Executive Engineer confirmed the double payment and promised to recover the amount from the supplier.

Further progress towards recovery of the amount was awaited (January 1998).

HOME (POLICE) DEPARTMENT

4.3 Loss due to injudicious planning

An estimate of Rs.3 crore for construction of quarters (16 Nos.) and barracks (4 Nos.) for the District Executive Force (DEF) at Dimapur was prepared by the Superintending Engineer (SE), Police Engineering Project (PEP) and got approved from the Chief Engineer (Housing) in November 1993. In order to finance the project, the Government obtained a loan of Rs.3 crore from the Life Insurance Corporation Housing Finance Ltd. (LICHF) during February 1994 (Rs.147 lakh after deducting Rs.3 lakh on account of administrative fees) and March 1994 (Rs.150 lakh). The money was deposited in Government account in March 1994 (Rs.147 lakh) and May 1994 (Rs.150 lakh). The loan was repayable in 15 years along with interest at the rate of 18 per cent per annum in thirty half yearly instalments payable from the date of release of loan by the LICHF.

On a loan of Rs.300 lakh obtained in February/March 1994 Government paid interest of Rs.152 lakh as of March 1997 and the money has not been put to productive use.

During test check (July-September 1996) of the records of the Additional Chief Engineer (ACE) and Project Engineer (PE), Police Engineering Project, Chumukedima it was noticed that the SE had invited tenders in June 1994 for construction of 20 buildings and the lowest tendered rate was Rs.185.81 lakh. Due to non-finalisation of the work site, the tender was cancelled in February 1995. The work was re-tendered in November 1995 restricting the number of buildings to 16 due to cost and time over run. The lowest rate was fixed at Rs.269.19 lakh after negotiation with the tenderer and the work orders were issued in February 1996 by the Additional Chief Engineer, PEP with the stipulation to complete the work by August 1996. In March 1996, the Finance Department had released LOC of Rs.1 crore for this work. PE drew the money and kept the same under 'Civil Deposits' in March 1996 as per stipulation of the LOC. In September 1996 PE, on receipt of sanction from the Government, withdrew the money from 'Civil Deposits' and deposited the same in a current account with State Bank of India, Dimapur on the plea of maintaining secrecy.

regarding money transactions with a view to minimising the perception of threat to which Divisional Engineers were exposed. However, no approval of the competent authority was obtained for opening the bank account. No expenditure from this money was reflected in the cash book of the PE till September 1996. Thus, injudicious planning and financial mismanagement had led to Rs.1 crore being kept out of Government account for 4 months.

On the other hand, Government had paid interest of Rs.1.52 crore on the loan to the LICHF without getting any return from the loan as of March 1997. The entire loan of Rs.3 crore remained unutilised upto July 1996 (i.e. for 2 years and 5 months) of which loan of Rs.2 crore remained unutilised as of June 1997 (i.e. for 3 years and 3 months). Thus, Government's decision to raise this loan proved injudicious and unproductive.

The matter was reported to the Government and Department in December 1996. In reply, the Department and Government stated (November 1997) that so far the Government had released Rs.2 crore (March 1996: Rs.1 crore and July 1997: Rs.1 crore) and the whole amount was paid to contractors as advance. The progress of work was stated to be complete in respect of one building and the rest 15 buildings were in progress ranging from 25 to 95 per cent. Further amount required to complete the buildings was stated to be Rs.65.90 lakh. However, this was not substantiated with contractor's bills and MBs.

4.4 Irregular and unauthorised expenditure

The Government of Nagaland, Home Department had sanctioned (March 1996) Rs.30 lakh for 'Renovation and Improvement of 55 Hill type buildings located at Police Engineering Project (PEP), Chumukedima'.

During audit (September 1996) of the records of the Project Engineer (PE) of the PEP, Chumukedima it was noticed that against the said work expenditure of Rs.36.96 lakh (including departmental charges) had been charged by the PE as of March 1996.

Out of Rs.30 lakh sanctioned in March 1996 for renovation works, the Project Engineer, Police Engineering Project, Chumukedima unauthorisedly diverted Rs.20.94 lakh towards clearing of past liabilities in respect of other works.

Audit scrutiny showed that the above expenditure included a payment of Rs.20.94 lakh for clearing past liabilities in respect of other works executed during 1989-90 to 1994-95 and an amount of Rs.5.01 lakh was adjusted against this sanctioned work through transfer entry without furnishing any details and supporting vouchers. Besides, records in support of expenditure of Rs.11.01 lakh (Rs.36.96 - 25.95 lakh) were also not made available to Audit.

The expenditure of Rs.25.95 lakh without any orders from the competent authority was thus irregular and unauthorised. As the renovation and improvement works had not been carried out as of August 1996, it was clear that the estimates framed for the work were not based on genuine requirement of funds.

The matter was reported to the Government and Department in February 1997. In reply, the Government stated (November 1997) that the entire amount could not be spent as the sanction was received at the fag end of the year. It also confirmed the unauthorised diversion of funds and stated that a proposal to

regularise the same was being submitted. The regularisation is awaited (January 1998).

4.5 Irregular expenditure on procurement of building materials

The Delegation of Financial and Cognate Power Rules, 1964 of the Government of Nagaland empower the Project Engineer (PE) to sanction work estimates, finalise tenders and accord sanction of expenditure not exceeding Rs.50,000 in each case.

In violation of delegated powers, the Project Engineer, Police Engineering Project, Chumukedima procured building materials worth Rs.8 lakh at the instance of DGP and Chief Secretary.

Test check (September 1996) of the records of the Project Engineer (PE), Police Engineering Project (PEP), Chumukedima revealed that the PE had issued 17 supply orders for building materials¹ valuing Rs.8 lakh between 8th February 1996 and 19th February 1996 by restricting the value of each supply order to Rs.50,000 to avoid obtaining sanction from the higher authority. Payment of Rs.7.49 lakh, out of Rs.8 lakh, had been made to the suppliers in June 1996.

Further scrutiny revealed that though the certificates of receipt of the materials (valuing Rs.7.49 lakh) and their accounting in the site account were recorded on the relevant supply bills as well as in the Measurement Book (MB), the relevant site accounts were not produced to Audit. As such, the actual receipt and proper utilisation of the materials could not be verified in audit.

The expenditure of Rs.7.49 lakh was thus doubtful and in clear violation of delegation of financial powers.

The matter was reported to the Government and Department in February 1997; Government forwarded (November 1997) the reply of the Department which stated that the expenditure was incurred by the PE at the instance of the Director General of Police and the Chief Secretary in connection with the VVIP visit in the State during February 1996 and the materials had been utilised on concerned works. Reply of the Department is not acceptable in the absence of any documentary evidence.

4.6 Unnecessary purchase of stores

Rule 103 of the General Financial Rules envisages that purchase of stores/materials should be made on the basis of bonafide requirements of public service. No purchase should be made in advance of actual requirement.

As per norms fixed by the Public Works Department (PWD), 7.35 kg of CGI Sheets were required to cover one square metre (sqm) of CGI roofing.

During test check (September 1996) of records of the Project Engineer (PE), Police Engineering Project (PEP), Chumukedima it was found that for construction of a Drill Shed for Nagaland Armed Police Training Centre (NAPTC)

Against the requirement of 2.14 tonnes of CGI sheets for a roof 28 tonnes at a cost of Rs.7.07 lakh procured. Total amount, however, diverted to other works proving entire expenditure was unnecessary.

¹ Sand, cement, paint, electrical goods, furnishing materials etc.

at Chumukedima, the PE had purchased (October 1995) 28 tonnes of CGI Sheets at a total cost of Rs.7.07 lakh without assessing the actual requirements. As per sanctioned estimate, the roof area of the drill shed was 291 sqm and according to the prescribed norm, only 2.14 tonnes of CGI Sheets were required for roofing the drill shed. Thus, 25.86 tonnes of CGI Sheets costing Rs.6.53 lakh were purchased in excess of actual requirements.

Further scrutiny revealed that out of 28 tonnes of CGI Sheets procured, 7.891 tonnes were issued (November 1995 to June 1996) to some other works and the remaining 20.109 tonnes valuing Rs.5.08 lakh had remained unutilised as of June 1996 leading to locking up of Government funds of Rs.6.53 lakh for the last 7 months.

The matter was reported to the Government and Department in February 1997. In reply, the Department/Government stated (November 1997) that due to change in the structural design of the drill shed from CGI sheets walling to brick walling, the entire material (28 MT) was taken back to stock in November 1995. As per details furnished to Audit, the Department showed utilisation of 22.118 MT on some repairs/renovations of existing buildings and transferred 4.136 MT to SDPO, Kohima. The Department remained silent on utilisation of balance quantity of 1.746 MT costing Rs.0.44 lakh.

The reply and annexed statement of utilisation do not show issue of any CGI sheet for roofing of the drill shed whose requirement was 2.14 MT. This indicated that the construction of drill shed had not been taken up or was not complete. Besides, actual utilisation of 22.118 MTs was also not verifiable from the statement of utilisation furnished by the Department.

Thus, the expenditure of Rs.7.07 lakh (excluding taxes) was not only unnecessary but amounted to irregular diversion of funds for purposes other than specified in the sanction.

4.7 Payment without receipt of materials

In September 1995, the Project Engineer (PE), Police Engineering Project (PEP), Chumukedima had paid to 2 local suppliers Rs.2.88 lakh for purchase of building materials for construction of barracks for Central Reserve Police Force (CRPF) at Kohima and Rangapahar. The supply orders (2) were placed in July 1995 and August 1995 by the Additional Chief Engineer, PEP, Chumukedima. As per certificates recorded on the body of the vouchers as well as measurement book, the materials were stated to have been taken into material at site accounts (MAS) of the 2 works in September 1995.

Test-check of the measurement book revealed that the materials had not been accounted for in the respective MAS accounts. The PE could also not produce any other record to show the receipt and utilisation of the materials.

Thus, it was evident that the Sub-Divisional Officers and the Project Engineer did not exercise the minimum checks prescribed in paragraph 355 of the Nagaland Public Works Code before passing the bill for payment.

This lapse thus resulted in the fictitious payment of Rs.2.88 lakh to 2 suppliers.

The matter was reported to the Government and Department in February 1997. In reply, the Department/ Government stated (November 1997) that

the materials had been accounted for but regretted that the relevant records were not produced to Audit.

The reply is not convincing as the relevant records escaped prescribed checks. Besides, the photo copies of the accounts since produced did not indicate the date on which they were prepared and month of account was different than that mentioned on the body of the bills and Measurement Book.

4.8 Double payment for purchase of pressed steel tanks

The Project Engineer (PE), Police Engineering Project (PEP), Chumukedima had purchased (February 1985) 50 Pressed Steel (PS) tanks (1.25m x 1.25m x 1.25m) of 400 gallons capacity each, against the supply order (November 1984) issued by the Superintending Engineer (SE), at a total cost of Rs.1.39 lakh (including sales tax). The materials were accounted for in the stock account of SDO, Tizit Sub-division in February 1985. The amount of Rs.1.30 lakh (after deducting sales tax) was paid to the supplier 'A' by cheque No.111831/001119 on 21 September 1995 on the basis of entries made at page No.110 of MB No 903 and was accounted for in the cash account of September 1995. The entries were, however, not crossed out by parallel red ink lines as laid down in paragraph 345 of NPWD Code.

Project Engineer, Police Engineering Project, Chumukedima made double payment of Rs.1.30 lakh to a supplier.

Scrutiny (September 1996) of records of PE, PEP, Chumukedima revealed that full particulars of the same supply bill as already recorded in the MB, were carried over to page No.115 of the same MB and the amount of Rs.1.30 lakh was again paid on 2 May 1996 to the same supplier for the same supply order for 50 PS tanks through cheque No.112293/001123 which was again accounted for in the cash account for the month of May 1996.

Thus, due to non-observance of codal provisions, the Department had made double payment of Rs.1.30 lakh to the same supplier.

The matter was reported to the Department (September 1996) and Government (February 1997). In reply, the Department and the Government stated (November 1997) that double payment was made due to oversight and promised to recover the same from the pending bills of the supplier. Details of recoveries made were awaited (January 1998).

4.9 Excess payment on procurement of boulders/stone metals

When stone boulders or stone metal are supplied, 8 to 15 per cent of the quantity supplied is deductible on account of void as per norm fixed by the PWD and payment made accordingly. Forest royalty and Nagaland Sales Tax (NST) at the specified rates are also deductible from the bills of suppliers.

Non adoption of norms led to excess payment of Rs.1.08 lakh to suppliers.

During test check (September 1996) of the records of Project Engineer (PE), Police Engineering Project (PEP), Chumukedima it was found that the PE had procured (September 1995 to June 1996) from the local suppliers 2353 cu.metres of boulder (479 cu.metres) and stone metals (1874 cu.metres) of 100 mm - 150 mm and 10 mm to 12 mm size. The suppliers were paid (September 1995, March 1996, June 1996 and August 1996) for the entire gross quantity of 2353 cu.metres without

deducting therefrom, 269.47 cu.metres on account of void. There was, thus, an excess payment of Rs.0.96 lakh to the suppliers. A sum of Rs.0.12 lakh on account of forest royalty and NST on the quantity of stone boulders/metals supplied by the contractors was also not deducted. The total excess payment, thus, aggregated to Rs. 1.08 lakh.

The matter was reported to the Government and Department in February 1997. While admitting the excess payment, Government stated (November 1997) that action was being taken to recover the amount from the pending bills of the suppliers. Further information regarding recovery was awaited (January 1998).

HOME (GENERAL ADMINISTRATION) DEPARTMENT

4.10 Irregular drawals and disbursement of money

According to Rule 161 of Nagaland PW Code, no cheque should be drawn until it is intended to be paid away and cheques drawn in favour of contractors and others should be handed over to them directly by the disburser. It is a serious irregularity to draw cheques and keep them in the cash chest at the close of the year and to show the amount as utilised during the financial year when the amount of the cheque had actually not been disbursed.

Out of Rs.140.58 lakh drawn by the Executive Engineer, Civil Administration Works Division, Kohima in March 1996, and shown as final expenditure in accounts, an unspent balance of Rs.98.98 lakh was unauthorisedly kept outside Government Accounts.

Test check (September 1996) of the accounts of the Executive Engineer (EE), Civil Administration Works Division, Kohima, showed that the EE had drawn (21 March 1996) an amount of Rs.140.58 lakh on the basis of the LOC issued (March 1996) by the Government (Finance Department) for making payments to the suppliers and contractors. The entire amount was shown as spent in the monthly cash accounts of the division for the month of March 1996, though only an amount of Rs.41.60 lakh was actually disbursed upto the end of March 1996. The entire unspent balance of Rs.98.98 lakh was transferred to a subsidiary cash book and kept outside Government account besides reflecting inflated expenditure under the grant in the Appropriation Accounts for the year 1995-96. Subsequently, the EE disbursed Rs.49.85 lakh between April and July 1996 out of the unspent balance leaving a cash balance of Rs.49.13 lakh as of September 1996.

The reasons for retention of Government money outside Government account and exhibiting the same as final expenditure in the monthly accounts for March 1996, were neither available on records nor stated. The reasons for making payments in cash instead of by cheques were also not explained to Audit.

The matter was reported to the Government and the Department in December 1996. The EE stated (May 1997) that the amount was drawn through self cheque and converted into DAC to avoid lapse of budget grant but had not intimated the position of the unspent balance. The reply of Government was awaited (January 1998).

4.11 Excess payment due to inflated measurement and non-levy of departmental charges

Estimates for Rs.84.77 lakh were prepared by Chief Engineer, Public Works Department (Housing) for construction of a three storey office building and court room (Ground floor: 5042 sft, First floor: 4670 sft and Second floor: 320 sft)

including site development for the Deputy Commissioner (Judicial), Dimapur and the work was got executed through the Executive Engineer, Civil Administration Works Division (CAWD), Kohima as a deposit work of the Law and Justice Department.

Test check (September 1996) of the records (April 1995 to July 1996) of the EE, CAWD, Kohima had revealed that the work was awarded (March 1994) to a local contractor at a total cost of Rs.56.24 lakh at 195 *per cent* above the SOR 1985 plinth area rates of Rs.200 per sft for ground floor and Rs.180 per sft for first and second floors with the approval of Law and Justice Department. The work was completed on June 6, 1996 and a total payment of Rs.56.24 lakh made (July 1996). During scrutiny of vouchers and detailed measurements, it was, however, noticed that plinth area of each of the ground and first floor of the building was 3629.49 sft only each. The second floor of the building was, however, constructed as per specifications (i.e. 320 sft). Based on the agreed rates, the contractor was eligible for a total payment of Rs.42.39[@] lakh only.

Inflated measurement led to an excess payment of Rs.13.85 lakh.

Thus, there was an excess payment of Rs.13.85 lakh to the contractor.

Besides, as per provisions of the Nagaland Public Works Department Code, departmental charges at the rate of 13 *per cent* of the estimated cost of the work was required to be recovered from the department on whose behalf the work was executed as a deposit work. However, no such charges were recovered by the CAWD, Kohima resulting in loss of departmental receipts of Rs.7.31 lakh.

Departmental charges of Rs.7.31 lakh not levied and recovered.

The matter was reported to the Government and the Department in December 1996; replies had not been received (January 1998).

WORKS AND HOUSING DEPARTMENT (HOUSING)

4.12 Irregularities in construction of office complex of the Chief Engineer, Housing

The Works and Housing Department took up the project of 'Construction of office complex for Chief Engineer (CE), Housing at Kohima' (estimated cost Rs.37.09 lakh) in 1991-92. Superintending Engineer (SE), Housing, Circle-II awarded (March 1991) the work to a local contractor 'A' at 125 *per cent* above the Nagaland Public Works Department (NPWD) Schedule of Rates (SOR) for buildings, 1985 with the stipulation that the work be completed by 25 May 1994.

Test check (January 1997) of the records (August 1991 to December 1996) of the Executive Engineer (EE), Central Division (Housing), Kohima revealed the following irregularities:-

(i) Payment on fictitious measurements

While the date of commencement of the work as recorded in the Measurement Book (MB) was 20 March 1992, the First Running Account (RA) Bill of Rs.5.75 lakh (inclusive of 125 *per cent* above SOR 1985), being the value of the

[@] Ground floor: $3629.49 \times 200 = 725898 \times 295\% = \text{Rs.}21,41,399$

1st & 2nd floors: $3949.49 \times 180 = 710908 \times 295\% = \text{Rs.}20,97,178$

Rs.42,38,577 or say Rs.42.39 lakh

works executed upto November 1995 (viz., earth work, RCC work, steel reinforcement etc.), was prepared on the basis of measurements stated to have been taken on 1 December 1994 and the contractor was paid Rs.5.23 lakh (December 1994 and November 1995).

It was, however, noticed that on 29 February 1996, Sub-divisional Officer (SDO), PWD, Central Sub-division No.III had asked the contractor to collect the drawing for the project and start the work immediately. This clearly indicated that the execution of works and recording of their measurement in the MB was fictitious and the payment of Rs.5.23 lakh was made fraudulently.

(ii) Avoidable extra expenditure

On 27 July 1996, the contractor asked for enhancement of the rate from 125 per cent to 528 per cent above SOR 1985 on the plea of delay in commencement of the work and consequential rise in the prices of materials and labour. EE recommended (July 1996) to the CE for enhancement of the rate to 360 per cent above SOR 1985. The Government, disregarding the recommendation of the EE, allowed (September 1996) an escalation of 390 per cent above SOR 1985 to the contractor.

In this connection, it may be mentioned that Schedule of Rates 1985 was revised by the Department in 1995 and made effective from 1.1.1995. As per prevalent price trends on 1.1.1995, the premium admissible over the SOR 1985 rates was 257 per cent but the EE had recommended the escalation of 360 per cent in July 1996. This clearly indicated that the escalation demanded by the contractor at 528 per cent, but recommended by the EE at 360 per cent and approved by the Government at 390 per cent above SOR 1985 was unrealistic and arbitrary and was not conforming to the price increase and the approved rates of the Department (SOR 1995).

On 17 December 1996, EE prepared the IInd RA Bill for Rs.54.90 lakh, at the enhanced rates of 390 per cent above SOR 1985 (value of work done since 1st RA Bill being Rs.11.21 lakh). The contractor was, however, paid Rs.2 lakh (December 1996) only due to paucity of funds and balance claim of Rs.52.90 lakh was pending with the Division.

(iii) Delay in execution of work leading to enhancement in cost

Though the work order was stated to have been issued in May 1991, the work could be started by the contractor only in March 1992 reportedly due to non handing over of clear site by the Department. Due to change of original site, architectural drawings had to be prepared afresh and were handed over to the contractor in June 1996.

Thus, injudicious planning coupled with financial and material mismanagement led to 265 per cent hike (390 - 125) in the cost of the project coupled with delays of more than 36 months (July 1997).

(iv) Undue financial aid

Though the Nagaland Public Works Department (NPWD) Code as well as Contractual Agreement and the Work Order did not provide for payment of mobilisation advance and issue of store

<p>Mobilisation advance of Rs.8 lakh given to contractor without obtaining Bank Guarantee/security.</p>

materials by the Department, the EE with the approval (October 1991) of the Government, paid (March 1992) Rs.8 lakh to the contractor as mobilisation advance without obtaining any bank guarantee/security.

No recovery of this advance had been effected (August 1997) either from the two RA Bills of Rs.7.23 lakh paid to the contractor during December 1994 to December 1996 or in cash. While payment of Rs.8 lakh was an undue financial aid to the contractor, the Government had to bear the burden of interest of Rs.5.42¹ lakh on the amounts borrowed by it from the open market during the corresponding period.

The project had been completed in December 1997. However, by allowing the enhanced rates of 390 *per cent* above SOR 1985, the Department had created an extra liability of Rs.98.29 lakh besides committing other irregularities.

Poor site selection led to time overrun and coupled with the allowance of unrealistic and arbitrary price escalation resulted in an avoidable extra liability of Rs.98.29 lakh.

The matter was reported to the Government and Department in April 1997. The Department in reply (September 1997) stated that though work order was issued in May 1991 which could not be started by the contractor due to non handing over of selected site to him due to administrative reasons. The Department further stated that the new site selected by them and handed over to the contractor developed problems in August-September 1993 due to landslide and encroachment by private individuals and during this period a RCC retaining wall at a cost of Rs.5.23 lakh was constructed. This RCC retaining wall though not part of the original estimate was subsequently included in the R.E. The Department also further stated that judging the stability of the soil, architectural drawings had to be prepared afresh and this was completed only in May 1996 and the drawing handed over to the contractor in June 1996.

4.13 Expenditure on fictitious procurement of building materials and road metal

Executive Engineer (EE), Central Division (Housing), Kohima had spent Rs.19.90 lakh for procurement of building materials and road metal worth Rs.14.03 lakh and Rs.5.87 lakh respectively between March 1992 and March 1993 by charging the expenditure directly to works (Details given in *Appendix-XXIII*). Of this, Rs.7.31 lakh were paid by the EE himself to 7 suppliers and the remaining amount of Rs.12.59 lakh was paid by 4 Sub-divisional Officers to the suppliers.

The Executive Engineer, Central Division (Housing), Kohima spent Rs.19.90 lakh between March 1992 and March 1993 on fictitious procurement of building materials and road metal.

Test check (January 1997) of the records (August 1991 to December 1996) of the EE, Central Division (Housing) revealed that the receipt of aforesaid materials was neither certified on the body of the supply bills nor entered in measurement books or in the material at site/stores accounts. The Division also could not produce any records to substantiate the receipt and utilisation of the materials so procured. Besides, there were no approved estimates of the works for which materials were stated to have been procured. Thus, the expenditure of Rs.19.90 lakh on procurement of these materials was fictitious.

¹ 12.5% on Rs.8.00 lakh for 65 months (4/92 to 8/97) = Rs.5.42 lakh.

The matter was reported to the Government and Department in April 1997. In reply, the Department stated (September 1997) that this needs thorough examination and scrutiny of the available records followed by discussion with the Officers of the Department. It was further stated that the present Divisional Officer was not able to throw sufficient light on the subject since all the transactions took place prior to bifurcation of work between the Roads and Bridges and Housing Department in April 1992. The reply of the Government was awaited (January 1998).

WORKS AND HOUSING DEPARTMENT (ROADS AND BRIDGES)

4.14 Infructuous expenditure on employment of idle work charged staff

As per Nagaland Public Works Department (NPWD) Code, work charged establishment include such establishment as is employed upon the actual execution of a specific work or for supervision of the stores and machinery deployed in connection with the execution of that specific work.

Mechanical Engineer (ME), Mechanical Division II, Kohima during August 1993 to December 1996 engaged 24 work charged staff (Drivers-16 and Handymen-8) for operating 3 Bulldozers (6 drivers), 8 Road rollers (8 drivers and 6 handymen) and 3 Stone-crushers (2 drivers and 2 handymen) although these machinery had remained out of order throughout this period. The engagement of work-charged staff in contravention of the NPWD Code and against machinery which were not in working condition led to an infructuous and avoidable expenditure of Rs.27.56 lakh on their salaries.

Twenty-four WC staff engaged for off-road/idle machines which resulted in infructuous and avoidable expenditure of Rs.27.56 lakh.

The matter was reported to the Government and the Department in May 1997. In reply, Government stated (September 1997) that these machineries were not off road/idle all the time as mentioned in the para. The reply of the Government is not correct as the log books of the 14 machines were not produced to Audit despite repeated requests and it was also seen that 6 of these machines which were stated to be working, were either proposed for condemnation or were declared condemned during the period February 1994 to September 1996.

4.15 Fraudulent refund of security deposit

According to Central Public Works Account Code, a record of the transactions relating to Public Works Deposits should be maintained in the Divisional office in a register showing month by month, the total receipts and refunds and the closing balance of each deposit item. Before making any refund out of such deposits, the original realisation should be traced out and a reference to the repayment should be recorded against the original entry in the cash book and other accounts so as to make entertainment of a double or erroneous claim impossible. Further, all Government transactions either in cash or by cheques should be routed through cash book.

Executive Engineer PWD, Atoizu had fraudulently paid Rs.11.81 lakh to 14 fictitious persons on account of security deposits.

Test check (November-December 1996) of the records of the Executive Engineer, Public works Division (Roads and Bridges), Atoizu revealed that in contravention of the aforesaid provisions, Rs.11.81 lakh had been paid (September to October 1994) towards refund of security deposits to 14 contractors/suppliers without correlating them with the cash book and the original realisation of security deposits from the contractors/suppliers. The Divisional Officer also did not maintain any deposit register to show any such deposits made by these contractors/suppliers nor were there any records to show that they had executed any work or supplied materials to the division in respect of which the security might have been deposited. The transactions involved were also not incorporated in the relevant monthly accounts rendered to Accountant General. Further, amount of Rs.7.72 lakh so refunded was not even recorded in the cash book.

Thus, the Divisional Officer failed to act according to the provisions and had drawn and disbursed Government money to fictitious contractors/suppliers against fictitious charges which led to fraudulent refund of security deposit of Rs.11.81 lakh.

The matter was reported to the Government and Department in March 1997, replies had not been received (January 1998).

4.16 Loss of Government money due to non-compliance of Government instructions

Government of Nagaland, Home (Political) Department had directed (28 July 1989 and 16 August 1990) all the heads of department and drawing and disbursing officers to ensure that disbursement of salary is made in the presence of police guards. In order to facilitate safe disbursement of salary of various departments the Deputy Commissioner, Kohima introduced (April 1993) the system of centralised disbursement of salary. Accordingly, the salary of the staff of Mechanical Division I, Kohima, was to be disbursed in the Administrative Training Institute, Kohima.

Due to non-compliance of Government orders for safe disbursement of salary, an amount of Rs.2.05 lakh was looted by unidentified gunmen.

During test-check (October 1996) of the records of Mechanical Division I, Kohima it was noticed that the Assistant Mechanical Engineer, Mechanical Sub-division, Kohima drew an amount of Rs.2.48 lakh through cheque on 10 May 1994 and in violation of Government instructions, resorted to disburse the salary for the month of April 1994 in respect of work-charged staff in the mechanical workshop compound, without engaging any police guards. During distribution of salary some unidentified gunmen took away the amount of Rs.2.05 lakh. Thus, non-observance of Government instructions by the disbursing officer resulted in loss of Government money of Rs.2.05 lakh.

The matter was immediately reported to the police and to the Chief Engineer, PWD (Roads and Bridges), Nagaland. The Government constituted (August 1994) an Inquiry Committee to investigate the matter and to fix the responsibility for such loss. The Police investigation report as well as the report of the Inquiry Committee was awaited (January 1998)..

The matter was reported to the Government and Department in May 1997. In reply (September 1997), the Government had confirmed the observation made by Audit and assured for compliance in future.

CHAPTER - V

STORES AND STOCK

WORKS AND HOUSING/PUBLIC HEALTH ENGINEERING/POWER DEPARTMENTS

5.1 Closing of stock registers

According to the provisions of the Nagaland Public Works Department Code, the stock accounts are required to be closed each year on 30 September and valuation of stores done with reasonable accuracy. The valuation should be reviewed periodically and revised, where necessary to enable the authorities to know the profit and loss in respect of different classes of materials and re-adjust the issue prices, where required. In case the valuation is not so reviewed from time to time, the accounts of stores would not reflect the true picture of the value of stores held.

It was noticed in audit that:-

Sixteen out of 41 Public Works Divisions (Roads and Bridges, Housing and other Civil Divisions), and 5 out of 16 Electrical Divisions had not closed their stock accounts for periods ranging between 1 to 6 years. Information relating to closing of stock accounts in respect of 19 Public Works Divisions and 4 Electrical Divisions were not made available.

5.2 Physical verification of stores

The Nagaland Public Works Department Code prescribes that the Sub-divisional Officers should carry out *cent per cent* physical verification of the stores under their charge once in a year. The Divisional Officers are required to verify annually 10 *per cent* of all stores before submission of stock returns to the higher authorities and the Accountant General. Such verifications are meant to enable the authorities to detect shortage and discrepancies in the stores and are applicable to all other departments where stores accounts are maintained. It was, however, noticed in audit that:-

(i) In 16 out of 41 Public Works Divisions (Roads and Bridges, Housing and other Civil Divisions), physical verification of stores had not been conducted for periods ranging between 1 to 6 years. Information relating to physical verification of stores by 19 Divisions was not made available.

(ii) In 5 out of 16 Electrical Divisions stores had not been physically verified for the year 1996-97. Information relating to physical verification made by 5 Divisions was not made available.

In the absence of physical verification of stock, the extent of loss caused due to pilferage, deterioration, damage, etc., of stock items could not be verified in audit.

5.3 Reserve stock limit

(i) Reserve stock limit had not been prescribed for 2 out of 41 Public Works Divisions (Roads and Bridges, Housing and other Civil Divisions). Of these, 1 Division held stores valued at Rs.20.12 lakh at the end of March 1997. The sanctioned

reserve stock limit was exceeded in 16 divisions by a total amount of Rs.6.22 crore. Information relating to reserve stock limit in respect of 19 divisions was not made available.

(ii) Information relating to reserve stock limit in respect of 9 PHE Divisions is given under para 5.5.5.1(a).

(iii) Reserve stock limit had not been prescribed for 4 out of 16 Electrical Divisions. Sanctioned reserve stock limit was exceeded in 2 Divisions by a total amount of Rs.87.36 lakh while 7 Divisions had total minus balance of Rs.4.56 crore at the end of March 1997. The minus balances were attributed by the Department mainly to non-settlement of Cash Settlement Suspense Accounts (CSSA) claims and non-adjustment of value thereof in stock (Debit) Accounts. Besides, 4 Divisions held stores valued at Rs.46.58 lakh without having any sanctioned reserve stock limit.

5.4 Tools and Plant

According to Nagaland Public Works Department Code, the divisions should close the Tools and Plant accounts on 30 September every year and arrive at the balance of stock held. Physical verification of Tools and Plant articles should also be conducted once in a year.

It was observed that in 16 out of 41 Public Works Divisions (Roads and Bridges, Housing and other Civil Divisions), Tools and Plant accounts were not closed for periods ranging from one to 6 years. Physical verification of Tools and Plant articles was also not carried out in 16 Divisions. Information relating to closing of Tools and Plant accounts and physical verification of Tools and Plant articles in respect of 19 Divisions was not made available.

In 5 out of 16 Electrical divisions, Tools and Plant accounts were not closed for the year 1996-97. Physical verification of Tools and Plant articles was also not carried out in these 5 Divisions.

Due to delay in closing of accounts and non-conducting of physical verification, shortage/surplus of Tools and Plant, if any, could not be ascertained and adjusted in accounts in time.

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.5 Material Management

5.5.1. Introduction

Delegation of Financial and Cognate Power Rules 1963 and the Nagaland Public Works Department (NPWD) Code empowered the State Government full powers for procurement of all stores. However, the Additional Chief Engineer (ACE), with the approval of the Government, Public Health Engineering Department (PHED) was authorised to make bulk purchase of store materials against the requirement of all ongoing water supply schemes/projects and also for creating a Reserve stock for emergency requirements within the limit sanctioned by the Government for the PHE Divisions. The rules and the code *ibid* had also empowered the Divisional Officers (EE) to make purchases of stores upto a limit of Rs.4,000 per item within financial ceiling of Rs.50,000 per occasion provided such purchase is within the sanctioned estimate of works or Reserve stock limit of the Division.

Keeping in view the misuse of powers by the EEs, the State Government had centralised (December 1985) the procurement of all store materials with the ACE (PHED).

5.5.2 Organisational set up

The Additional Chief Engineer (ACE), PHED under the overall administrative control of the Commissioner and Secretary Public Health Engineering Department is responsible for procurement, distribution and inventory control of stores through the Central Store Procurement Division at Dimapur named as Dimapur Store Division. As of March 1997, the Department had 9 PHE Divisions- 3¹ of them in Kohima district and one each in the remaining 6² districts. From 1995-96, for administrative reasons, the State was divided into 2 PHE Zones viz., Kohima and Dimapur. Since then the PHE Division at Kohima also functioned as the Central Store procurement Division in respect of 4³ Executive Divisions while the Store Division at Dimapur was to cater for the stores requirements in respect of the remaining 5⁴ Divisions.

5.5.3 Audit coverage

Purchase, custody and management of stores during the period from 1992-93 to 1996-97 was reviewed (March-July 1997) in audit by test check of the records of the ACE and 6⁵ Divisions. The results of test check are highlighted in the succeeding paragraphs.

5.5.4 Highlights

- Against a sanctioned reserved stock limit of Rs.0.90 crore, the Department had accumulated stores worth Rs.18.04 crore as of March 1997, thereby exceeding the ceiling limit by Rs.17.14 crore. Four Divisions maintained reserve stock balance in excess of prescribed ceiling limit by Rs.26.34 crore, which included 1 Division holding stores worth Rs.3.77 crore without having any sanctioned reserve stock. In 5 other Divisions including a newly created Division, an adverse balance of stores worth Rs.8.50 crore was exhibited.

(Paragraph 5.5.5.1(a) & (b))

- As of March 1997, the Department had an adverse balance of Rs.6.14 crore (debit) under Material Purchase Settlement Suspense Account, due to payment of Suppliers' bills without receipt of materials and crediting the same *ab initio* to the purchase account.

(Paragraph 5.5.5.2)

- Advance payment for inter-Divisional transfers of stores coupled with irregular advance payments to contractors/suppliers amounting to Rs.9.47 crore were debited to Miscellaneous Public Works Advances, due to non-receipt/non-adjustment of materials.

(Paragraph 5.5.5.3(a)&(b))

¹ Kohima, Dimapur Store, Dimapur Working (renamed as Peren and shifted to Peren in February 1997).

² Mokokchung, Tuensang, Zunheboto, Phok, Wokha and Mon.

³ Kohima, Wokha, Zunheboto and Phok.

⁴ Dimapur Store, Dimapur Working (now Peren), Mokokchung, Tuensang and Mon.

⁵ Kohima, Dimapur Store, Dimapur Working, Wokha, Mon. and Mokokchung.

The Department incurred an extra expenditure of Rs.2.25 crore during 1996-97 on irregular payment of interest (Rs.2.14 crore), additional charges for galvanisation (Rs.0.07 crore) and payment of supply bills at higher rates (Rs.0.04 crore).

(Paragraph 5.5.6.3(a),(b) & (c))

Due to adoption of fictitious accounting, 3 Divisions had lost/misappropriated stores worth Rs.0.91 crore.

(Paragraph 5.5.7.1)

Stores worth Rs.4.26 crores were lying idle since 1992-93 in 4 Divisions. Further, surplus and unserviceable stores worth Rs.13.19 crore were lying in 6 Divisions between September 1992 and April 1995. Besides, one Division had stores worth Rs.1.36 crore lying idle at site account of a work since 1987-88.

(Paragraph 5.5.8.1 & 5.5.8.2)

Physical verification of stores conducted by 6 Divisional Officers upto the year ending September 1996 showed no shortage/pilferages. However, in Kohima Division non-accounting of materials worth Rs.0.74 crore and overall shortage of materials worth Rs.9.82 crore in the ground balance of stores was not detected during physical verifications.

(Paragraph 5.5.9.2 & 5.5.9.3(b))

There was loss/misappropriation of stores worth Rs.8.51 crore due to inadequate internal controls and inaction of the Department (Rs.0.41 crore), theft of materials at sites (Rs.0.31 crore) and irregular disposal of stores (Rs.7.79 crore) by the Department.

(Paragraph 5.5.10.1 to 5.5.10.3)

5.5.5. Stocks and Stores accounts

5.5.5.1 Synopsis of stores accounts

A synopsis of stores accounts of all the nine PHE Divisions for the last 5 years is given as under:-

Year	Opening balance	Receipt	Issue	Closing balance	
	(As per Accounts)	(Debit) (+)	(Credit) (-)	(As per accounts)	(As per Deptt.)
	(Rupees in crore)				
1992-93	11.34	7.33	1.42	17.25	15.89
1993-94	17.25	5.33	7.21	15.37	23.54
1994-95	15.37	3.75	1.27	17.85	20.60
1995-96	17.85	6.29	9.27	14.87	22.70
1996-97	14.87	14.78	20.42	9.23	18.04
Total:-		37.48	39.59		

Division-wise break-up of balances as furnished by the Department is given in *Appendix-XXIV*.

The following irregularities were noticed:-

(a) The stock balances were held against sanctioned Reserve Stock limit of Rs.0.90 crore. As per information furnished by the Department, stores held by it in excess of sanctioned reserve stock limit till the end of March 1997 amounted to Rs.17.14¹ crore. The ACE stated (November 1997) in reply that the sanctioned limit of Rs.0.90 crore was against 7 Divisions and that in June 1988 he had moved the Government for enhancement of Reserve Stock limit to Rs.5.90 crore in respect of 9 Divisions. The Government had not yet approved this. However, as noticed in audit, the balances under stock continued to accumulate due to purchase of store materials without assessing actual requirement.

Unassessed procurement of materials resulted in accumulation of stocks far in excess of sanctioned reserve limit.

(b) As on 31 March 1997 there was a discrepancy of Rs.8.81² crore (Credit) between the overall stock balance as reflected in Appropriation Accounts and those intimated by the ACE and collected from Divisional Accounts. Reflection of excess stock balance in Departmental accounts was attributed to non-reconciliation of overall balance by the Department. It may be seen from *Appendix-XXIV* that as of 31 March 1997 four Divisions held stores worth Rs.26.34 crore in excess of their sanctioned Reserve limit of Rs.0.20 crore which included 1 Division holding stores worth Rs.3.77 crore without having any sanctioned Reserve stock limit. Five Divisions (including the newly created Peren division from February 1997) exhibited a minus balance of Rs.8.50 crore against their sanctioned reserve stock limit of Rs.0.70 crore. The Department (ACE) could not state reasons for the minus balance. The Executive Engineers of Dimapur Store and Mon Division, however, stated (verbal) that such adverse balances (minus) were attributable to distribution/utilisation of the materials received by them for works, the cost of which is yet to be paid to the suppliers due to paucity of funds. The statement could not, however, be corroborated in audit, as on the date of closure of accounts the statements of liabilities have not been updated. However, it was observed that the non-adjustment of the cost of materials received through the Cash Settlement Suspense Accounts (CSSA)/inter-divisional transfer (IDT) of stores by these Divisions also contributed to the adverse balance.

5.5.5.2 Operation of Material Purchase Settlement Suspense Accounts (MPSSA)

Besides the above balances, the Department was having an adverse debit balance of Rs.6.14 crore under the Suspense head 'Purchase' as of March 1997 as shown below:-

Year	Opening balance as on 01.04.90 Debit (+)	Payments made (Debit) (Rupees in lakh)	Value of materials received (Credit)	Closing balance
1990-91	(+) 4.84	136.74	---	(+) 141.58
1991-92	(+) 141.58	471.37	---	(+) 612.95
1992-93	(+) 612.95	1.37	---	(+) 614.32
1993-94				
To				
1996-97	(+) 614.32	---	---	(+) 614.32
Total:-		609.48		

¹ Rs.(18.04 - 0.90) crore = Rs. 17.14 crore.

² Rs.(18.04 -- 9.23) crore = Rs.8.81 crore.

The ACE and the EEs of 6 out of the 9 Divisions test checked could not furnish the details of materials *prima facie* credited to the purchase accounts except Dimapur Store Division showing records for a debit of Rs.1.01 lakh. Payment made/or adjustment of some past payments carried out by debiting suspense head 'purchase' indicated hypothetical payments, instances of which had been mentioned in para 4.3 of the Report of the Comptroller & Auditor General of India, Government of Nagaland, for the year 1993-94. These payments/adjustments could not be traced against actual receipt of materials and hence remained unverified in audit due to non production of supporting documents.

Non-adjustment of the adverse balance (debit) by contra entries (viz. credit to purchase and debit to stock) resulted in the understatement of overall stock holding of the Department by Rs.6.14 crore.

Adverse balance of Rs.6.14 crore was created by recording hypothetical payments against 'purchase'.

The Department, in reply, stated (November 1997) that as they had dispensed with operation of MPSSA (date, month and authority not indicated) the adverse balance was attributed to wrong booking by AG (A&E).

The contention of the Department is not acceptable as no periodical/annual reconciliations were carried out by the Department nor had it objected the balances intimated to it through the Appropriation Accounts from the office of the AG(A&E). Besides, the onus of proving wrong booking/misclassification lies with the Divisions, whose administrative and accounting control is vested in the Department.

5.5.5.3 Operation of Suspense head 'Miscellaneous Public Works Advance (MPWA) in lieu of CSSA

(a) Inter Divisional transfer of stores

As per codal provisions, all inter-divisional transfer of stores should be routed through the minor head "Cash Settlement Suspense Accounts (CSSA) subordinate to major head- 8658- Suspense Accounts outside the Public Account of the Government. However, sale of stores on credit can be booked under Miscellaneous Public Works Advance (MPWA) subordinate to the major head of Works under Revenue Section.

Contrary to the provisions mentioned above, the Department by an order of the Government (Finance Department) of 1988 dispensed with the operation of CSSA for inter divisional transfer of stores and instead started operating MPWA for the purpose. Under this system, the Divisional Officers (EEs) requiring store materials (hereinafter called responding divisions) made advance payments out of works budget (CSS/State) to Central Store/other Divisions (hereinafter called originating Divisions) alongwith indent for materials. The advance payments so made remained debited to MPWA till the EEs had received the materials from the originating Divisions. This system is still in vogue but now under a different nomenclature termed "Cash Carry System" adopted from 1996-97 under the orders (June 1996) of Finance Department.

(b) Advance payments to suppliers

Codal provisions do not provide for grant of any advance payments to suppliers/contractors except on the security of materials (works contract) brought to site. However, advance payments on materials in transit can be made to the extent of 90 *per cent* of their value on production of proof of despatch and freight actually paid on production of receipt granted by the carrying company.

It was, however, noticed in audit that since 1990-91, advance payments were being made to suppliers under the authority of the Department/Government by debiting transactions to MPWA out of funds released direct to the Divisions under Plan (State/CSS), works budget provision, of the Department.

Thus, advance payments made to the Central Store/other supplying Divisions for obtaining store materials through inter-divisional transfer of stores and to the suppliers for fresh procurement of materials kept on accumulating for non-receipt of materials from either ends had swelled the balances under MPWA as shown below:-

Year	Opening balance (+)/(-)	Payments (Debit (+))	Receipts (Credit (-))	Closing balance (+)/(-)
(Rupees in lakh)				
1992-93	(+) 565.29	14.28	80.01	(+) 499.56
1993-94	(+) 499.56	228.59	190.78	(+) 537.37
1994-95	(+) 537.37	---	0.26	(+) 537.11
1995-96	(+) 537.11	351.73	151.76	(+) 737.08
1996-97	(+) 737.08	331.21	121.11	(+) 947.18
Total:-		925.81	543.92	
Net increase during 1992-97 (+) 381.89				

The closing balance of Rs.9.47 crore included Rs.7.47 crore advanced by 6 Divisions test-checked but remaining unadjusted as of March 1997 as shown in the *Appendix-XXI*.

Thus, though Plan (CSS or State) and Non Plan (State) funds meant for works as released by the Government were apparently shown as utilised and also financial achievements reported to the State/GOI, the value of the materials, however, stood booked under 'Suspense' (MPWA) under non-plan sector. Besides, the value of stores held by the Department as shown in the table under paragraph 5.5.5.1 remained further understated by Rs.9.47 crore.

Advance payments of Rs.9.47 crore to suppliers/supplying divisions remained unsettled due to non-receipt of materials.

Further, due to irregular operation of suspense head (MPWA) within the Revenue Account of the Government (Minor head-799- Suspense Sub-ordinate to Major head 2215- Water Supply and Sanitation), the transactions (net debit) under this head finally inflated the transactions under the Consolidated Fund of the Government for the relevant years.

The Department stated (November 1997) that with the abolition of CSSA for inter-divisional transfer of stores and for watching receipt of materials against advance payments made to Central store/other Divisions, suppliers, operation of suspense head MPWA was inevitable. It stated that the increasing trend of balances under this head was due to non-adjustment of cost of materials already received and expected a substantial reduction in balance by end of 1996-97 as materials had been

received. The contention of the Department was not correct as it was seen in audit that the balance under MPWA increased by Rs.3.82 crore during 1992-97 of which Rs.2.10 crore was during 1996-97 alone.

5.5.6. Procurement of stores

5.5.6.1 Defective budgeting procedure

The Department and the Government had not made any budget provisions under suspense heads under the functional major heads in the Revenue (or Capital) sector in their annual budget so as to ensure availability of funds for timely procurement of stores and completion of works within the stipulated time. However, in the footnote of voted budget grant of the Department a mention was made that all debits to suspense during the year should be cleared by minus debit and all materials purchased against works should be utilised during the year so as to make suspense head 'Nil'. In view of this footnote, the Department resorted to the practice of procuring stores, utilising the annual budget provisions of both plan and non-plan works as and when funds were released by the Government. As procurements of stores were made without assessing actual requirement for ongoing or new works/projects, materials remained unutilised at the end of the year either at the work site or at the Departmental store. Faced with the problem the Divisions wrote back the unutilised materials with value to Divisional stock by credit to the works.

These actions of the Department/Divisions were against the spirit of instructions contained in budget documents. However, the said instruction in the budget was also defective in as much as it allowed the works Department to procure stores by debiting suspense head even though such materials were to be procured out of works budget provision (both revenue and capital).

A review of the expenditure incurred (1994-95 to 1996-97) by 4 out of 6 Divisions test-checked in audit revealed that though the Divisions utilised plan/non-plan funds meant for procurement of materials against ongoing works (being material component) they had finally debited the amounts to Suspense head 'stock' as shown under:-

Sl.No.	Name of PHE Divisions	Years			Total
		1994-95	1995-96	1996-97	
		(Rupees in lakh)			
1.	Kohima	70.93	180.22	142.82	393.97
2.	Dimapur Store	125.36	298.39	545.27	969.02
3.	Dimapur Working	12.03	84.16	87.55	183.74
4.	Mon	31.83	37.82	150.41	220.06
Total:-					1,766.79

The irregular budgeting practice of the Government coupled with further irregular procedure adopted by the Department in procurement of stores resulted in accumulation of stores and locking up of Rs.17.67 crore of State developmental funds in 4 Divisions only.

Development funds of Rs.17.67 crore irregularly blocked as a result of irregular budgeting practice and procurement procedures adopted by Government/Department.

5.5.6.2 Acquisition of Stores

Details of stores procured and financial and other irregularities committed have been highlighted in this Report (Para 4.1.9.2 to 4.1.9.5) of the review on RGNDWM.

5.5.6.3 Extra expenditure/excess payment

(a) Interest payments

Mention was made in Para 4.13 of the Report of the Comptroller and Auditor General of India for the year 1994-95 that the PHE Wokha Division incurred (December 1994) an extra expenditure of Rs. 8.29 lakh on payment of interest to suppliers at 18 percent per annum due to delay in payment of their claims (Rs.1.36 crore) against supplies made by them during 1994-96 and based on the orders of Government (January 1992).

Despite this, the Department incurred a further extra expenditure of Rs.2.14¹ crore on similar payment of interest at the rate of 18 percent per annum to 4² local suppliers for non-payment of their bills (Rs.1.36 crore)³ pertaining to the period from 1984-85 to 1989-90. Both the Department (ACE) and the Government (PHED & Finance) proposed and released (May 1996) additional funds (Rs.3 crore) for clearance of past liabilities against specified and listed supplies which *inter alia* included the above interest claim of the 4 suppliers eventhough the supply orders did not contain any clause for payment of interest on delayed payments.

Scrutiny of records of both the Divisions, revealed that the interest liability of Rs.2.14 crore was not authenticated by the high level Committee constituted by the Government during President's Rule in the State in 1992-93.

Irregular payment of inadmissible charges inflated value of reserve stock by Rs.2.25 crore.

As such the payments of Rs.2.14 crore in May 1996 was irregular and added to the value of stores unnecessarily.

It was further noticed in audit that in Mokokchung Division interest of Rs.1.52 crore, computed upto 15 March 1995, was paid during May 1996 without paying the original bill amount of Rs.89.81 lakh. Reasons for non-payment of the original value of the supplies was due to non-release of funds for the purpose as stated by the Divisional Officer.

The Department stated (November 1997) that the DGS&D rate contract holders are eligible to charge interest on delayed payment of their bills. Since the local suppliers had also supplied materials at DGS&D approved rates, they were also allowed interest for delayed payment of their bills. Besides, payments were made with the approval of the Government.

¹ Mon (Rs.0.62 crore) and Mokokchung (Rs.1.52 crore) Divisions during 1996-97.

	Mon	Mokokchung	Total
Kricton Angami	33.76	84.28	
Tochi Chang	-	32.37	
M/S Angami Agencies	13.00		
³ Kerisalu Angami	15.25	35.32	
Total	62.01	151.97	213.98

The reply of the Department is not acceptable to Audit in the absence of documentary evidence showing that the concerned suppliers were DGS&D approved rate contract holders, term, conditions and rate of interest payment in DGS&D rate contracts and specific approval of the Government for interest payment.

(b) Payment of Galvanisation charges for procurement of GI pipes

Mention was made in para 4.5.6 of the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year 1995-96 that the Department incurred an extra expenditure of Rs.2 lakh on payment of additional charges for galvanisation.

Despite the above, in May 1996, the EE, Mon Division made an additional payment of Rs.6.97 lakh (inclusive of tax) to 2 local suppliers¹ of Dimapur for Galvanisation of 1,02,915 metres GI pipe (weight 338.39 MT) supplied by them between December 1984 and March 1985. The payment was made by the EE on the basis of the orders of ACE.

The Department stated (November 1997) that galvanisation charges were paid as per Government approval and on the basis of DGS&D rate contract formula.

The reply of the Department was not correct as the procurement rate of the pipes were inclusive of galvanisation charges.

(c) Excess payment

(i) The EE, Kohima Division made an excess payment of Rs.1.55 lakh to 2 local suppliers of GI pipe by way of allowing 20 *per cent* price escalation over and above the approved rate of 1993-94. The same EE made a further excess payment of Rs.0.57 lakh (April-May 1997) to another 2 local suppliers² by admitting their claims for supply of GI pipes at rates higher than the approved rate.

(ii) The EE, Dimapur Store Division similarly made an excess payment of Rs.2.41 lakh between August 1995 and March 1997 to 13 local suppliers for fitting materials by admitting claims at rates higher than those approved by the Government.

The Department stated (November 1997) that except for supply orders issued by EEs other claims were paid at the approved rate of Department. The reply is not correct in as much as payments were made at rates higher than the Departmental approved rate.

5.5.7. Materials not accounted for

5.5.7.1 Erroneous/incorrect accounting

(a) Kohima Division

(i) In March 1994, the Division procured 1200 meters of 80 mm dimension (dia) G.I. pipes valuing Rs.37.86 lakh from a local supplier (M/S J.L. Traders, Dimapur) and accounted them in the stock receipt

Stores worth Rs.91.11 lakh lost/pilfered through fictitious accounting.

¹ Shri Kricton Angami and Shri Kerisahu Angami

² M/s Trade Links, Nagaland and M/s Traders Chamber

accounts of the same month. Subsequently, in July 1994, the division had shown the entire quantity of the said pipes issued to a work "Providing water supply to new Secretariat Complex" (a State Plan MNP-urban Scheme). While the division could not produce the indents and issue challans in support of requirements and receipts against the said work, a cross-check of the site accounts of the concerned work for the period from July 1994 to March 1997 did not reveal any receipt and accounting of the pipes. Despite the matter having been pointed out in audit (March 1997), the Divisional officer could neither explain the anomaly in accounting nor could furnish a reply with documentary evidence as to where and how the materials had been utilised. Thus, store materials worth Rs. 37.86 lakh were lost/ pilfered through fictitious accounting.

The Department stated (November 1997) that there was no loss of materials as the same were utilised on 'Providing water supply to New Secretariat complex' and the missing MAS accounts had been traced out.

Reply of the Department is not convincing as the same was not supported by evidence of receipts, accounting and utilisation.

(ii) Yet again, the Division procured between June 1994 and November 1995 from local suppliers, 11,8276 metres of G.I. Pipes of different sizes (40,50,65,80 and 100 m.m. dia) costing Rs. 22.43 lakh and C.I. Pipe fittings worth Rs. 5.37 lakh for the work "Augmentation of water supply at Phesama" {(State Plan-MNP (Rural))}. The materials were directly taken to work. The Divisional officer paid the suppliers' bills during the said period in cash irregularly drawn and kept in cash chest. For implementation of this scheme, the Government sanctioned Rs.27.86 lakh on 30 March 1994 and the Divisional Officer drew the entire amount in cash on the same day through a self cheque and kept the money irregularly in cash chest in the form of bankers cheques.

Scrutiny of materials at site accounts of the project for the period from June 1994 and December 1996 showed that at the close of December 1996, only 312 metres of G.I. pipes valuing Rs. 0.46 lakh and C.I. fittings valuing Rs.4.93 lakh were lying idle at site. While the said MAS accounts did not show receipt and issue of G.I. fitting materials, there were also no recorded measurement (in Measurement Book) showing utilisation of the balance quantity of pipes and CI fittings.

Scrutiny of the technical estimate (framed by the division and approved by the ACE) of the project based on which Government had accorded expenditure sanction, revealed that the amount was required for carrying out civil works (Rs.15.46 Lakh), cost of G.I. pipe fitting materials (Rs. 4.94 lakh) and labour charges for fixing and fitting of G.I. pipes (Rs. 7.46 lakh). This indicated that the required length of G.I. pipes for this work was already available under the scheme.

Thus, while the Division/Department had irregularly spent the amount on purposes other than specified in the sanction, materials costing Rs.22.41¹ lakh procured were lost/pilfered for which the Division had recorded fictitious issues to the mohorir and the overseer incharge of the project.

In reply (November 1997) the Department had offered no comment except stating that the amount of Rs.27.86 lakh had to be drawn and kept as bankers

¹ Rs.(22.43 + 5.37 - 0.46 - 4.93) lakh = Rs.22.41 lakh.

cheque since the drawal authority was issued at the fag end of the financial year and the validity of the cheque was upto 31 March 1994 only.

(b) Mon Division

Out of 19,992 metres of pipes issued by the Dimapur Store Division between March 1996 and December 1996, 3939 metres of GI pipes (25 mm and 40 mm dia) valuing Rs. 6.36 lakh (at the issue rate of Dimapur store Division) had not been accounted for by Mon Division as of March 1997. The Divisional Officer could not furnish reasons for this non-accounting with the result that stores worth Rs.6.36 lakh were lost due to short accounting. The Department stated that 10,038 metres (and not 3939 metres) were accounted (March 1996 (4699 metres) and March 1997 (5339 metres)) in March 1997. The reply is not convincing as the same was neither supported by records nor was their accounting evidenced during audit.

(c) Dimapur Store Division

Between October 1988 and September 1995 the Division issued 6154 metres of CI pipes of various sizes valuing Rs.24.48 lakh against repair and maintenance of Dimapur Town water supply. The Divisional records had not, however, shown the location and the mode of utilisation of the said pipes through recorded entries in the Measurements Books. The urban water supply in Dimapur Town including the ongoing 'Augmentation of Dimapur water supply Project' being under the control of another Division (Dimapur working Division) since 1987-88 the piece-meal issue of CI pipes by the Store Division for repair/maintenance of Town water supply was irregular and amounted to fictitious issues.

Stores worth Rs.24.28 lakh lost/pilfered due to fictitious issues.
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In reply, the Department stated (November 1997) that the Dimapur Store Division, responsible for RM of existing water supply of Dimapur town, had actually utilised the materials on works.

The reply is not convincing since the statement was neither supported by records nor were the details of work executed produced to Audit during test-check.

Thus, due to the erroneous and fictitious accounting procedure adopted by the 3¹ Divisions, the Department sustained loss of stores worth Rs.91.11 lakh².

5.5.8 Idle Store and unserviceable store

5.5.8.1 Idle store

(a) Reserve stocks

While issuing supply orders, the ACE had not intimated the accurate annual requirements of materials for new works to be taken up nor taken into account the existing stock position. This led to indiscriminate procurement of materials

¹ Kohima, Dimapur Store and Mon.

² Kohima Rs.60.27 lakh, Dimapur store- Rs.24.48 lakh and Mon Rs.6.36 lakh.

(especially fitting items) with the result that these materials remained idle in stock resulting in locking up of State's developmental funds.

Records of 6 Divisions test-checked revealed that stores (mostly fitting items) worth Rs.4.26 crore pertaining to 4 Divisions were lying idle since 1992-93. The procurement period of these items could not be determined in some cases as shown below:-

Sl. No.	Name of Division	No. Of items	Value at Divisional issue rate (Rs. In Lakh)	Procurement period
1.	Kohima	73	193.65 ⁽¹⁾	⁽²⁾
2.	Dimapur Store	35	66.44	1987-88
3.	Dimapur Working (now merged with Dimapur Store from 2/97)	24	50.43	1987-88 to 1991-92
4.	Mon		115.91	⁽²⁾
			426.43	

(b) Materials at site accounts of works (MAS)

It was seen in audit that store materials procured either from Central Store or by direct purchase by charging to the works had not featured in closing balance of Divisional stock. Such stores remaining unutilised at the site proved that procurements were made in violation of financial rules of the Government.

State's Developmental funds of Rs.5.62 crore locked up in idle stores of 5 Divisions.

Dimapur Working Division procured Cast Iron (CI) pipes and fittings during 1987-88 for augmentation of water supply at Dimapur. Out of these, 9,146 metres of CI pipe and some fitting materials costing Rs.1.36 crore had remained unutilised at site since procurement as the contractor had not executed the pipe laying work as of March 1997.

In reply (November 1997), the Department without giving any reasons for non-execution of works by the contractor, contended that the value of the pipes would now be more than double at the current procurement rates. The reply of the Department confirmed that works had not been carried out and the procurement of the materials was not necessary. Further the Department had not made a comparative study of the appreciated cost of idle materials at site by charging interest on the locked up capital of Rs.1.36 crore for ten years at the Government borrowing rate together with the cost of handling and supervision charges of the same to justify their stand.

5.5.8.2 Unserviceable stores

Many items of idle store of the six Divisions mentioned below, where information was made available had deteriorated due to their prolonged storage and were thus unserviceable. In April 1993, the ACE communicated to all the PHE Divisions, the decisions of the Government, for disposal of surplus stores with a view to mobilise additional resources. The value of such surplus stores (which also included unserviceable stores) as reported by these Divisions was as under :-

⁽¹⁾ Mention was made in para 5.7 of the Report of the Comptroller & Auditor General of India 1991-92 that the Divisional Officer reported (9/92) value of 63 items of surplus/unserviceable/idle store at Rs.6.4 crore. Though no disposal by public auction was made, the value of idle store stood at Rs1.94 crore as of September 1996.

⁽²⁾ Information not available.

Sl. No.	Name of PHE Divisions	Period of Report	No. of items	Value (Rs. in lakh)	Procurement period
1.	Kohima	Sept. 1992	--	19.50 ⁽¹⁾	--
2.	Dimapur (Store)	April 1993	--	1058.19	--
3.	Wokha	April 1993	22	83.25 ⁽²⁾	--
4.	Phhek	April 1993	24	21.54	--
5.	Mokokchung	April 1995	73	47.80	--
6.	Mon	April 1995	62	88.86	--
				1319.14	

Of the above surplus stores, partial information on disposal of stores from Wokha and Dimapur alone was made available to Audit. The survey report, reserve price fixed, mode of disposal, tenders/ auction notices etc. floated, if any, and finalisation of disposal price and the revenue earned were not made available to Audit. Therefore, the reasons for disposal, quantum of loss and the approval of the Government for write off of the loss in these 2 cases could not be verified in audit. As regards non-disposal of surplus/unserviceable stores of the remaining Divisions, reasons were not available on record.

Injudicious purchases resulted in surplus and unserviceable stores worth Rs. 13.19 crore in 6 Divisions.

In reply (November 1997) while the Department remained silent about the reasons for accumulation of idle and unserviceable stores, it stated that as of July 1992, value of surplus and unserviceable stores stood at Rs. 19.17 crore and 5.09 crore respectively. Of this, some materials were disposed of through open tender. The remaining materials remained undisposed as their offered rates were very low.

The statement of ACE was not supported by Division-wise break-up of surplus and unserviceable stores, sales proceeds realised and the details of tender/quotations.

5.5.9. Management of stores

5.5.9.1 Non-maintenance of Bin Card and Priced Store Ledger

The PHE Sub-Divisions in Nagaland only prepare and submit material received (goods received sheet) and issue and disposal account to the Divisional Officer. The Department had not introduced the system of maintaining Bin Card and Priced Store Ledgers by the Sub-Divisions and Divisions. As a result, the Department was unable to determine class-wise quantity and value of stores held by a Division and the Department as a whole at any point of time, particularly when assessing future requirements and issuing supply orders for fresh procurements.

The Department admitted that maintenance of Bin Card and priced store ledger had not been introduced in the State but annual valuation of all closing stock as per Divisional stock returns ending September each year was being carried out.

(1) Highlighted in para 5.7 of the Report of the Comptroller & Auditor General of India 1991-92.

(2) Highlighted in Para 5.5 of the Report of the Comptroller and Auditor General of India, Govt. of Nagaland, 1993-94.

5.5.9.2 Irregularities in closing of stock returns.

According to the provisions of NPWD Code, the annual stock registers (returns) are required to be closed each year at the end of September and valuation of stores done with reasonable accuracy. The valuation should be reviewed from time to time to assess the profit and loss in respect of different class of stores held by the Department and thereby re-adjust the issue rate of all materials where necessary.

Test check in audit (March-July 1997) of the records of 6 out of 9 Divisions revealed that :-

(a) All the 6 Divisions had closed their annual stock returns with numerical accounts upto September 1996.

Store management was non-existent.
Value accounts not prepared.
Book and ground balances were never compared/reconciled.

(b) The numerical balances of two divisions (Dimapur Store and Dimapur Working) could not be vouched in audit due to improper/incomplete maintenance of the returns. The Dimapur store Division had not posted and updated the annual returns entries since 1990-91.

(c) Except for one Division (Wokha), which had done upto date annual valuation of stores, the remaining five Divisions had never prepared value accounts of stores held by them as shown under:-

Name of Divisions	Value of stores as per divisional Accounts as of September 1996	Value of stores on the closing balance of September 1996	No. of items
(Rupees in lakh)			
Kohima (Store)	1,596.20	613.80 ¹	357
Dimapur (Store)	(-) 45.19	(x) ²	(x) ³
Dimapur (Working)	469.82	(x) ²	153
Wokha	51.52	109.32	85
Mon	36.08	(x) ²	(x) ³
Mokokchung	360.12	(x) ²	152

From the instances given above, it may be seen that the value of stock as reflected in the accounts did not reflect the true picture. In the case of Kohima Division, there was a short fall of stores by Rs.9.82 crores⁴ and no reasons were intimated to audit for this shortage. In the case of Wokha Division, the appreciated cost of stores of Rs. 57.80 lakh⁵ indicated non-adjustment of the cost of materials received (but payments not made).

In Kohima Division shortfall of stores was Rs.9.82 crore.

In reply the Department admitted (November 1997) the lapse and noted the position. The Department also stated that the Divisional Officers have been directed to update their returns.

¹ As per valuation done by audit on the stores of current issue rate and closing balance of items as on 30.09.1996

² Valuation could not be done in audit due to improper information and lack of current issue rate of all items.

³ Exact number of items not ascertained due to lack of information.

⁴ Rs. (1,596.20 lakh - 613.80 lakh) = Rs. 982.40 lakh.

⁵ Rs. 109.32 lakh - 51.52 lakh) = Rs. 57.80 lakh.

5.5.9.3 Annual stock taking and physical verification

(a) Defective physical verification

As per provisions of NPWD Code, all the Divisions test-checked had recorded annual stock taking and physical verification certificates up to September 1996. The said certificates, however, remained silent about shortages/pilferages (if any), future requirements of the materials held in stock on the basis of average annual consumption and unserviceable/obsolete stores. Thus, the real purpose of annual stock taking was defeated. These provisions also apply *mutatis-mutandis* in respect of Tools and Plant (T&P) returns.

The Department stated (November 1997) that physical verification had been completed upto September 1997. However, as regards prescribed formalities like recording of storages/pilferages detected during physical verification, necessary instructions would be issued to the Divisional Officers.

(b) Shortages not detected in physical verification

(i) The Annual stock returns of Kohima Division commencing from October 1992, disclosed that 13 items valued at Rs.2.90 lakh appearing in the closing balance of stock for the year 1991-92 (ending September 1992) had not been carried over to the next year. This short accounting of store materials remained undetected by the Divisional officer while conducting physical verification of stock for the year ending September 1993 and, as such, these materials had remained unaccounted as of March 1997.

Though physical verification of stores conducted, shortage of stores worth Rs.74.28 lakh remained undetected.

In reply, the Department admitted (November 1997) the lapse and stated that the mistake had been rectified, but the month of accounts in which the materials were brought to book had not been stated.

(ii) In March 1996, Kohima Division had shown receipt of 17,827 numbers of GI pipes measuring 1,01,614 metres (at an average length of 5.7 metre per pipe as shown in available Inspection Reports) of various sizes as per the Sub-divisional receipt accounts (goods received sheet) of March 1996 submitted to the Division. These materials were adjusted against the advance payments made to the suppliers between October 1993 and September 1995.

A cross check of the entries made in both the Sub-divisional and Divisional stock registers (returns) in audit showed that only 56,799 metres of GI pipes had been taken to the stock accounts for March 1996 and with this quantity, the Divisional Annual Stock Returns were closed for the stock year ending September 1996. The Divisional Officer (EE) who conducted the physical verification (date not mentioned) of stores upto September 1996, had not detected nor pointed out the discrepancy, leading to the short accounting of stores worth Rs.71.38 lakh at procurement rates. Besides, the Division failed to produce the relevant Inspection Reports of the Departmental Inspection Board establishing receipt of 1,01,614 metres of G.I. pipes that were adjusted against the advance payments.

In reply, the Department stated (November 1997) that they had received only 56,799 metres of GI pipes which were correctly accounted for. The reply

of the Department clearly indicated that value of 44,815 metres (Rs.71.38 lakh) had been fictitiously adjusted against the advance payments.

5.5.10. Shortage/Loss of stores

5.5.10.1 Misappropriation of Stores

In the opening balance of Mon Division for the year 1992-93, the Division recorded shortage of 60, 864 metres of GI pipes of different sizes and 70 PS Tanks (400 gallon capacity) valuing Rs.40.51 lakh. The shortages were recorded to have occurred during 1983-84 when the store keeper absconded without handing over charge or rendering any accounts. The EE further stated that the store keeper was allowed to handle stores without furnishing surety or fidelity guarantee bond and that the matter was under departmental enquiry (date of enquiry not on record) but remained to be finalised till date (July 1997). The Department thus sustained loss of store worth Rs.40.51 lakh which had neither been made good nor the value written off as of March 1997. The ACE, stated (November 1997) that the shortages of stores worth Rs.37.53 lakh are under investigation by the State Vigilance Department whose report has not yet been received. For the balance amount of Rs.2.98 lakh, it was stated that investigations had been initiated by the Department.

Lack of internal control facilitated misappropriation of stores worth Rs.40.51 lakh.

5.5.10.2 Loss due to theft of materials at site

From the reports lodged with 3 police Stations of Dimapur¹ by the Sub-divisional officers (SDO) of Dimapur Working Division, it was seen that 7,777 metres of G.I. pipes of various sizes² costing Rs.31.50 lakh (at Divisional issue rate) were lost in different theft cases which occurred between October 1994 and January 1997.

Stores worth Rs.31.50 lakh lost in theft cases.

Of the above pipes, 3,139 metres (different sizes) were stolen from 5 village schemes under Dimapur and Nieuland Sub-divisions by dismantling the existing distribution system and 4,638 metres (100mm dia) from the work site (Diphupar-Nagarjan Sector) of the ongoing project "Augmentation of Dimapur water supply".

It was noticed from records that theft of pipes were being reported by the SDOs since January 1995. Despite this the EE had issued bulk of materials to sites without ensuring their adequate safety and security which contributed to the loss.

In reply, the Department stated (November 1997) that loss of 4,638 metres of pipes from Kopanala-Nagarjan sector and 301 metres from 2 village schemes is under investigation by Police and the report of which is awaited. The Department was, however, silent on the loss of the remaining 2,838 metres of pipes.

5.5.10.3 Loss on disposal of stores.

(i) Mention was made in the para 4.7 of the Report of the Comptroller and Auditor General of India, Government of

Department sustained loss of Rs.7.79 crore due to injudicious and irregular disposal of stores.

¹ Dimapur East, Dimapur Urban and Diphupar.

² 25mm, 40mm, 50mm, 65mm, 80mm, 100mm and 150mm.

40.51
31.50
7.19
79.80

Nagaland for the year 1983-84 that the department sustained a loss of Rs.3.26 crore (book value Rs.5.89 crore- sale value Rs.2.63 crore) on disposal of surplus stores. As per another report of the ACE, PHE of October 1984 the Department had disposed between January-May 1984, a further quantity of surplus¹ stock of materials worth Rs.5.65 crore in respect of 6² Divisions and realised a sale value of Rs.2.55 crore and thereby sustained a further loss of Rs.3.10³ crore. The Department could not produce records to justify disposal of such huge quantities of stores- especially GI pipes/PS tanks and CI pipes in view of the various on-going schemes under both State (Urban and Rural) and Central Sector (ARWSP) schemes. Besides, the loss of Rs.6.36⁴ crore had also not been written off by the Government as of January 1998.

The Department stated (November 1997) that loss of Rs.3.26 crore is under investigation by the State Vigilance Department. As regards further loss of Rs.3.10 crore, the Department was not aware of the details of subsequent disposals. The Department, however, stated that efforts were being made to locate all the disposal cases and obtain the write off sanction of the Government.

(ii) In October 1993 and December 1994 the Dimapur store Division sold 20,645 metres of CI pipes and CI spun pipes of all dimensions (between 200 mm and 700 mm) costing Rs.1.66 crore (old book value) under the orders of the ACE (20,500 metres) and the Government (PHED-145 metres) and realised a sale value of Rs.23.30 lakh (14 *per cent* of book value). The Department, thus, sustained a loss of Rs.1.43 crore. This loss had also not been written off by the Government as of July 1997 nor any responsibility fixed.

On further scrutiny of records, it was seen that the Store Division under the supply orders of ACE had procured between 1986 and 1988, 28,408 metres of CI pipes⁵ for the project, 'Augmentation of Water Supply at Dimapur'. The entire quantity of pipes remained idle in stock till disposal of 20,645 metres in October 1993 and December 1994 as the contractor of the project (M/S Sanjoy Traders of Jorhat, Assam) had not commenced the pipe laying work as of March 1997. However, the working Division under which the 'Augmentation of Water Supply at Dimapur' was in execution had placed indents for the said pipes on the Store Division sometime in July 1993.

Thus, while the pipe laying work of the project was yet to commence, the disposal of the pipes ignoring the requirements of the project for which the materials were procured and disregarding the indents of the EE Working Division of the Project, was irregular. Moreover, the Division could also not produce the survey reports of the materials disposed of, tender/quotations, records to show how the disposal rates were finalised and Government approval for the same. The reason for the bulk sale of materials was also not available.

The Department stated (November 1997) that the indent of Working Division was not honoured as the same was not accompanied by advance payments

¹ 513,499 metres of GI pipes (50,65,80,100 & 150 mm dia), 36,123 metres of CI and Mild steel (MS) black pipe (150mm and 200mm dia) 2,282 PS tanks (400 gallon capacity) and some fitting materials.

² Kohima, Dimapur store, Wokha, Mokokchung, Tuensang and Mon.

³ Book value Rs.5.65 crore - sale value Rs.2.55 crore = Rs.3.10 crore.

⁴ Rs.(3.26 + 3.10) crore = Rs.6.36 crore.

⁵ Between 80mm and 700mm dia.

and it was not felt necessary to issue more pipes to the project as the material already available with the Division was lying unutilised. The Department also contended that the quantity of pipes sold was found surplus and damaged as per report of Board constituted for the purpose.

The contention of the Department was not acceptable to Audit since-

- (i) both the Divisions are under the same Department and as such value of pipes could be adjusted through book debits,
- (ii) the pipes procured exclusively for the Dimapur town project should not have been declared surplus before completion of the project, and
- (iii) survey reports and minutes of the meeting of the Departmental Board were not made available to Audit despite repeated requisitions.

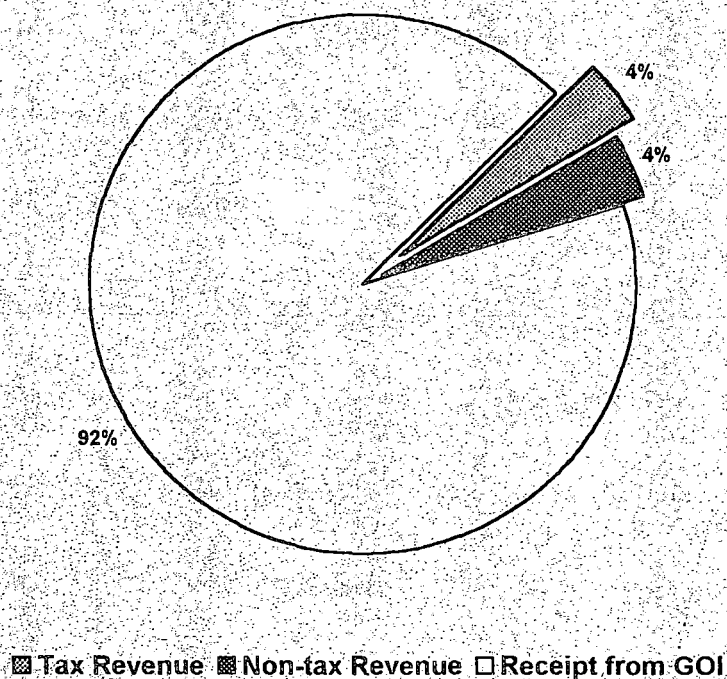
5.5.11. The matter was reported to the Government and Department in September 1997. In response the Government merely forwarded (November 1997) the replies given by the Department which have been incorporated in respective paragraphs.

CHAPTER VI
REVENUE RECEIPTS
SECTION A - GENERAL

6.1 Trend of revenue receipts

The total receipts of the Government of Nagaland for the year 1996-97 were Rs.855.13 crore against anticipated receipts of Rs.873.98 crore. Of these, revenue raised by the State Government was Rs.66.04 crore comprising Rs.32.59 crore from tax revenue and the balance of Rs.33.45 crore from non-tax revenue. The receipts from Government of India amounting to Rs.789.09 crore accounted for 92 *per cent* of the total receipts.

REVENUE RECEIPTS DURING 1996-97
(Reference: Paragraph 6.1)



6.2 Analysis of revenue receipts

(a) General

A time series analysis of the receipts for the years 1994-97 is given below:-

	1994-95	1995-96	1996-97
	(Rupees in lakh)		
I. Revenue raised by the State Government			
(a) Tax revenue	1,749.00	2,328.32	3,258.74
(b) Non-tax revenue	8,519.20	3,605.08	3,345.37
Total: I	10,268.20	5,933.40	6,604.11
II. Receipts from Government of India			
(a) State's share of divisible Union Taxes	822.00	18,609.72	27,475.00
(b) Grants-in-aid	50,828.27	48,835.72	51,433.99
Total: II	51,650.27	67,445.44	78,908.99
III. Total receipts of the State (I plus II)	61,918.47	73,378.84	85,513.10
IV. Percentage of I to III	17	8	8

(b) Tax revenue raised by the State

Receipts from tax revenue (Rs.32.59 crore) during the year 1996-97 constituted 49 *per cent* of the State's own revenue receipts (Rs.66.04 crore). Details of tax revenue for the year 1996-97 and the preceding two years are given below:

	1994-95	1995-96	1996-97	Percentage of Increase (+) Decrease (-) in 1996-97 with reference to 1995-96
	(Rupees in lakh)			
1. Sales Tax	993.24	1,232.22	1,615.29	(+) 31
2. Taxes on Vehicles	231.63	291.61	387.89	(+) 33
3. Other Taxes on Income and Expenditure	377.02	451.33	449.61	@
4. State Excise	109.88	158.63	200.20	(+) 26
5. Stamps and Registration Fees	19.45	173.64	576.31	(+) 232
6. Other Taxes and Duties on Commodities and Services	10.25	12.86	13.58	(+) 6
7. Land Revenue	6.69	7.38	15.33	(+) 108
8. Taxes and Duties on Electricity	0.84	0.65	0.53	(-) 18
	1749.00	2328.32	3258.74	

Reasons for variations in receipts during 1996-97 compared to 1995-96 have not been intimated by the concerned departments (January 1998).

(c) Non-tax revenue of the State

Receipts from non-tax revenue (Rs.33.45 crore) during the year 1996-97 constituted 51 *per cent* of the revenue raised by the State. Details of non-tax revenue under the principal heads for the year 1996-97 and the preceding two years are given below:-

@ Decrease is negligible.

	1994-95	1995-96	1996-97	Percentage of Increase(+) Decrease(-) in 1996-97 with reference to 1995-96	
	(Rupees in lakh)				
1. Interest Receipts	94.92	510.95	138.95	(-)	73
2. Police	62.01	33.33	53.60	(+)	61
3. Stationery and Printing	1.01	0.50	1.33	(+)	166
4. Public Works	20.40	75.23	55.31	(-)	26
5. Other Administrative Services	2,131.33	404.79	25.93	(-)	94
6. Miscellaneous General Services	1,220.19	777.58	573.04	(-)	26
7. Education, Sports, Arts and Culture	12.52	13.83	13.08	(-)	5
8. Water Supply and Sanitation	23.24	29.74	47.17	(+)	59
9. Housing	14.73	13.85	20.51	(+)	48
10. Labour and Employment	3.34	2.85	2.46	(-)	14
11. Social Security and Welfare	10.12	1.06	11.11	(+)	948
12. Crop Husbandry	1.34	4.72	7.88	(+)	67
13. Animal Husbandry	11.90	9.07	10.19	(+)	12
14. Forestry and Wildlife	224.73	273.98	206.57	(-)	25
15. Food storage and Warehousing	48.74	87.49	78.27	(-)	11
16. Other Agricultural Programmes	24.58	2.49	1.18	(-)	53
17. Co-operation	2.82	2.13	1.68	(-)	21
18. Other Rural Development Programmes	21.39	0.09	0.81	(+)	800
19. Power	878.28	1,051.43	1,845.90	(+)	76
20. Village and Small Industries	73.70	2.84	3.47	(+)	22
21. Non-ferrous Mining and Metallurgical Industries	3,354.41	74.90	1.70	(-)	98
22. Road Transport	267.15	214.70	218.62	(+)	2
23. Tourism	1.91	3.09	11.83	(+)	283

Reasons for increase/decrease have not been intimated by the concerned departments (January 1998).

6.3 Variations between Budget estimates and actuals

The major variations between Budget estimates and actual receipts under the major heads of revenue for the year 1996-97 are given below:-

Major heads of revenue	Budget estimates	Actual receipts	Percentage of variations Increase (+) Decrease (-) of actuals over budget estimates
	(Rupees in lakh)		
(1)	(2)	(3)	(4)
1. Other taxes on Income and expenditure	308	449.61	(+) 46
2. Stamps and Registration Fees	560	576.31	(+) 3
3. State Excise	100	200.20	(+) 100
4. Sales Tax	1,870	1,615.29	(-) 14
5. Taxes on Vehicles	265	387.89	(+) 46
6. Other Taxes and Duties on Commodities and Services	22	13.58	(-) 38
7. Interest Receipts	214	138.95	(-) 35
8. Police	58	53.60	(-) 8
9. Stationery and Printing	17	1.33	(-) 92

	(1)	(2)	(3)	(4)
10. Public Works		34	55.31	(+) 63
11. Other Administrative Services		68	25.93	(-) 62
12. Miscellaneous General Services		800	573.04	(-) 28
13. Education, Sports, Art & Culture		22	13.08	(-) 41
14. Water Supply and Sanitation		50	47.17	(-) 6
15. Crop Husbandry		11	7.88	(-) 28
16. Forestry & Wildlife		480	296.57	(-) 57
17. Power		1,800	1,845.90	(+) 3

The reasons for variations have not been intimated by the concerned departments (January 1998).

6.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1994-95, 1995-96 and 1996-97, along with the relevant All India average percentage of expenditure of collection to gross collections for the year 1995-96 are given below:-

Sl. No.	Revenue head	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of collection for the year 1995-96
			(Rupees in lakh)			
1.	Sales Tax	1994-95	993.24	147.10	15	1.29
		1995-96	1,232.22	197.89	16	
		1996-97	1,615.29	213.29	13	
2.	State Excise	1994-95	109.88	208.01	189	3.20
		1995-96	158.63	275.80	174	
		1996-97	200.20	269.17	134	
3.	Taxes on Vehicles	1994-95	231.63	59.05	25	2.57
		1995-96	291.61	136.24	47	
		1996-97	387.89	135.67	35	
4.	Stamps and Registration Fees	1994-95	19.45	0.43	2	3.46
		1995-96	173.64	1.56	1	
		1996-97	576.31	3.30	1	

SECTION - B

POWER DEPARTMENT

6.5 Review on Purchase and Sale of Power and collection of revenue thereunder

6.5.1 Introduction

In the State of Nagaland the Electricity Board has not been constituted so far. The Power Department of the Government performs the functions of the Board as well as that of the Government. Except for the Rules in the general condition of supply, the department has not published any Manual. The generation, transmission

and distribution of energy is governed by the Indian Electricity Act 1910, Electricity (Supply Act) 1948 and the Indian Electricity Rules 1956.

The total annual requirement of power for the State is met through purchase (678.53 MU). Besides, the State has power generation capacity of 11.66 MU.

6.5.2 Organisational set-up

The Chief Engineer (CE) Power under the administrative control of the Commissioner and Secretary of Power Department of the Government of Nagaland, is in overall charge for generation, purchase, transmission and distribution, sales of power, collection of electrical energy charges from consumers and proper accounting and remittance of these revenues in Government account. He is assisted by an Additional Chief Engineer, 4 (four) Superintending Engineers (SE), Executive Engineers (EE) Sub-Divisional Officers (SDOs) and other technical staff. The Chief Engineer is also in charge of the works relating to Electrical Inspectorate, which is responsible for safety measures to be adopted in transmission, generation and distribution of electricity in the State.

6.5.3 Scope of Audit

With a view to ascertaining the effectiveness and efficiency of the system of levy and collection of electricity charges with reference to the provisions of the Act and Rules and adequacy and effectiveness of fixation and realisation of fees as prescribed in Indian Electricity Rules 1956, a review was undertaken and the records relating to the period 1991-92 to 1995-96 in 6¹ divisions out of total 16 divisions were test-checked.

6.5.4 Highlights

- There was abnormal delay in adjustment of depooling charges of Rs.591.62 lakh in the accounts of the department received from the PGCI between 1991-92 to 1995-96 while depooling charges of Rs.117.62 lakh had not been adjusted in accounts as of March 1997.

(Paragraph 6.5.5A(a)&(b))

- There was excess payment of Rs.25.29 lakh on account of purchase of power owing to wrong calculation.

(Paragraph 6.5.6.1)

- Extra expenditure of Rs.42.07 lakh was incurred owing to less drawal of power.

(Paragraph 6.5.6.3)

1.	Kohima Electrical Division	3 Nos.
2.	Dimapur Electrical Division	3 Nos.
3.	Dimapur Transmission Division	3 Nos.
4.	Mokokchung Electrical Division	2 Nos.
5.	Mokokchung Transmission Division	---
6.	Mon Electrical Division	2 Nos.
		13 Nos..

- Transmission and distribution loss in excess of norm amounted to Rs.997.96 lakh (80.54 MU) during the period from 1991-92 to 1995-96. 5 divisions contributed 79.42 *per cent* of this loss (Rs.792.65 lakh).

(Paragraph 6.5.7.1)

- No system to ascertain losses at various stages existed. No analysis was made of the efficiency of the transmission and distribution although Rs.309.22 lakh was spent on Systems Improvement.

(Paragraph 6.5.7.2 and 6.5.7.3)

- Non-replacement of defective meters resulted in loss of revenue Rs.23.79 lakh.

(Paragraph 6.5.7.4 (ii))

- Interest of Rs.72.23 lakh on outstanding energy bills from three consumers was neither levied nor collected by the Department.

(Paragraph 6.5.8.1)

- Deficit calculated as percentage of revenue realisable over revenue expenditure ranged from 31 to 71 *per cent* for 5 years ending 1995-96, excepting 1994-95.

(Paragraph 6.5.8.2)

- Rebate of Rs.19.64 lakh lost by the Department due to non-establishment of revolving letters of credit.

(Paragraph 6.5.8.3)

- Non-reconciliation of revenue with treasury receipt.

(Paragraph 6.5.10)

6.5.5 Receipts and Expenditure

A. Trend of receipts

The trend of receipts *vis-a-vis* the budget estimates and the amount realisable on account of sale of power, revenue collected, shortfall in collection for the period from 1991-92 to 1995-96 are given below -

Year	Budget Estimates	Amount realisable on account of actual sale of power	Actual Collection	Shortfall (-) Excess (+) with reference to Budget Estimates	Percentage of shortfall in collection of revenues
(Rupees in lakh)					
1991-92	817.00	860.42	702.90	(-) 114.10	14
1992-93	826.00	1025.00	713.30	(-) 112.70	14
1993-94	977.00	1238.47	942.48	(-) 34.52	14
1994-95	965.00	1318.25	878.28	(-) 86.72	9
1995-96	1447.00	1487.34	1051.43	(-) 395.57	27
Total:-	5032.00	5929.48	4288.39	(-) 743.61	

It would be seen from the above table that during 1991-96 the total collection of revenue fall short of the budgeted amount by Rs.743.61¹ lakh and as compared to amount realisable, the shortfall was Rs.1641.09² lakh during the same period. Reasons for shortfall in collection of revenue was neither available on record nor could be stated by the department.

(a) Delay in adjustment of revenue

A test-check of records in one division (Dimapur Transmission Division) in two cases involving Rs.476.32 lakh were not reflected in Government accounts during the period between 1990-91 and 1992-93. Further, under Section 41.9 of the Electricity (Supply) Act 1948, for the period from 1992-93 to 1995-96, the Department received Rs.232.92 lakh being the depooling charges from the Power Grid Corporation of India (PGCI) for use of transmission lines belonging to the Department. Only Rs.115.30 lakh was adjusted and accounted in 1996-97 after a lapse of 1 to 36 months while Rs.117.62 lakh remained out of account and unadjusted as on 31 March 1997.

Revenue receipts of Rs.591.62 lakh unadjusted in accounts.

(b) Non-furnishing of data required for determining the depooling charges

Depooling charges payable by the Power Grid Corporation of India (PGCI) is determined as per procedure adopted by the North Eastern Regional Electricity Board (NEREB), on the basis the total Central Sector drawal of power multiplied by the Uniform Common Pool Transmission Tariff (UCPTT) and annual charges of Nagaland divided by the total annual charges of the constituent States. For this calculation, data on (i) actual cost of maintenance of lines; (ii) proportion of management and general establishment charges properly attributed to the lines; (iii) other expenses on revenue accounts properly attributable to the lines and (iv) allowances for depreciation of an amount determined in respect of the lines under section 41 of the Electricity (Supply) Act 1948 are required to be furnished by the department to the NEREB. It was found in audit that this required data had never been worked out and furnished to NEREB to allow for a concrete determination of the share of depooling charges receivable by the Government of Nagaland and to check correctness of payments made by PGCI. Audit could not ascertain the short receipts on this account and it was thus clear that the Department had not adopted effective measures to check and realise receipts due to it.

(c) Arrears in collection

(i) During the 5 years ending 1995-96, the collection of energy charges as well as accumulation of arrears of revenue were Rs.4125.97 lakh and Rs.1803.51 lakh respectively as shown in *Appendix-XXV*. Out of the arrear of Rs.1803.51 lakh, Rs.331.31 lakh pertained to 5 revenue divisions test audited with 71367 consumers. The other revenue divisions with 40,466 consumers accounted for arrears of Rs.1472.00 lakh. The huge outstanding revenue awaiting

Cummulative arrears of unrealised revenue stood at Rs.1804 lakh.

¹ Rs.(5032.00 - 4288.39) lakh = Rs.743.61 lakh.

² Rs.(5929.48 - 4288.39) lakh = Rs.1641.09 lakh.

collection and their constant yearly increase from 1991-92 to 1995-96 showed that the Department had not made any sustained efforts to collect what was due to it.

It is the primary responsibility of the Department to ensure that all receipts due to Government are correctly and properly realised and credited to Government account. To ensure an effective mechanism for collection of revenues the Department is to maintain initial records relating to regular accounting of demands, receipt of sale of power with detailed payment particulars, collections, refunds and year-wise arrear of outstanding collection. During test-check, it was noticed that the Department did not maintain proper records to facilitate recoveries of amounts due to it. No register of collections made, demand computation on consumers, refunds and receipt and sale of power with payment particulars were maintained. Moreover, no separate records showing the year-wise arrears position and amount realised thereagainst was also maintained.

(ii) The Chief Engineer (Power), Government of Nagaland, in August 1994 instructed all Executive Engineers that, if any disconnection was done in respect of a consumer(s) for default in payment of electricity charges, the minimum charges as applicable under the tariff be levied for continuous period of six months from the date of disconnection and reconnection, if sought within six months be provided on realisation of minimum charges for the period of disconnection alongwith other charges, if any, and fulfillment of other condition of supply.

A test-check of records of Mon and Dimapur Electrical Divisions revealed that the power supply connections in 10 cases was disconnected during the period from June 1990 to July 1996 due to default in payment of bills amounting to Rs.34.39 lakh. In the case of M/s Nagaland Sugar Mills Company Limited, Dimapur, power supply was disconnected on 1 April 1995 as Rs.29.48 lakh was outstanding payment. In December 1995 under the orders of the Government the power supply was reconnected in January 1996 after only Rs.2.00 lakh was paid despite the clear stipulation of the Government order that 50 *per cent* of the balance amount i.e. Rs.13.00 lakh was to be paid by Company in 3 instalments of Rs.4.50 lakh each from the date of reconnection. It was seen in audit that the Company violated the orders of the Government and the supply had to be once again disconnected on 15 March 1996. As on the date (15 March 1996) Rs.28.44 lakh was payable by the Company to the Department of Power.

In the case of M/s Nagaland Forest Products Limited (NFPL), a private company located at Tizit, Rs.11.58 lakh was outstanding payment by it to the Department of Power as on 31 August 1990. Despite this huge outstanding amount no order for disconnection of power were issued and no reasons were on record as to why the arrears were not realised.

B. Expenditure

Final grant position and expenditure incurred during the period from 1991-92 to 1995-96 were as under:-

Year	Revenue Account			Capital Account		
	Final grant	Expenditure	Excess (+) Saving (-)	Final grant	Expenditure	Excess (+) Saving (-)
(Rupees in lakh)						
1991-92	1882.27	1985.55	(+) 103.28	1810.02	1773.52	(-) 36.50
1992-93	1961.76	1549.15	(-) 412.61	2500.26	1992.19	(-) 508.07
1993-94	2097.95	2368.29	(+) 270.34	2651.70	2526.28	(-) 25.42
1994-95	1335.35	1286.58	(-) 48.77	1985.56	1977.45	(-) 8.11
1995-96	3859.52	5229.98	(+) 1370.46	3933.20	2656.06	(-) 1277.14

The reasons for excess and savings under both Revenue and Capital Account as shown in the table above, were not available on records nor could be explained by the department.

The department could adduce no reasons for the savings and the excess in expenditure as it had not prepared Proforma accounts since 19981-82 of generation, purchase, transmission and distribution and collection of electricity charges as required under the provision of the Indian Electricity (Supply) Act 1948. Out of the total revenue expenditure of Rs.12419.55 lakh, Rs.3800.65 lakh accounted for purchase of power. The remaining revenue expenditure was mainly on cost of running the establishment of the Department.

6.5.6 Purchase of Power

A scrutiny of records of Transmission Division, Dimapur showed that the Department had purchased power valued at Rs.5201.25 lakh during the period from 1991-92 to 1995-96. Out of Rs.5201.25 lakh, Rs.4933.68 lakh was actually payable to various Agencies after adjustment of Rs.267.57 lakh.

During the period covered under review it was noticed that an amount of Rs.3899.31 lakh was paid by the Department directly from State Fund and Rs.458.00 lakh by the Central Government out of the Central Assistance payable to the State Government. Out of Rs.458.00 lakh paid by the Government of India, Rs.141.00 lakh is yet to be adjusted in the Divisional accounts- resulting in outstanding balance of Rs.717.37 lakh (Liability: Rs.576.37 lakh plus unadjusted amount: Rs.141.00 lakh). Reasons for non-adjustment of the amount (Rs.141.00 lakh) in accounts was neither on records nor stated. However, on being pointed out by audit the Department stated that steps are being taken to adjust the amount.

Pending bills on bulk purchase of power from 4 agencies stood at Rs.717 lakh.

Details of the amount paid and balance outstanding against the various agencies were as follows:-

Sl.N o.	Name of the Agency. Period 1991-92 to 1995-96	Gross amount (Rs.)	Adjustment (Rs.)	Net amount (Rs.)	Amount paid (Rs.)	Balance (Rs.)
1	ASEB	7,16,75,728	—	7,16,75,728	6,61,50,325	55,25,403
2	NHPC	17,58,62,241	34,46,316	17,24,15,925	15,19,44,978	2,04,70,947
3	NEEPCO	18,49,27,755	6,250	18,49,21,505	13,92,93,591	4,56,27,914
4	PGCI**	6,61,35,104	2,33,04,450	4,28,30,665	4,27,17,459	1,13,206
5	MeSEB	2,15,24,246	—	2,15,24,246	2,15,24,246	—
TOTAL		52,01,25,074	2,67,57,016	49,33,68,069	42,16,30,599	7,17,37,470

** Transmission charges

6.5.6.1 Excess payment

(a) Based on records made available to audit and the figures reported by the divisional office (Transmission division) Dimapur, it was seen in audit that Rs.16.41 lakh

Excess payment of Rs.25.29 lakh erroneously made to bulk suppliers of power not adjusted subsequently.

was paid to ASEB for supply of total 4,18,000 KWH from August 1989 to December 1989 at the rate of Rs.1.10 per unit (KWH) plus meter rent at the rate of Rs.140 per month. On calculation however, it was found that the actual value of the aforesaid quantum of energy was Rs.4.60 lakh (4,18,000 x Rs.1.10 plus Rs.700 as meter rent for 5 months at the rate of Rs.140 per month). There was an over payment of Rs.11.81 lakh.

(b) On scrutiny of records, it was noticed that the Government of Nagaland, Power department had procured 68369502 KWH of energy costing Rs.752.18 lakh from Assam State Electricity Board (ASEB) during the period from March 1991 to July 1992 @ Rs.1.10 per unit plus meter rent of Rs.11,610.00 against which, the Executive Engineer, Transmission Division, Dimapur had paid Rs.754.89 lakh. This resulted in an excess payment of Rs.2.71 lakh.

(c) The tariff (rate) for supply of energy was revised by NHPC from Re.0.5413 to Re.0.569 per unit (KWH) effective from 1 April 1991. The Executive Engineer, Transmission Division, Dimapur, however initially made payment to NHPC at revised rate only from the month of February 1992 onwards and an amount of Rs.24.60 lakhs was outstanding payment as of January 1992.

It was noticed during review that subsequently a sum of Rs.31.21 lakh was paid as arrears against an actual amount of Rs.24.60 lakh which was due for the period from 1.4.1991 to 31.1.1992 at the revised rates. This resulted in excess payment of Rs.6.61 lakh.

(d) Similarly in case of NHPC, it was noticed from the records that the Divisional Office paid an amount of Rs.8.43 lakh at the rate of Re.0.5413 per unit (KWH) in August 1991 for supply of 1512810 KWH of energy in May 1991 whereas the actual amount for the said supply comes to Rs.8.19 lakh due, resulting in an overpayment of Rs.0.24 lakh.

(e) According to an agreement signed on 31st May 1993 for transmission of power from the Central Sector Power Plants (NHPC and NEEPCO) to Nagaland the latter should regularly pay to PGCIL the transmission charges based on the total Uniform Common Pool Transmission Tariff (UCPTT) charges less depooling charges as shown by the NEREB in its Regional Energy Accounts.

From the following table, it is seen that based on the quantity of power supplied by NHPC and NEEPCO an amount of Rs.658.10 lakh was payable but their total claim of Rs.661.35 lakh was paid which ultimately resulted in excess payment of Rs.3.92 lakh as shown below:-

Year	Power supplied by			Quantity supplied as per bill of PGCI (in KWH)	Amount due for PGCI on col.4	Amount claimed by PGCI and paid (Rs.)	Difference Excess (+) less (-) (Rs.)
	NHPC (in KWH)	NEEPCO (in KWH)	Total (in KWH)				
1	2	3	4	5	6	7	8
1992-93	53233645	46753376	99987021	88253084	12698352	11207511	(-) 1490841
1993-94	47168588	77489372	124657960	124657853	17084909	17084901	(-) 8
1994-95	35061670	71650614	106712284	107150841	15804089	15871172	(+) 67083
1995-96	33683160	60334966	94018126	118979351	20155868	21971520	(+) 1815652
	169147063	256228382	425375391	439041129	65743212	66135104	(+) 391886

6.5.6.2 Doubtful payment

A scrutiny of the records maintained in the Transmission Division, Dimapur, showed that an amount of Rs.6.05 lakh was paid to NHPC for supply of energy during the year 1991-92 vide Bank Draft No.87605 dt. 25.10.91. No vouchers for this payment was made available to audit and despite audit's requisition for the claim bill, MB entries etc. the same could not be produced. In the absence of proof of supply of energy, the payment of Rs.6.05 lakh is held as doubtful.

6.5.6.3 Extra expenditure on short drawal of power to the minimum charge

From June 1995, the Chief Engineer, Power Department, Government of Nagaland had been purchasing energy from the Meghalaya State Electricity Board (MeSEB). The agreement for supply was executed in March 1996 based on the minimum demand of 1.5 MW for the period from 1st June, 1995 to 31st May, 1996 during the period of peak load hours and the evacuation of power shall be the responsibility of the Power Grid Corporation of India (PGCI). The Government of Nagaland was to pay the minimum charge for 1.2 MU of power per month at the purchase rate of 200 paisa per unit (KWH). The charges on account of uniform common pool Transmission Tariff shall be payable by the consumer and the purchase rate was inclusive of all taxes except wheeling charge.

The Chief Engineer, DOP, Government of Nagaland in October 1995 requested the Chief Engineer (G&R) MeSEB Shillong to incorporate relevant clause in the

Short drawal of power over agreed minimum demand resulted in an avoidable expenditure of Rs.42.07 lakh.

agreement so that the minimum charge is not paid if the power is not drawn to the minimum demand due to constraints in his transmission system. This clause was not incorporated in the agreement and the reasons for non-insertion of the same could not be stated to audit.

On scrutiny of records of procurement of power for 7 months (June 1995 to October 1995, April 1996 and May 1996), it was seen that Rs.168.00 lakh was paid to MeSEB at the agreed terms and conditions although only 62,96,302 KWH of power was drawn for this same period. The Department had to pay an avoidable amount of Rs.42.07 lakh on account of less drawal of power in these seven months.

Month	As per original Bill			As per revised bill
	Quantum of energy supplied (in KWH)	Rate per unit	Amount as per quantum of power supplied (Rs.)	Amount paid (Rs)
6/95	965690	2.00	1931380	2400000
7/95	868218	2.00	1736436	2400000
8/95	1027039	2.00	2054978	2400000
9/95	703144	2.00	1406258	2400000
10/95	631961	2.00	1263922	2400000
4/96	1147200	2.00	2294400	2400000
5/96	953150	2.00	1906300	2400000
	62,96,302		1,25,92,774	1,68,00,000

6.5.6.4 Outstanding claim

It was revealed from records made available to audit that an amount of Rs.58.72 lakh is outstanding payment by ASEB

Outstanding payment of Rs.58.72 lakh not received by Department.

to Department of Power, Government of Nagaland on account of short payment of wheeling/profit charges during the period from May 1990 to April 1991. The claim was preferred by the Transmission Division, Dimapur in July 1996, but till date (June 1997) the amount had not been paid by ASEB.

6.5.6.5 Discrepant figures of purchase of power

The table below indicates the discrepant figures as reported by the Chief Engineer (Power), the Technical Branch of the transmission Division, Dimapur and the Accounts Branch of the Division on the quantum of power received.

Power Received	1991-92	1992-93	1993-94	1994-95	1995-96	Total
1. Figures as reported by Technical Branch of Transmission Division, Dimapur (in MU)	97.686	114.097	131.394	116.315	157.065	616.557
2. Figures reported by C.E. (Power) (in MU)	116.13	128.25	136.40	141.61	156.14	678.53
3. Figures as reported by Accounts Branch of the Transmission Division, Dimapur (in MU)*	127.439	124.885	124.657	122.684	155.2528	654.917

The discrepant figures received from the three wings of the same Department showed that basic co-ordination and monitoring was lacking. From the records produced to audit it was seen that no reconciliation was carried amongst these three wings of the Department and between the CE's office with the billing section of NEREB. No instructions had been issued by the department for carrying out such reconciliation and audit was thus not in a position to ascertain the correctness of the quantum of power actually received.

* Figures worked out for the period April to March of each year.

6.5.6.6 Tariff structure

The commercial tariff rate was revised from time to time with the approval of Government. The average commercial tariff and purchase rate for the period 1991-92 to 1995-96 are shown below:-

Sl.No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Total unit purchased from different agencies (in KWH)	127439345	124885837	124657960	122683497	155252810
2.	Total amount paid to different agencies (In Rupees)	90147618	94940736	95204031	101375034	188988581
3.	Average purchase cost per unit (In Rupees)	0.70737	0.76022	0.76372	0.82631	1.21729
4.	Average tariff rate per unit (In Rupees)	1.10	1.15	1.31	1.32	1.35

It was seen in audit that the commercial tariff rate was fixed by the department on a no profit no loss basis and to allow for recoupment of the purchase cost. No other expenditure of the department was taken into consideration while fixing the tariff rates. The contention of the Department is not acceptable in audit as it was a departmental undertaking and to be run on commercial lines. The non-inclusion of costs of direction and administration in the tariff rates showed that the Department had not scientifically computed its tariff.

While there was an upward revision of tariff in respect of all categories of services with effect from 1.7.1992 and 1.6.1993, the average revenue per KWH sold in respect of Agricultural services dropped from 110 paise to 100 paise with effect from June 1993.

Further it was observed that the tariff rates in the case of consumers upto 20 KWH, commercial consumers upto 50 KWH, public lighting, inter-State supply of power, other charges and security deposit was not revised from 1992 till 30 November 1995 despite the purchase price of power having undergone an increase of 72.09 per cent during the 5 years ending 1995-96.

There was no reasons on record as to why the tariff rates for these categories was not revised.

6.5.7 System losses

Loss of power is mainly due to (1) resistance and reactive losses which occur in transmission and distribution lines; (2) transformer distribution losses due to the dissipation of energy in the core as well as the winding; (3) losses due to dissipation of energy in the meter itself; and (4) losses due to defects in consumer's meters and (5) theft of power. Loss of power on all these counts eventually effects revenue collection.

6.5.7.1 Transmission and distribution

The Central Electricity Authority (CEA) in their guidelines for reduction of transmission and distribution losses (July 1991) observed that taking into consideration Indian conditions it would be reasonable to aim for energy loss between 10-15 per cent.

The Chief Engineer (Power) could not furnish the norms of T&D losses allowed while assessing the revenue targets of the divisions during the period covered by review. In absence of the same, the norms of 20 per cent T&D losses as adopted by the CE(Power) for assessment of revenue target as mentioned in para 4.1.10 of Audit Report 1991-92, was taken as the standard. The details of T&D losses is shown below for the period of review:-

Government sustained revenue loss of Rs.998 lakh due to T&D losses in excess of permissible limit.

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	Total
1.	Total power available (in MU)	118.33	131.92	137.93	143.85	158.47	690.50
2.	Total power sold (in MU)	78.22	89.13	94.45	99.56	110.09	471.45
3.	Total T&D losses (in MU)	40.11	42.79	43.48	44.29	48.38	219.05
4.	Percentage of loss	33.90	32.43	31.55	30.79	30.02	31.72
5.	Percentage of loss in excess of norms (20%)	13.90	12.43	11.55	10.79	10.02	11.72
6.	Total T&D loss admissible as per norms at 20 % (in MU)	23.666	26.384	27.586	28.77	31.694	138.10
7.	T&D losses in excess of norms (in MU)	16.444	16.396	15.894	15.92	15.886	80.94
8.	Revenue realisable as per tariff rate (Rupees in Lakh)	860.42	1025.00	1238.47	1318.25	1487.34	5929.48
9.	Revenue loss (Rupees in lakh)	180.88	188.55	208.41	205.50	214.62	997.96

During the period from 1991-92 to 1995-96 the average excess percentage of Transmission and Distribution losses over standard was 11.72 per cent. The high Transmission and Distribution losses was attributed to

- (1) non-providing of improved meters;
- (2) non-installation of metering equipments for distribution except bulk consumers;
- (3) non-application of shunt capacitors;
- (4) tampering of meters and pilferage of energy;
- (5) defective meters; and
- (6) billing at minimum rates.

Test-check of the records of five divisions showed that 79.42 per cent of the total losses amounting to Rs.792.65 lakh was attributed to the reasons noted above. The Chief Engineer (Power) in February 1997, stated that the paucity of funds was hampering the progress of work to contain Transmission & Distribution losses (T&D).

On cross verification of records of Kohima Electrical Division with the figures reported by the Transmission Division, Dimapur, it was seen that for the year 1991-92, a total 18.759927 MU of power was received in Kohima Sub-station, but only 15.214425 MU was shown as received. The total T&D losses in 1991-92 in

respect of Kohima Electrical Division would be 3.545502 MU instead of 0.828 MU as reported.

No attempt was made by the Department to analyse the efficiency of the T&D system. No norms had also been fixed for T&D losses at various stages resulting in a total revenue loss of Rs.997.96 lakh during 1991-92 to 1995-96 on account of T&D losses.

6.5.7.2 System improvement

It was seen in audit that the Department since 1990-91 had adopted the System Improvement Scheme with a design to control the T&D losses and desired that the benefit accruing out of implementation of this should be specifically brought out evaluation of the Scheme made by the department.

Despite an expenditure of Rs.309.20 lakh on system improvement no perceptible improvements seen as T&D losses continued to be high.

However, on test check of the records of 4 (four) Divisions, it was noticed that an amount of Rs. 309.22 lakh was incurred towards the System Improvement Scheme during 1991-92 to 1995-96. Work wise expenditure in most of the cases are not made available by the Divisions to Audit. Division wise and year wise expenditure are as follows:-

Sl. No.	Name of the Division	Upto 1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
(Rupees in lakh)							
1.	Transmission Division, Dimapur (2 cases)	---	18.48	14.40	18.69	---	---
2.	Dimapur Electrical Division (3 cases)	18.04	6.89	8.71	45.25	15.69	2.66
3.	Mokokchung Electrical Division	---	---	---	0.36	---	---
4.	Kohima Electrical Division	---	40.27	97.12	37.20	0.23	3.30
Total:-		18.04	65.61	120.23	101.50	15.92	5.96

Completion report in respect of two cases (33/11 KV sub-station Metha Colony under REC and 33/11 KV sub-station Chumukedima under State Plan) could be made available to audit. During discussion (May 1997) it was stated by the Executive Engineer that all the schemes under System Improvement had already been completed but no paper/report submitted by the division to CE in this regard could be produced to audit. Moreover, no paper on assessment of saving of power actually effected after huge expenditure on implementation of the scheme could either be produced by the division or the department.

In March 1997, it was stated by the CE (Power) that providing shunt capacitor to reduce the transmission and distribution losses has yet to be taken up and position of improvement in losses sub-station wise will only be ascertained after preparation of project report by a firm M/s Progressive Enterprises, Calcutta and its approval by the Government. This job was entrusted with the firm in June 1995 and submitted its reports only in May 1997.

Thus, in absence of any evaluation report on this scheme, the high rate of T&D losses leading to a loss of revenue of Rs.997.96 lakh during the period

covered by review as mentioned in para 6.6.7.1, the expenditure so far incurred (Rs.309.20 lakh) on System Improvement in 4 divisions has not yielded the desired results.

6.5.7.3 Metering equipment

Para 18 of General Condition of Supply, Government of Nagaland, Power Department envisaged that the amount of energy supplied to a consumer has to be ascertained by means of a correct meter and the Department shall, if required by the consumer, supply the consumer with such a meter. The consumer shall pay to the Department for each meter on hire a monthly rental fixed by the Department. The Department shall keep such meters correct. Meter will be tested and calibrated as far as possible periodically. It was observed from the replies furnished by 6 divisions (including 5 revenue divisions) covered under review that metering equipment to record power flow at sub-stations had not been either installed or were defective. As a result, the quantum of power flow from the main distributing centre to different sub-stations and distribution points as well as the transmission and transformation losses were not ascertainable.

Department did not have a scientific arrangement to calculate T&D losses.

In the absence of metering equipment to ascertain the actual losses, the CE (Power) derived the total losses after deducting from the total power purchased the total power sold. But this did not indicate the percentage of the losses at various stages.

6.5.7.4 Consumer meters and electrical installations

(i) Loss of revenue due to tampered/ stopped/defective meters/defective billing

As per provision of para 18 of the General Conditions of Supply, Government of Nagaland, Power Department, the meters are to be tested and calibrated as far as possible periodically, but no norms has yet been fixed by the Department for this. Further, the Department also has not issued any instructions/orders fixing the time limit by which defective/stopped meters are to be replaced. The table below indicates the number of connections existing, meters checked, results of checks etc. during the 5 years upto 1995-96 in respect of 5¹ revenue divisions:-

¹ (1) EE, Transmission Division, Dimapur, (2) EE, Electrical Division, Dimapur, (3) EE, Electrical Division, Mon, (4) EE, Electrical Division, Mokokchung and (5) EE, Electrical Division, Kohima

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
1.	Total No. of connections	62733	64159	67996	71368	71367
2.	Meters checked	9902	6993	8105	6931	6528
3.	Percentage of meters checked to total	15.78	10.90	11.79	9.71	9.15
4.	Stopped/defective meters	5971	4979	5687	4860	4753
5.	Percentage of stopped/defective meters checked	60.30	71.20	70.17	70.12	72.81
6.	Meters tampered with	985	1031	838	730	821
7.	Percentage of meters tampered with to meters checked	9.95	14.74	10.34	10.53	12.58
8.	Consumers found pilfering power directly/indirectly from distribution lines	53	36	48	11	20
9.	Meters repaired	305	266	341	223	245
10.	Percentage of repaired/ meter with reference to stopped/defective meter	5.10	5.34	6.00	4.59	5.15
11.	Meters replaced	499	374	407	319	405
12.	Percentage of meters replaced to stopped/defective meters	8.36	7.51	7.16	6.56	8.52

The percentage of annual check of meters installed by the Department decreased from 16 per cent to 9 per cent. Out of those, 60 per cent to 73 per cent of the meters were found defective/stopped, the percentage of replacement of defective/stopped meters was less than 9 per cent during the period under review. Unless the areas of checking and replacement of meters is strengthened, the losses of revenue to the Department over the years will increase. Reasons for non-replacement of all meters found stopped/defective were not on records.

(ii) Non-replacement of defective meters

(a) Test check of records of 3(three) Divisions (Mon Electrical Division for the year 1995-96 and 1996-97,

Non-replacement of defective meters led to loss of revenue of Rs.23.79 lakh.

Mokokchung Electrical Division and Kohima Electrical Divisions for 1993-94 to 1995-96) showed that on an average 940,729 and 498 consumers respectively had defective meters and were billed at the minimum charges of Rs.27.00, Rs.21.00 and Rs.18.00 per month respectively.

To assess the loss due to such low billing, 50 consumers with good meters in each of these divisions were selected at random and it was seen that a consumer provided with a good meter paid an average monthly minimum energy charge of Rs.98.00, Rs. 45.00 and Rs.26.00 in Mon, Mokokchung and Kohima Electrical Divisions respectively. Based on these estimated rates the revenue loss can be estimated to be around Rs.23.79 lakh (Rs.16.02 lakh in Mon Electrical Division, Rs.6.30 lakh in Mokokchung Electrical Division and Rs.1.47 lakh in Kohima Electrical Division).

(b) In Mokokchung Electrical Division, on test-check of accounts of 100 numbers of domestic consumers, it was noticed that as many as 25 numbers of meters were not working during April 1995 to February 1996 but the division raised bills showing some units as consumed. On this being pointed out by Audit, no reply could be afforded. Thus, defective billing and inaction on the part of the Department to replace the meters, led to such arbitrary action.

In case of bulk consumers Bulk Nos. I and II (Public Health Engineering Department) it was seen that on revision of tariff, from December 1995 the division preferred claims totalling Rs.3,75,000 for the period from December 1995 to February 1997 at the rate of Rs.25,000 for both these bulk consumers instead of at the rate of Rs.4,20,000. There was thus, short billing of Rs.45,000 and no reason could be ascribed for the same.

(iii) Statutory Inspection of Electrical installations

The Indian Electricity Rules, provide for inspection of installations at interval not exceeding five years either by the Inspectorate or by any officer appointed to assist the Inspectorate or by the supplier as may be directed by the State Government on its behalf. The fees for such inspection and test shall be determined by the Central or the State Government as the case may be, in the case of each class of consumers and shall be payable by the consumer in advance. From the records made available to audit it was seen that in keeping with the Rules, no order/notification prescribing norms of periodicity of inspection and testing of all such installations was issued by the State Government. However, on test check of records of five Divisions, it was seen that in four Divisions, the average total installation required to be inspected was 50,390 against which no inspections were carried out for the five years upto 1995-96.

Statutory inspections not carried out.

Reasons for not carrying out inspections of installation as per Rules were not on record nor could be stated. The loss of revenue owing to non-inspection of installations could not be ascertained in audit because of the non-issue of order/notification fixing Inspection fee as required under the Rules.

6.5.8.1 Non levy of interest

Para 23 of General Conditions of Supply lays down that if a bill remains unpaid, the department may after giving not less than 7 days notice in writing discontinue the supply and use the deposit made by the consumer for the purpose of recovering any sum due after the supply has been disconnected and if the amount is insufficient to cover the amount outstanding against the consumer, the consumer shall pay interest on the amount outstanding at the rate of 6 per cent per annum from the due date until payment is made.

Test-check of records made available to audit revealed that the amount of interest due to be recovered by the Department on account of 3 major defaulters as on 31 March 1997 stood at Rs.72.23 lakh as detailed below:-

Interest of Rs.72.23 lakh on outstanding bills from 3 consumers not levied and collected by the Department.

Sl. No.	Name of the Company	Principal amount of energy charges (Rupees in lakh)	Period from which amount not paid	Percentage of interest to be levied	Amount of interest (Rupees in lakh)
1.	M/s Nagaland Pulp and Paper Company Ltd., Tuli	315.38	9-11-93 31-3-97	6	64.18
2.	M/s Nagaland Forest Products Ltd., Mon.	11.58	1-8-90 31-3-97	6	4.63
3.	M/s Nagaland Sugar Mills Company Ltd., Dimapur	28.44	1-4-95 31-3-97	6	3.42

6.5.8.2 Deficit between expenditure and revenue realisable on sale of power

The table below indicates the extent of deficit between the revenue expenditure, revenue realisable and revenue realised for the five years ending 1995-96.

Sl.No.		1991-92	1992-93	1993-94	1994-95	1995-96
1.	Revenue expenditure	1847.51	1483.59	2297.75	1286.56	5194.76
2.	Revenue realisable	860.42	1025.00	1238.47	1318.25	1487.34
3.	Revenue realised	655.68	689.26	891.70	882.47	1006.86
4.	Deficit (1-2)	987.09	458.59	1059.28	(-) 31.69	3707.42
5.	Percentage of deficit to expenditure	53.43	30.91	46.10	(+) 2.46	71.37

The Department had never conducted an exercise to calculate the defects in its revenue collection machinery. The non-enforcement of the general conditions of supply, the huge transmission and distribution losses coupled with the unrealistic fixing of tariff rates over the years has led to this increasing trends in revenue expenditure and deficits barring 1994-95.

Deficit of revenue collection over expenditure ranged between 31 to 71 per cent.

6.5.8.3 Forgoing rebate

The agreements entered into by the Government of Nagaland with the Power Grid Corporation of India Limited and the North Eastern Electric Power Corporation Limited on 31 May 1993 and 15 March 1996 effective from 1 April 1992 and 15 March 1996 respectively on transmission of Power to the State envisaged that if the State Government establish/open a revolving letter of credit in favour of the PGCI and NEEPCO for an amounts of Rs.15 lakh and Rs.50 lakh with SBI Kohima Branch and SBI Shillong Branch respectively, 1 per cent rebate would be allowed by each of them on the amounts due to paid for claims on supply of power. The department did not open any revolving letters of credit till date (May 1997) to derive the rebate and thus the department had to forgo a total rebate of Rs.6.61 lakh and Rs.13.03 lakh as detailed below:-

Non-availing of incentive offered by bulk supplier led to loss of rebate of Rs.19.64 lakh to the Department.

Name of the Agency	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
<u>PGCI</u>						
Bill amount	---	8601440	17402081	16128619	24002964	46875064 (1/96 to 1/97)
Amount of rebate allowable on the bill at 1% but foregone	---	86014	174021	161286	240029	468751
<u>NEEPCO</u>						
Bill amount	---	---	---	---	---	83466528 (3/96 to 12/96)
Amount of rebate allowable on the bill at 1 % but foregone	---	---	---	---	---	834665
Total annual rebate foregone		86014	174021	161286	240029	1303416

6.5.9 Billing system

As per para 23 of the General Condition of supply, Government of Nagaland (Department of Power), energy bills were to be raised monthly on consumers by the Department. The bill shall specify the date by which the payment is to be made. From December 1995, a bimonthly billing system was introduced.

Test-check of ledgers, for the year 1995-96 in respect of sub-division I and II of Dimapur Electrical Division and sub-division II of Kohima Electrical Division showed that bills were not preferred on consumers in the scheduled time. It was seen that bills were preferred for 2/3 months at a time. Records showed that no bill was served on the consumers in D Zulaki village for the period from October 1995 to April 1997. The revenues due to the Department on this account could not be assessed as the number of consumers were not on record.

6.5.10 Non-reconciliation of Treasury Receipts

Test check of records in the office of the Chief Engineer (Power) Nagaland, Kohima in audit showed that no remittance register was maintained to record the actual deposits made by the various revenue collecting officers of his department. At no point of time was an independent reconciliation made by his establishment with any treasury to ensure the correctness of the amounts deposited by his divisional officers. The CE in February 1997 stated that the monthly reconciliation was being done with the various Treasuries by the divisional officers. This was not correct as test check of records of 5 revenue divisions, showed that despite the fact that challans in support of deposits of revenues by the SDOs had been sent to the divisional office, no monthly reconciliation with the Treasury had ever been carried out. Excepting for Dimapur Transmission Division, no remittance register was maintained by the other 4(four) divisions. During the period of audit the department had never even once carried out a reconciliation with the Treasuries to ensure correctness of revenues deposited.

A test check in audit of revenue collection registers of 5 revenue Divisions and figures of revenue collection furnished by them, showed that the security deposit realised for meters was reflected in the departmental accounts as receipts

instead of classifying the same under 'Civil Deposit'. This mis-classification led to inflation of departmental receipts.

6.5.11 Internal Audit

Internal audit is designed to act as an internal control mechanism to allow an organisation to see that the system is functioning properly. Since September 1988, Director of Treasuries and Accounts under the Finance Department of the Government has been designated as the Internal Auditor for all the departments of the State Government. No internal audit reports could be produced to audit to show that any offices of the Power Department including the Chief Engineer had been audited till date by the Internal Auditor.

In absence of internal audit, the management was deprived of a feed back of the deficiencies/weaknesses/shortcomings in its functioning and did not allow for remedial action to be taken at the appropriate time.

The Department has not set up a monitoring cell and being a revenue earning department the necessity is all the more.

6.5.12 The matter was reported to the Government and the Department in September 1997; their replies have not been received (January 1998).

FOREST DEPARTMENT

6.6 Recurring loss of revenue due to revision of modalities of realisation of Forest royalty

Since 1 October 1985 the system for collection of forest royalty on timber from saw/veneer/plywood mills by the forest department was based on the annual working capacity of each mill. The annual working capacity of such mills were prescribed in terms of cubic metres of timber based on operational period of the mills located in different parts of the State. In January 1995, the Government revised the system/modalities for levy of forest royalty from these mills with retrospective effect from 1 October 1994. The amount of forest royalty now payable by the mills in a year was fixed by the Government according to the machinery installed and minimum quantity of timber supposed to be consumed by those mills in a timber year irrespective of their working capacity. This had reduced the quantum of forest royalty and Nagaland sales tax thereon payable by the mills in a year.

During test check (October 1996) of the records of the Divisional Forest Officer (DFO), Kohima Division, Dimapur it was noticed that the amount of forest royalty payable in two years (1994-95 and 1995-96) under the revised system by 17 mills under DFO, Kohima fell short by Rs.62.15 lakh when compared to the royalty rates under the pre-revised system.

Rs.62.15 lakh of revenue lost to Government due to change in modalities of forest royalty collection.

Similar cases of shortfall in revenue of Rs.37.34 lakh from 20 mills under 3 DFOs was observed and commented upon in para 6.6 of the Audit Report for 1995-96. Thus, it was evident that the norms prescribed by the Government for collection of forest royalty from the timber year 1994-95 onwards resulted in recurring loss of revenue.

The matter was reported to the department and the Government in February 1997. In reply the Government stated (August 1997) that according to Acts and Rules applicable to Nagaland, royalty on timber from non-Government private woodlands are not leviable and therefore, the Government had formulated modalities of collection of tax from the mills. The reply further added that in consideration of the constraints and expenses to be borne by the mill owners for bringing timber from far flung remote areas and based on species of timbers the tax payable by them had to be reviewed and fixed on the basis of working capacity of the mills.

The reply of the Government is not tenable in as much as the Principal Chief Conservator of Forests refixed royalty payable by the mills on the basis of the machinery installed and not "tax" as claimed. The Government also could not state the Acts and Rules under which timber from non-Government land are exempted from levy of forest royalty though clarifications were sought for in September and November 1997. Further, as per provisions contained in Section 33(2)(h) of the Nagaland Forest Act, 1968 the Government vide notification No.FOR-181/69 dated 8 May 1975 published the schedule of rates of royalty leviable on all classes of forest produce removed from any forest in Nagaland with effect from 1 May 1975. The royalty rates were revised through another notification of June 1989 under the same Section of the Act *ibid*. No amendment to this Section of Act has, however, been made so far.

6.7 Loss of revenue due to under assessment of forest royalty and irregular exemptions

Government of Nagaland (Forest Department) by an order issued in January 1995 introduced with effect from October 1994 a revised system of collection of forest royalty and appropriate Nagaland sales tax thereon in a timber year (October-September) from all saw/veneer/plywood mills on the basis of machinery installed irrespective of timber consumed by them. The order further stipulated that since the royalty worked out was based on the consumption of minimum quantity of timber in a year, there would be no case for exemption of royalty except in very exceptional circumstances and only after thorough verification by the Conservator of Forests.

During test check (October 1996) of the records of the Divisional Forest Officer (DFO), Kohima Division, Dimapur it was noticed that the DFO in contravention of Government order under assessed and allowed irregular exemptions to some mills from payment of fixed amount of forest royalty. This resulted in a loss of revenue as explained under:-

Under-assessment coupled with irregular exemptions of forest royalty resulted in a revenue loss of Rs.22.40 lakh to Government.

- (a) On the basis of machinery installed, the forest royalty payable for the timber years 1994-95 and 1995-96 in respect of 11 mills was Rs.26.82 lakh but the DFO assessed payment of Rs.15.79 lakh by these mills. This resulted in a loss of revenue of Rs.11.91 lakh (forest royalty Rs.11.03 lakh plus sales tax Rs.0.88 lakh).
- (b) Under the new system, forest royalty of Rs.18.58 lakh payable by 7 mills for the timber years 1994-95 and 1995-96 was re-fixed at Rs.8.86 lakh by the DFO on the basis of representation of the mills owner seeking exemption due to non-functioning of the mills for certain period of the relevant timber years. This unilateral

and unauthorised decision of the DFO resulted in a loss of revenue of Rs.10.49 lakh (forest royalty Rs.9.72 lakh plus sales tax Rs.0.77 lakh).

The matter was reported to the department and the Government in February 1997. In reply, the Government stated (August 1997) that they will investigate the circumstances under which the DFO had made the assessments and ordered exemptions. Reply of the Department has not been received (January 1998).

6.8 Loss of Government revenue due to irregular settlement of sand mahal and non-realisation of kist money

Rule 17 of the Nagaland Settlement of Forest Coups and Mahals by Tender System Rules 1969 provides that if the successful bidder fails to pay the kists/instalments on due dates or to execute the agreement, the settlement of the mahal shall be liable to be cancelled and the mahal may be resettled for the remaining part of the settlement at the risk of such bidder.

During audit (October 1996) of the accounts of the Divisional Forest Officer (DFO), Kohima Forest Division, Dimapur, it was noticed that on the recommendation (September 1993) of the Principal Chief Conservator of Forests, Nagaland sand mahal No.3 under DFO, Kohima Forest Division was settled by the Government (September 1993) through outright sale with Mahaldar 'A' for three years (1.10.93 to 30.9.96) at the rate of Rs.1.75 lakh per year plus 6 *per cent* sales tax. No agreement was executed with this mahaldar for this settlement. The mahaldar paid only first kist of Rs.70,000 plus sales tax of Rs.4,200 against Rs.1.75 lakh plus sales tax Rs.10,500 for the year 1993-94. Despite the fact that this mahaldar had not cleared the dues for the years 1993-94 and 1994-95 amounting to Rs.2.96 lakh, DFO recommended (November 1995) settlement of the same mahal with the same mahaldar for an amount of Rs.1.50 lakh plus 6 *per cent* sales tax for a period of 2 years effective from October 1995. The basis of this recommendation for settlement being at a lower rate as compared to the settlement in September 1993 was not available on record. The Government, however, settled (January 1996) the said mahal with the same mahaldar at the recommended rate. Till date of audit (October 1996) the mahaldar had only paid Rs.63,600 being the first kist for the year 1995-96 and Rs.55,650 being the outstanding dues for the year 1993-94.

Irregular settlement of mahals and non-enforcement of Codal provisions led to loss of Government revenue of Rs.3.37 lakh.

The Department could not realise the outstanding dues or to settle the mahal at the risk of defaulting mahaldar as no agreements had been entered into.

Due to irregular settlement of the mahal and failure of the Department to realise the Government dues, the Department suffered a loss of revenue of Rs.3.37 lakh.

The matter was reported to the Department and the Government in February 1997. In its reply (August 1997) the Government stated that it was investigating the losses as reported by audit. Further developments of the investigations are awaited (January 1998).

WORKS AND HOUSING AND HEALTH AND FAMILY WELFARE DEPARTMENT

6.9 Non-deduction of Sales tax on works contract

Government of Nagaland (Finance Department) vide the sixth amendment to Nagaland Sales Tax Act 1989, directed (March 1990) all concerned Departments to deduct tax at source at the rate of 4 *per cent* on works contract after allowing a deduction of 30 *per cent* on account of labour and other charges.

(a) During test check of records of the Executive Engineer (EE), Referral Hospital Project Division (RHPD), Dimapur, it was noticed (March-May 1996) that the civil construction works of the Referral Hospital were awarded (January 1989 to January 1993) to different contractors and upto the end of March 1996, contractor's bills for works valued at Rs.929.71 lakh were paid. However, tax on works contract of Rs.26.03 lakh¹ recoverable at source from contractor's bills was not deducted as of May 1996.

Government lost revenue of Rs.27.39 lakh due to non-deduction of tax at source.

During discussion the EE, RHPD stated (May 1996) that deduction of tax could not be effected as the contractors had jointly represented (April 1996) against such deduction and the decision on the matter was not forthcoming as of October 1997.

(b) During test check of records (August 1991-December 1996) of the Executive Engineer, PWD, Central Division, Kohima (Engineer), it was noticed (January 1997) that the Engineer had paid Rs.37.84 lakh to eight contractors between August 1991 to December 1996 for eight construction works. Scrutiny revealed that tax on works contract of Rs.1.06 lakh² recoverable at source from the contractor's bills was not deducted as of December 1996.

The Department in its reply of September 1997 stated "it is not understood how deduction on account of sale tax will be imposed over the contract bills as this will amount to double deductions which is confusing". The Departments in this same reply has also stated that "the contractors have represented not to deduct such tax as they had already paid tax while purchasing the materials" and in view of these arguments the Department stated that the tax deduction of Rs.1.36 lakh was kept in abeyance till the matter was finally decided by the Sales Tax Department. The replies of the Departments are not acceptable in audit as payment of sales tax on purchase of goods used by the contractors is not related to this payment of tax on works contracts under the sixth amendment to Nagaland Sales Tax Act 1989.

Non-deduction of tax on works contract in the two cases cited above has led to non-realisation of revenue of Rs.27.39 lakh.

The reply of the Government is awaited (January 1998).

¹ 30% of Rs.929.71 lakh = Rs.278.91 lakh = admissible deduction.
4% of Rs.(929.71 - 278.91 = Rs.650.80) lakh = Rs.26.03 lakh.

² 30% of Rs.37.84 lakh = Rs.11.35 lakh = admissible deduction.
4% of Rs.(37.84 - 11.35 = Rs.26.49) lakh = Rs.1.06 lakh.

HOME DEPARTMENT

6.10 Misappropriation of Government revenue

Rule 6 of Receipts and Payment Rules, lays down that all moneys received by or rendered to Government offices on account of revenue or receipt as dues of Government shall immediately be taken to cash book and is to be deposited to the nearest treasury or accredited bank for inclusion in Government accounts.

(a) During audit (April 1996) of the accounts of the Deputy Commissioner (DC), Wokha it was noticed that between May 1991 and March 1996, the Deputy Commissioner realised an amount of Rs.2.03 lakh as house tax for the years 1991-92 to 1995-96 and none of the receipts were reflected in the cash book. An amount of Rs.1.24¹ lakh only was deposited to Government accounts and the balance amount of Rs.0.78 lakh remained undeposited till date of audit (April 1996).

Government revenue of Rs.1.93 lakh misappropriated by collecting officials.

The matter was reported to the Department and the Government in July 1996. In reply, the Department admitted that the money had been misappropriated and stated (October 1996) that the concerned official had been warned and the misappropriated amount would be recovered from his pay at the rate of Rs.1000 per month. However, the progress of recovery had not been intimated (July 1997).

(b) During audit (January 1996) of the accounts of the Additional Deputy Commissioner (ADC) (Judicial), Kohima it was seen that the ADC (Judicial), between February 1990 and December 1995 had settled and disposed off 240 cases after imposition and realisation of fines amounting to Rs.2.50 lakh. The amount realised had not been accounted for in the departmental cash book but noted in a separate register and out of the total amount of Rs.2.50 lakh an amount of Rs 1.35 lakh only was deposited into treasury till the date of audit (January 1996). The balance amount of Rs.1.15 lakh being the departmental receipts remained undeposited as of October 1997. The matter was reported to the Department and Government in July 1996. In reply, the Department stated (October 1997) that the aforesaid amount could not be deposited due to transfer of the concerned official. However, no action was found to have been initiated against the erring official as of January 1998.

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

6.11 Irregular and unauthorised utilisation of departmental receipts

According to Rule 6 of Receipts and Payment Rules, all moneys received by or rendered to Government offices on account of revenue or receipt as dues to Government shall, without delay, be accounted for in the departmental cash book and be paid in full into the nearest treasury or accredited bank for inclusion in Government accounts and shall not be utilised to meet the departmental expenditure except as authorised in sub-rule (2) of the Rule *ibid*.

¹ January 1992 to May 1993 - Rs.0.85 lakh and December 1994 to May 1995 - Rs.0.39 lakh

During audit (September 1996) of the accounts of the Farm Manager, Cattle Breeding Farm, Lerie, Kohima, it was found that sale proceeds of 21,348 litres of milk amounting to Rs.1.92 lakh realised between February 1995 and August 1996 was neither accounted for in the cash book nor deposited to Government accounts in contravention of rules. On being pointed out by Audit, the entire amount was deposited to Government account in May 1997.

The matter was reported to the Department and the Government in November 1996. In reply, the Government stated (August 1997) that the delay in deposit of sale proceeds was mainly due to utilisation of the same for departmental expenditure like purchase of hay, instrument/appliances, medicine and maintenance of tractor etc. due to financial constraints. The details of expenditure together with regularisation of the diversion of the departmental receipts have not been furnished to Audit (January 1998).

TRANSPORT AND COMMUNICATION DEPARTMENT

6.12 Short/non-realisation of penalty

The Motor Vehicles Act, 1988, as amended by the Motor Vehicles (Amendment) Act 1994 provides that no owner of a motor vehicle shall use or permit

Wrong interpretation of Section of MV Act has led to a loss of Rs.0.96 lakh to Government.

to use of a vehicle save in accordance with the conditions of a permit granted or countersigned by a Regional or State Transport Authority or any other prescribed authority. The Act further provides that any person who uses or allows to use his vehicle in contravention of the stipulations laid down in the permit shall be punished for the first offence with a fine of not less than Rs.2,000 (Two thousand).

During the course of audit (November 1995) of the records (July 1994-October 1995) of the District Transport Officer (DTO), Mokokchung it was noticed that during the period the DTO disposed of 31 offence cases by realising fines varying from Rs.100 to 1000. Reasons for realisation of fines at varying rates instead of invoking the minimum amount of fine prescribed in the Act had not been recorded. Non-invoking the statutory provision of the Act led to short realisation of fines of Rs.0.56 lakh in 31 cases. Besides, 20 cases of similar offences were disposed during September 1994 to October 1995 without imposition of any penalty/fine, though Rs.0.40 lakh of minimum fine was leviable. Reasons for non-compliance of the statutory provision was not on record. Thus, due to arbitrary action of the DTO, the Government lost revenue of Rs.0.96 lakh.

The matter was reported to the Government and Department in March 1996. In reply, the Government stated (July 1997) that the minimum and maximum amount of fine prescribed under Section 192 of the MV Act are to be exercised by the Court of Law. This reply is not related to the audit observation. The Government in this same reply has also admitted that for imposition of offences under the Act, the State Government has not till date (July 1997) notified in the official gazette the names of such authorised officers.

CHAPTER - VII

FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

7.1 Assistance to autonomous bodies and others

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities by and large receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956 etc., to implement certain programmes of the State Government. The grants are sanctioned and released to such bodies and authorities for maintenance of educational institutions, industrial institutions, construction and maintenance of school and hospital buildings, improvement of roads and other communication facilities under Town Committees and local bodies.

During 1996-97, financial assistance of Rs.22.50 crore was paid to various autonomous bodies and other institutions broadly grouped as under:-

Serial number	Name of institutions	Amount of assistance paid (Rupees in crore)
1	Village Development Boards	11.39
2	Industrial institutions	3.74
3	Town Committees	0.49
4	Co-operative Societies	1.24
5	Development authority	5.01
6	Non-Government Colleges and Institutions etc.	0.25
7	Other institutions	0.38
Total:-		22.50

7.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for specific purposes, certificates of utilisation should be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General within one year from the date of sanction unless specified otherwise.

Of the 14,216 utilisation certificates due in respect of grants aggregating Rs.122.41 crore paid during the period from 1967-68 to 1996-97, only 11,062 utilisation certificates for Rs.52.95 crore had been furnished by 30 September 1997 and 3,154 utilisation certificates for an aggregate amount of Rs.69.46 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as under:-

Serial number	Department	Period	No. of certificates	Amount (Rupees in crore)
1.	Industries	1986-87 to 1996-97	35	18.74 *
2.	School Education	1982-83 to 1996-97	644	27.28 *
3.	Co-operation	1967-68 to 1996-97	220	3.10 *
4.	Rural Development	1980-81 to 1996-97	2,255	20.34 **
Total:-			3154	69.46

* The position of utilisation certificates outstanding was as per last year's position as the information upto 30 September 1997 was still awaited (January 1998).

** The position of outstanding utilisation certificates was only for the grants paid upto 1993-94.

7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government/Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned and the total expenditure of the institutions. Information for the year 1994-95 to 1996-97 called for in April 1997 was awaited as of January 1998 from five departments.

7.4 Audit arrangements

7.4.1 Under Section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any body or Authority which is substantially financed by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A Body or Authority is said to be substantially financed if the amount of Government grant or loan is not less than Rs.25 lakh and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that Body or Authority. The following Authorities/Bodies have received substantial amounts of grants/loans from the Government of India/State Government during 1995-96 and 1996-97.

Sl. No.	Name of body/authority	Source of funds	Amount of grant/loan	
			1995-96	1996-97
			(Rupees in crore)	
1.	Nagaland University	Govt. of India	6.77	5.64
2.	North East Zone Cultural Centre, Dimapur	--do--	0.19	0.18
3.	Development Authority, Dimapur	Govt. of Nagaland	0.91	5.40
4.	Nagaland Board of School Education	--do--	0.57	0.58
5.	Nagaland State Social Welfare Advisory Board, Kohima	Govt. of India	0.30	0.36
6.	District Rural Development Agencies	Govt. of India	19.01	14.09
		Govt. of Nagaland.	8.75	10.91
		UNICEF	0.04	

7.4.2 Nagaland Khadi and Village Industries Board, Kohima is a Statutory Corporation formed under an Act passed by the State Legislature. During 1995-96, the Board had received Rs.11.83 crore as loan/grant from the Government of Nagaland. During 1996-97, the Board had received grants of Rs.1.55 crore from the Government of Nagaland alone. Details of loans/grants received during 1996-97 from the KVIC had not been made available (January 1998). Till the end of 1996-97, the Board had finalised its accounts upto 1987-88 only. Further information regarding finalisation of its accounts from 1988-89 onwards was awaited (January 1998).

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

8.1 Introduction

The accounts of the Government Companies and deemed Government Companies (as defined in Section 619 B of the Companies Act, 1956) are audited by statutory auditors who are appointed by the Government of India on the advice of the Comptroller and Auditor General of India (C&AG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619(4) of the Companies Act, 1956.

This chapter deals with the results of audit of Government Companies and departmentally managed commercial and *quasi*-commercial undertakings. Paragraph 8.2 gives a general view of Government Companies and paragraph 8.3 deals with general aspects relating to departmentally managed commercial and *quasi*-commercial undertakings.

8.2 Government Companies - General view

8.2.1 As on 31 March 1997, there were 5 Government Companies with total investment of Rs.37.84 crore {Share Capital: Rs.21.10 crore (State Government Rs.15.72 crore, Central Government Rs.0.65 crore, Others Rs.4.73 crore) and Loans: Rs.16.74 crore} as against five Government companies with total investment of Rs.37.92 crore (Share Capital: Rs.20.95 crore and loans: Rs.16.97 crore) as on 31 March 1996.

The working results and financial particulars in respect of all the Government Companies are given in *Appendix-XXVI*.

8.2.2 Guarantees for loans

The State Government had guaranteed the repayment of loans raised during the year by one Company. The amounts guaranteed and outstanding thereagainst as on 31 March 1997 were Rs.1.22 crore and Rs.1.22 crore respectively as against Rs.2.20 crore and Rs.3.28 crore respectively as on 31 March 1996.

8.2.3 Finalisation of accounts

Accountability of Public Sector Undertakings to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. None of the companies had finalised the accounts for the year 1996-97 (September 1997). The accounts of all the companies were in arrears for periods ranging from 12 to 19 years as indicated in *Appendix- XXVII* (as on 30 September 1997).

- None of the Companies finalised accounts during 1995-96.
- Arrears in finalisation of accounts ranged from 12 to 19 years.

According to the latest finalised accounts, two companies had incurred losses of Rs.58.62 lakh and two companies earned a profit of Rs.21.89 lakh as indicated below:-

Sl. No.	Name of Company	Year upto which accounts were finalised	Profit (+) Loss (-) (Rupees in lakh)
1.	Nagaland Industrial Development Corporation Ltd.	1984-85	(+) 5.89
2.	Nagaland Handloom and Handicrafts Development Corporation Ltd.	1980-81	(-) 31.33
3.	Nagaland Industrial Raw Materials and Supply Corporation Ltd.	1977-78	(+) 16.00
4.	Nagaland Sugar Mills Company Ltd.	1977-78	(-) 27.29

The Administrative Departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within time schedule prescribed in the Companies Act, 1956. Though the concerned Administrative Departments of the Government were apprised by Audit of the position of arrears quarterly, effective measures were not taken by the Government for timely finalisation of accounts. The matter was last brought to the notice of the Government at the level of Chief Secretary in October 1997. As these companies did not adhere to the time schedule, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

8.2.4 Working results

(a) During the year none of the five companies had finalised accounts for 1996-97 or previous year. Therefore, actual position of profits, if any, earned and dividend declared by any of the companies could not be ascertained.

(b) According to the latest information furnished by the companies, one company (Sl.No.3 of *Appendix-XXVI*) had eroded its paid up capital as the accumulated loss of this company had far exceeded the paid up capital by Rs.9.74 crore.

The financial results of the Government Companies based on the latest available accounts are given in *Appendix-XXVII*.

8.3 Departmentally managed Government Commercial/Quasi-Commercial Undertakings

8.3.1 As on 31 March 1997, there were nine departmentally managed Government Commercial and *quasi-* commercial undertakings.

8.3.2 Mention was made in paragraph 8.3.2 of the Report of the Comptroller and Auditor General of India for the year 1995-96 about delay in preparation of proforma accounts of these undertakings.

Proforma Accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 1 to 25 years.

The following table depicts the extent of arrears in preparation of proforma accounts by the undertakings/departments:-

Sl. No.	Name of the Department/ Undertakings	Extent of arrears
(1)	(2)	(3)
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 1996-97
2.	Nagaland State Transport Department	1987-88 to 1996-97
3.	Nagaland Power Department	1981-82 to 1996-97
4.	Farms under Agriculture Department-	
	i) Potato Seed Farm, Kuthur	1996-97
	ii) Medium size Seed Farm, Merapani	1996-97
	iii) Seed Farm, Tizit	1996-97
5.	Changki Valley Fruit Preservation Factory	1987-88 to 1996-97
6.	Timber Treatment and Seasoning Plant, Dimapur	1995-96 and 1996-97
7.	Government Cottage Industries Emporia-	
	i) Kohima	1979-80 to 1996-97
	ii) Mokokchung	(Transferred to the Nagaland Handloom and Handicrafts Development Corporation Limited, Dimapur in 1980-81)
8.	Farms under Veterinary and Animal Husbandry Department-	
i)	Cattle Breeding Farm, Medziphema	
ii)	Cattle Breeding Farm, Tuensang	
iii)	Cattle Breeding Farm, Aliba	
iv)	State Cattle Breeding Farm, Lerie	
v)	Chick Rearing Centre. (with Hatchery Unit) Mokokchung	
vi)	Chick Rearing Centre. (with Hatchery Unit) Dimapur	
vii)	Chick Rearing Centre, Tuensang	1985-86 to 1996-97
viii)	Chick Rearing Centre, Medziphema	
ix)	Pig Breeding Centre, Medziphema	
x)	Pig Breeding Centre, Tizit	
xi)	Pig Breeding Centre, Tuensang	
xii)	Pig Breeding Centre, Mokokchung	
xiii)	Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 1996-97
9.	Farm under Horticulture Department- Fruit Canning Factory, Longnak	1992-93 to 1996-97

HORTICULTURE DEPARTMENT**8.4 Review on Nagaland Plantation Crops Development Corporation Ltd., Kohima****8.4.1 Introduction**

The Nagaland Plantation Crops Development Corporation (NPCDC) Ltd. was registered under the Companies Act 1956 on 6 April 1981.

8.4.2 Aims and objects

The Company was established with a view to utilise the land and slopes of the hills and to put them into more profitable use by cultivation of plantation crops like tea, coffee, rubber, black pepper, cashewnut, cardamom, cloves, nutmegs, cocoa, spices, betelnuts, ginger, citronella, aromatic and medicinal plants, citrus fruits and other cash crops.

8.4.3 Organisational set up

The management of the Company was vested in a Board of Directors and one Director each on the Board were from the Nationalised Banks (from which the Company obtained loans) and the Coffee Board of India.

The Chairmen for most parts of the life of the Company were sitting members of the Nagaland Legislative Assembly. They were assisted by a Managing Director and in the field, work was carried out by Plantation Managers along with subordinate staff.

8.4.4 Audit coverage and scope of audit

The working of the Company for the period from 1981-82 to 1991-92 (from inception till date of winding up) was reviewed during April-May 1997 on the basis of records available in the office of the Accountant General (Audit), Nagaland, Kohima, the provisional Balance Sheets received from the Director of Horticulture in-charge of NPCDC Ltd., Kohima and the Minute Book of the wound up Company.

8.4.5 Highlights

The Government participation in the equity share capital of the Company exceeded the authorised share capital of Rs.500 lakh by Rs.96.70 lakh.
(Paragraph 8.4.6.2)

The wound up Company did not finalise its accounts since inception.

(Paragraph 8.4.7.1)

The Company had an accumulated loss of Rs.481.86 lakh as on 31 March 1991. Investment of Rs.736.16 lakh shown under Fixed Assets was overstated.

(Paragraph 8.4.7.2)

Total accumulated losses of the company stood at Rs.1218.02 lakh.

(Paragraph 8.4.7.3)

The outstanding liability on account of equity shares, bank loans and outstanding interest payments stood at Rs.1137.41 lakh as on 31 March 1991 of which the Government paid Rs.522.35 lakh to the banks and took over a liability of Rs. 569.70 lakh.

(Paragraph 8.4.8)

Twenty four Coffee Plantation for which an expenditure of Rs.254.23 lakh was incurred were abandoned. In 39 other plantations on which an expenditure of Rs.820.13 lakh was spent the same were unilaterally handed over to landowners without recovery of loans advanced to them. There was a loss of Rs. 1074.36 lakh on this account and the whole expenditure was infructuous.

(Paragraph 8.4.11)

The Company was wound up in April 1992 by a Cabinet decision in total violation of the provisions contained in the Companies Act, 1956. No application was made to the Court and neither was an official liquidator appointed for the winding up.

(Paragraph 8.4.12)

8.4.6. Funding pattern and sources of funds

8.4.6.1 Capital structure

The Company was incorporated with an authorised share capital of Rs.500 lakh divided into 50000 equity shares of Rs.1000 each out of which two shares were issued and paid up.

8.4.6.2 State Government funding

Grants-in-aid totalling Rs.827.06 lakh was paid to the Company during the period 01 April 1982 to 31 March 1992. Of this, Rs.596.70 lakh was subscription of State Government to equity base of the Company and Rs.230.36 lakh was for clearance of interest liability of the Company. The participation of the State Government in the equity share capital of the Company was in excess over the authorised share capital of Rs.500 lakh by Rs.96.70 lakh. The State Government did not receive the 59,670 share certificates due to it. The capital structure of the Company from 1981-82 to 1991-92 is shown in *Appendix-XXVIII*.

8.4.6.3 Borrowings

The Company had obtained loans amounting to Rs.352.01 lakh from 3 (three) Nationalised Banks till the date of winding up. These loans were secured by hypothecation of plantations and other assets and were guaranteed by the Government of Nagaland. The total interest payable by the Company on these loans as on 31 March 1992 was Rs.188.71 lakh.

8.4.6.4 Other finance

The Company received Rs.20.01 lakh as subsidy from the Coffee Board of India during the period 1984-85 to 1989-90.

8.4.7 Financial position and working results

The financial position of the Company at the close of 1990-91 (based on provisional accounts) are summarised in *Appendix-XXIX*.

8.4.7.1 Non finalisation of annual accounts

The Company did not finalise its accounts since inception. The Department in reply (January 1998) stated that though the statutory auditor had completed audit of the accounts of 1982-83, the Board of Directors had not approved the report. No reasons were however, on record to show why the Board of Directors did not approve these accounts of the Company.

8.4.7.2 Working results

The working results of the Company based on provisional accounts are summarised in *Appendix-XXX*. The accumulated loss as on 31 March 1991 as depicted in the Balance Sheet was Rs.481.86 lakh.

The Company spent Rs.1074.31 lakh on the plantations during the period 1981-82 to 1991-92 of which an amount of Rs.736.16 lakh was depicted under Fixed Assets. Since the Company wound up on 1/4/1992 and the Department stated (January 1998) that the plantations were handed over to the landowners without any recoveries, the Fixed Assets were not available on liquidation and were overstated by Rs.736.16 lakh.

8.4.7.3 Profit and Loss

The Company had been incurring losses since inception and from the provisional accounts the total losses of the Company amounted to Rs.481.86 lakh as on 31 March 1991 which is shown in *Appendix-XXX*. Since the investments in plantation capitalised under Fixed assets has to be added to the actual loss of Rs.481.86 lakh as the same are not available to the Company now, the total accumulated losses of the Company thus stood at Rs.1218.02 lakh as on 31/3/1992.

It was seen that the Company had acquired other Fixed assets worth Rs.3.37 lakh other than the investments in plantation stated earlier. To an audit query the Department stated (January 1998) that Fixed Assets on winding up of the Company were 382 items of furniture, 1 gypsy (hard top), 5 numbers of jeep, 3 numbers of motor cycle and 27 buildings. It was stated that all these assets had been taken over by the Department of Horticulture. No valuation of these assets had, however, been made.

8.4.8 Liabilities

Based on the provisional accounts of the Company for the year 1990-91, the main liabilities of the Company as on 31 March 1991 which stood at Rs.1137.42 lakh are shown below:-

(a)	Equity Share	(Rs.)
	State Government:-	5,96,70,000
(b)	Bank term loan and outstanding interest	
(i)	Bank Term Loan (Principal)	3,52,01,500
(ii)	Outstanding interest payment	1,88,70,915
		<u>5,40,72,415</u>
	Total liability (a) + (b)	<u>11,37,42,415</u>

Since the accounts for the year 1991-92 were not prepared the further liabilities after 31 March 1991 could not be assessed. The Department stated (January 1998) that the liability of Rs. 540.72 lakh of the three banks was liquidated by the

Government of Nagaland by payment of Rs 522.35 lakh made on 31 March 1997 and 23 July 1997 in final settlement of the loans and interest accrued thereon. None of the hypothecated plantations and assets of the wound up company were available even partially to discharge this amount of Rs. 522.53 lakh paid to the banks. The further liability of Rs 569.70 lakh was taken over by the Department of Horticulture based on the orders of the Government of Nagaland. On this basis the Government of Nagaland has totally absorbed the bad loans and share capital liability of Rs 1,137.42 lakh of the wound up company. In violation of the Company's Act, 1956 no official liquidator was appointed for winding up of the Company.

8.4.9 Depreciation

A total amount of Rs.9.74 lakh as depreciation was charged to the profit and loss account of the Company during the period 1981-82 to 1990-91.

8.4.10 Earnings

As per provisional accounts, the Company earned a total revenue of Rs 7.08 lakh by sale of coffee during the period from 1983-84 to 1990-91. As per revised Project Report of 1983, the Company projected that gross income during 1991-92 would be Rs 327.50 lakh but the sale of coffee was only Rs 3.03 lakh which was 0.93 *per cent* of the projected income. This proved that the revised projections were unrealistic. This was confirmed by the Department who in their reply (January 1998) stated that the projections were based on data of the coffee growing areas of South India. Thus, the estimates were not based on reliable information. Further, the Department stated that the abandonment of projects due to wrong site selection and inadequate trained manpower contributed to this shortfall in sales.

8.4.11 Activities

The Company was set up to undertake the development and plantation of various types of cash crops but since its inception till date of winding up, only coffee plantation works were undertaken. Against 7190 acres targetted for coffee plantation, only 5336 acres were developed and planted at a total cost of Rs 1074.36 lakh. No reasons were on record to show why there was a shortfall in development and plantation of the remaining 3854 acres. Of the total area planted, 1066 acres containing 24 coffee plantations were abandoned during 31 March 1984 to June 1991 after a total expenditure of Rs 254.23 lakh (*Appendix-XXXI*) had been incurred on them. The reasons cited for their abandonment were severe winter condition in the hills, non-availability of shade trees and inferior seedlings. Scrutiny in audit showed that the location of the plantations in poor/fallow soil was the main reason for their abandonment, resulting in an infructuous expenditure of Rs.254.23 lakh. The Department, however, stated (January 1998) that before starting the plantations the areas were surveyed by the Coffee Board of India and officers of the Company but none of the survey reports could be produced to audit.

Of the 39 Nos. of plantations in an area of 4270 acres which continued to exist after abandonment of the 24 numbers, a total expenditure of Rs 820.13 lakh had been incurred on them till 31 March 1992. This expenditure has also become infructuous as no returns were got by the erstwhile Company. The Department further stated (January 1998) that all these 39 plantations had been handed over to the

landowners in April 1994 but no reasons were given as to why no recoveries were made from the landowners.

No detailed accounts and records in respect of each of the 63 projects undertaken was maintained to show year-wise expenditure. It was further seen that as per agreements with the individual land owners detailed account of loans sanctioned to them was to be maintained to effect recovery from them once their crops were started to be sold. No loanee-wise details were maintained. The Department while accepting the audit observations also admitted (January 1998) that since loanee-wise details were not maintained, all the loans amounting to Rs.352.02 lakh were irrecoverable. The low achievement, the Department stated (January 1998), was due to fund constraints because the banks refused to release the term loans due to abandonment of projects.

8.4.12 Winding up of the Corporation

A Board of Directors meeting was held on 5 June 1991 to discuss the improvement of the Company and the fate of its staff in the event of winding up of the Company. The Board of Directors could not decide on ways and means to improve the working of the Company as it was recorded that the State Government was under financial constraints and additional grants would not be forthcoming. In August 1991 the creation of the Horticulture Department from the erstwhile Agriculture Department, the winding up of the Company and absorption of its employees in the new Department was discussed by the Cabinet which approved the creation of the Horticulture Department with effect from 1 April 1992. Vide another meeting held on 16 November 1991, the Cabinet approved the winding up of the Company with effect from 1 April 1992.

The Board of Directors in its meeting held on 5 February 1992 concurred with the Cabinet decision of winding up of the Company with effect from 1 April 1992.

Based on the report and recommendation of High Power Committee set up in May 1993 to study the absorption of the 108 employees of the defunct Company, the Cabinet in its meeting held on 30 April 1994 finally approved the absorption of the 108 persons in the various departments of the State Government. However, till this decision of the Cabinet was taken the Horticulture Department paid Rs.80.20 lakh as pay and allowances of the 108 staff of the wound up Company from April 1992 to April 1994. There were no proposals or justification to show that these 108 staff were required by the Horticulture Department. They were taken on the rolls of the Department with no details of work to be performed by them. No records depicting the utilisation of their services during these 2 years could be produced to audit nor stated by the Horticulture Department. The expenditure of Rs.80.20 lakh was thus infructuous. The Department, while confirming the audit observation, stated (January 1998) that staff salary was paid on the orders of the Hon'ble High Court though no further developmental works were carried out.

The procedures laid down in the Companies Act 1956 was not followed by the management while winding up the activities of the Company. No application was made to the Court nor was an official liquidator appointed. The Director of the Horticulture Department who was in charge of the wound up Company has confirmed (January 1998) and further stated that Government was not aware of the procedures of winding up of the Company as per Companies Act, 1956.

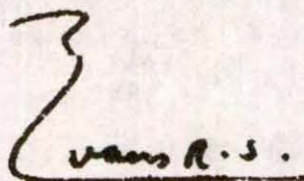
8.4.13 Advances outstanding adjustment

A sum of Rs.12.97 lakh being advances made by the Company to its employees/firms which included an amount of Rs.4.61 lakh with the Plantation Manager, Mokokchung was outstanding recovery as on 31 March 1991. In reply, the Department stated (January 1998) that Rs.3.40 lakh had been recovered and that necessary steps will be taken to recover the outstanding amount of Rs.9.57 lakh.

8.4.14 Conclusion

The amount of Rs.2,423.72 lakh sunk by the Government in the wound up Company proved most injudicious as this total amount was lost and no benefits accrued to it. The location and development of the coffee plantations was not undertaken scientifically and the objects for which the Company was set up were thus not achieved. The Government has taken on an additional liability of employing 108 employees of the wound up Company without proper justifications. The amount of Rs.80.20 lakh spent on these employees during April 1992 to April 1994 when no developmental work was performed by them was irregular.

8.4.15 The matter was reported to the Government and the Department in August 1997. The Department in its reply (January 1998) has accepted all the audit observations and where reservations exits the replies made by it have been included in the relevant paragraphs. Replies of the Government are awaited (January 1998).



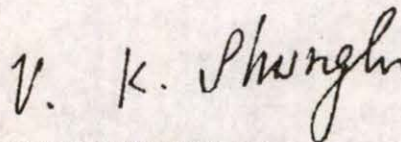
(E.R.SOLOMON)

Accountant General (Audit), Nagaland.

Kohima,
The

25 MAR 1998

COUNTERSIGNED



(V.K.SHUNGLU)

Comptroller and Auditor General of India

New Delhi,
The

3 APR 1998

2.4.13. *Conclusion*

The purpose of this investigation was to determine if the information provided by the subject was reliable and if the information was consistent with the information provided by the other sources. The information provided by the subject was reliable and consistent with the information provided by the other sources.

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APPENDICES

APPENDIX-I
Persistent non-reconciliation of Departmental expenditure
(Reference: Paragraph 2.2.9; page 40)

Serial number	Expenditure not reconciled during			Total	Grant number and name
	1994-95	1995-96	1996-97		
	(Rupees in crore)				
1.	2.29	0.66	2.21	5.16	17- State Lotteries
2.	25.33	30.24	34.14	89.71	18- Pensions and other Retirement Benefits
3.	0.93	1.03	0.19	2.15	21- Relief of distress caused by Natural Calamities
4.	5.85	12.22	10.76	28.83	52- Forest
5.	32.64	78.86	64.49	175.99	55- Power Projects
6.	50.10	69.53	52.79	172.42	58- Roads and Bridges
7.	1.17	2.93	4.40	8.50	61- Backward Area Development Programme, Special Employment Programme and Special Development Programme
8.	16.94	35.51	20.66	73.11	64- Housing
Total:-	135.25	230.98	189.64	555.87	

APPENDIX-II

Statement showing the details of power generation, purchase, sale and T&D losses during the period 1994-95 to 1996-97
(Reference: Paragraph 2.4.7; page 45)

Sl. No.	Particulars	Unit	1994-95	1995-96	1996-97	Total for 3 years
1.	Power generation during the year	MU	2.23	2.33	3.27	7.83
2.	Power purchased from other sources	MU	141.61	156.14	177.00	474.75
3.	Total	MU	143.84	158.47	180.27	482.58
4.	Power sold during the year	MU	99.56	109.09	127.99	336.64
5.	T&D losses	MU	44.28	49.38	52.28	145.94
6.	T&D losses at 20 per cent as adopted by the Department for Revenue targets	MU	28.77	31.69	36.05	96.51
7.	T&D losses (5-6) in excess of norms	MU	15.51	17.69	16.23	49.43
8.	Revenue loss due to excess T&D losses (Rupees in lakh)		204.74 (@ Rs.1.32 per KWh)	238.82 (@ Rs.1.35 per KWh)	324.60 (@ Rs.2.00 per KWh)	768.16

APPENDIX-III

Statement showing the details of progress of major schemes under Plan during 1994-95 to 1996-97
(Reference: Paragraph 2.4.8; page 46)

Sl. No.	Name of the Scheme	Estimated cost <u>Original</u> Revised	Year of commencement	Date of completion <u>Target</u> Revised	Physical target	Actual position upto March 1997 <u>Phy.</u> Finl.	Yearly target			Achievement		
							1994-95 <u>Phy.</u> Finl.	1995-96 <u>Phy.</u> Finl.	1996-97 <u>Phy.</u> Finl.	1994-95 <u>Phy.</u> Finl.	1995-96 <u>Phy.</u> Finl.	1996-97 <u>Phy.</u> Finl.
<u>GENERATION</u>												
1.	Likimro Hydro Electrical Project (SP)	3384.28 15600	1991-92	1994-95 1997-98	24MW	30 9321.00	16 1800.00	14 1600.00	14 1650.00	5 596.74	11 1327.45	12 1467.19
2.	Horangki HEP (SP)	600 907	1989-90	1992-93 N.A.	1.5MW	20 449.00	1 10.00	1 10.00	5 41.92	--- ---	1 10.00	5 41.92
3.	Tsutha Micro Hydel (SP)	304 575	1988	1991-92 N.A.	0.7 MW	80 485.00	15 50.00	12 40.00	29 96.53	--- ---	12 40.00	29 96.53
4.	Duilumroi HEP (SP/NEC)	N.A. N.A.	1993	N.A. N.A.	0.2 MW	N.A. N.A.	49 65.00	26 35.00	17 23.66	--- ---	30 41.47	17 23.66
							(SP-35) (NEC-30)					
<u>TRANSMISSION</u>												
1.	Kohima-Wokha-Doyang 132KV (S/C) NEC	718.79	1989-90	1993-94		70 459.23	15 108.61	15 108.61	2 12.87	--- ---	13 95.74	2 12.87
2.	132/33KV Sub-Station at Meluri (SP)	775.73	1991-92	1994-95	2X5 MVA	14 50.00	18 80.00	11 50.00	11 50.00	--- ---	10 45	11 50.00
3.	132/66 KV Sub-Station at Kiphire (SP)											
a)	Kohima-Kiphire-132KV	2350	1989-90	1993-94	151 KW	60 1538.17	13 345.00	6 150.00	2 50.00	--- ---	6 150	2 50.00
b)	Kiphire-Likimro-66KV											

(i) Phy. = Physical progress in percentage

(ii) Finl. = Financial progress in lakh of rupees

(iii) SP = State-Plan

(iv) NEC = North Eastern Council

APPENDIX-IV

Statement showing details of recommended rates and approved rates for procurement of transformers

(Reference: Paragraph 2.4.11; page 49)

Sl. No.	Ratings of transformer	Quantity (No.)	Rate (quoted price) recommended by CE (Rs.)	Rates (quoted price) approved by Government (Rs.)	Difference (Col. 5-4) (Rs.)	Total amount of extra liability (Rs.)
1.	2500 KVA/33/11 KV	2	8,02,000	9,88,800	1,86,800	3,73,600
2.	500KVA, 11/0.433 KV Copper Transformer 3 Phase	5	2,29,000	2,91,090	62,090	3,10,450
3.	250 KVA, 11/0.433 KV Alluminium wounds. 3 Phase	5	1,09,000	1,43,040	34,040	1,70,200
4.	100 KVA, 11/0.433 KV Alluminium wounds. 3 Phase	4	47,900	62,880	14,980	59,920
5.	63 KVA 11/0.433 KV Alluminium wounds. 3 Phase	6	35,980	47,360	11,380	68,280
6.	25 KVA 11/0.433 KV Alluminium wounds. 3 Phase	47	20,600	27,040	6,440	3,02,680
7.	63 KVA, 33/0.433 KV Alluminium wounds. 3 Phase	2	61,900	78,740	16,840	33,680
8.	25 KVA, 33/0.433 KV Alluminium wounds. 3 Phase	5	34,000	44,640	10,640	53,200
						13,72,010

APPENDIX-V

Statement showing details of purchase of stores made by EE (E), Store Division during 1994-95 to 1996-97

(Reference: Paragraph 2.4.12; page 49)

Sl. No.	Supply order No. & date	Name of articles	Quantity	Rate (Rs.)	Amount (Rs.)	Bill No. & date	Charged to
1.	ESD/TB- 2/94-95/912- 15 dt. 29.9.94	Nylon truck tyre 900x20.16 ply with tube & flaps MRF/Modi etc.	5	8845 (each)	44,225 NST 8% 3,538 47,763	104 dt. 10.3.95	Stock & storage
2.	ESD/TB- 2/94-95/266- 69 dt. 16.6.94	-do-	5	8845 (each)	44,225 NST 8% 3,538 47,763	203 dt. 10.3.95	-do-
3.	ESD/TB- 2/94-95/270- 73 dt. 16.6.94	-do-	5	8845 (each)	44,225 NST 8% 3,538 47,763	202 dt. 10.3.95	-do-
4.	ESD/TB- 2/Pt.13/94- 95/1388-91 dt. 20.12.94	Solar street light fitting 12 volt DC 2- ft. 20 watt. complete	20 (sets)	3156 (set)	63,120 NST 12% 7,574 70,694	211 dt. 10.3.95	-do-
5.	ESD/TB- 2/Pt.13/94- 95/904-7 dt. 29.9.94	Nylon truck tyre 900x20.16 ply with tube & flaps MRF/Modi etc.	5	8845 (each)	44,225 NST 8% 3,538 47,763	8 dt. 25.9.95	-do-
6.	ESD/TB- 2/Pt.13/94- 95/908-11 dt. 29.9.94	-do-	5	8845 (each)	44,225 NST 8% 3,538 47,763	9 dt. 25.9.95	-do-
7.	ESD/TB- 2/Pt.13/94- 95/788-92 dt. 16.9.95	Bus Nylon tyre 750x20x12 with tube & flaps	7	8015 (each)	56,105	13 dt. 28.9.95	-do-
8.	ESD/TB- 2/Pt.13/94- 95/753-57(a) dt. 13.9.95	Repair of transformer oil filter machine	--	--	49,650	18 dt. 27.11.95	-do-
Total:-					4,15,264		

APPENDIX-VI

Statement showing the outstanding medical advances for treatment outside the State
(Reference: Paragraph 2.4.13; page 49)

Sl. No.	Name of Government servant and designation	Reference to Government sanction No. & date	Amount (Rs.)	Date of Payment	Present position of Final bill as stated by EE. Dimapur/CE. Power
1.	Shri Trilong Sangtam, SO (E) Dimapur Electrical Division	EL/Est/21/85 (Pt) dt. 8.7.94	30,000	17.8.94	Final bill submitted to CE. Power on 19.8.95
2.	Shri Nyimsemo Lotha, R/ALM Dimapur Electrical Division	EL/Est/21/85 (Pt) dt. 22.9.94	20,000	7.10.94	-do- dt. 7.12.94
3.	Shri Limasanem AO, ALM Dimapur Electrical Division	EL/Est/21/85 (Pt) 30.9.94	20,000	7.10.94	-do- dt.6.11.94
4.	Smt. Akala, B/Asstt. Dimapur Electrical Division	EL/Est/21/85 (Pt) dt. 14.11.95	30,000	16.11.95	Final bill not submitted
5.	Smt. P.Devi, Sr. DA CE, Power	Power/Med/ 15/95(Pt) dt. 26.2.97	75,000	7.3.97	-do-

APPENDIX-VII

Statement showing the details of Inspection Reports where first replies not furnished
(Reference: Paragraph 2.4.14(d); page 50)

Sl. No.	Name of the Division	Period of account of Inspection Reports		Inspection Reports sent in	Last reminder issued in
		From	To		
1.	Hydel Investigation Division, Kohima	i) February 1995 ii) November 1990	September 1989 October 1993	June 1990 March 1994	June 1994
2.	Hydro Electrical Division, Kohima	i) October 1987 ii) September 1991	September 1989 March 1995	March 1990 October 1995	June 1994 ---
3.	Zunheboto Electrical Division	September 1991	July 1995	January 1996	---
4.	Phek Electrical Division	June 1989	April 1996	August 1996	---
5.	Mokokchung Electrical Division	i) May 1985 ii) November 1991	July 1988 August 1995	December 1989 January 1996	March 1994 ---
6.	Dimapur Electrical Division	September 1983	June 1985	April 1986	November 1995
7.	SE Dimapur Circle	June 1979	October 1991	February 1992	May 1993
8.	Tuensang Electrical Division	i) August 1988 ii) September 1991	August 1991 April 1995	March 1992 November 1995	--- ---
9.	Changtongia Electrical Division	i) December 1981 ii) May 1985 iii) December 1990	April 1985 November 1990 February 1992	December 1986 September 1991 October 1992	March 1994 March 1994 March 1994
10.	CE. Power, Kohima	i) August 1990 ii) August 1993	July 1993 May 1995	January 1994 November 1995	October 1995 ---
Total:-		17			

APPENDIX-VIII

Statement showing the details of delay in submission of pension cases from field units to CE and CE to AG
(Reference: Paragraph 2.4.14(e); page 50)

Name of the Division	Name of the incumbent	Date of superannuation/ voluntary/ Invalid/Family pension	Date of submission to CE (Power)	Date of submission to AG by CE	Delay in submission		Reference of PPO No. and date of settlement by AG
					From Col.3 to Col.4 (month)	From Col.4 to Col.5 (month)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
EE (Trans) Mokokchung	Late Lanu Sosang Ao. ALM	6-6-94 (F/Pension)	21-7-94	7-11-94	---	3	N.A.
EE (E) Store, Dimapur	Late Hoshili Sema. LDA	21-8-94 (F/Pension)	10-6-95	11-8-95	9	2	NL/SF/2936
EE (E) Dimapur	Sri Bochan Mishra. ALM	18-9-94 (F/Pension)	18-6-96	10-7-96	21	---	NL/SF/3175
EE (Hydro) Kohima	Shri Moa Chang V/Driver	20-10-94 (F/Pension)	28-9-95	16-10-95	11	---	NL/SF/2962
EE (E) Changtongia	Sri Tepdak Mayang Ao. ALM	31-10-94 (V/Pension)	12-5-95	6-6-95	6	---	N.A.
EE (E) Tuensang	Shri D.N.Bor Thakur	31-5-94 (S/Pension)	6-12-95	28-2-96	17	2	S/NL/1041 dt. 14-1-97
EE (E) Changtongia	Late Imtidong. ALM	26-7-94 (F/Pension)	13-2-95	2-5-96	5	2	NL/D/SF/373
EE (E) Changtongia	Shri B.Kalita. V/Driver	31-1-95 (S/Pension)	---	10-1-96	---	---	S/NL/3658 dt. 2-4-96
EE (E) Tuensang	Late Mongba Chang Peon	23-1-95 (F/Pension)	30-8-96	29-1-97	18	4	N.A.
EE (E) Wokha	Late Khumtsa A/Lineman	27-2-95 (F/Pension)	16-12-95	2-2-96	9	---	N.A.
EE (E) Wokha	Shri Tomba Singh. V/Driver	31-3-95 (I/Pension)	7-9-95	23-11-95	5	2	I/NL/232 dt. 23-11-95
EE (E) Tuensang	Shri Maken Sashi Jamir. H/A	31-5-95 (S/Pension)	11-12-95	6-2-96	6	---	N.A.
EE (E) Kohima	Smt. P.Nitoli. UDA	24-6-95 (F/Pension)	17-12-95	18-1-96	5	---	N.A.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
EE (E) Zunheboto	Late N.C.Chetri, SO(E)	21-7-95 (F/Pension)	3-5-96	10-6-96	8	---	N.A.
EE (E) Mokokchung	Late Chubakum Ao, ALM	8-8-95 (F/Pension)	29-3-96	16-4-96	6	---	N.A.
EE (E) Mokokchung	Late Bhaben Chetia, Jugali	19-8-95 (F/Pension)	6-3-96	22-4-96	6	---	F/NL/120 dt. 21-5-96
EE (E) Kohima	Late Khrielie Angami, Lineman	14-9-95 (F/Pension)	24-7-96	8-8-96	8	---	NL/SF/3227
EE (E) (Hydro) Likimro	Shri Shanti Ranjan Sharma, Fitter Gr.I	31-5-95 (V/Pension)	9-11-96	1-12-96	5	---	V/NL/934-6
EE (E) (Hydro) Likimro	Shri Sadhya, Welder Gr.I	1-7-96 (V/Pension)	20-12-96	11-2-97	5	---	V/NL/7383
EE (E) Mokokchung	Shri R.R.Deb, Electrician	30-9-95 (V/Pension)	27-2-96	14-3-96	4	---	V/NL/26-27 dt. 10.5.96
EE (E) Mokokchung	Smt. Nelem Jamir, DNA	30-6-95 (V/Pension)	2-12-95	19-2-96	5	---	N.A.
EE (E) Phek	Late Lonyichu, Chowkidar	4-11-95 (F/Pension)	19-6-96	19-6-96	6	---	NL/SF/3185
EE (E) (Transmission) Dimapur	Shri U.C.Baruah, Supervisor	1-11-95 (S/Pension)	18-3-96	19-4-96	3	---	N.A.
EE (E) Changtongia	Late P.Chubala, Bill Asstt.	24-10-95 (F/Pension)	14-8-96	8-10-96	9	1	N.A.
EE (E) Tuensang	Late P.Allen Chang, LDA	13-12-95 (F/Pension)	26-8-96	3-10-96	7	1	N.A.
EE (E) Dimapur	Shri Yarnungsang Ao, E/Driver	31-12-95 (S/Pension)	11-6-96	10-9-96	4	2	S/NL/7/88
EE (E) Zunheboto	Late Vinito R/Jugali	30-1-96 (F/Pension)	27-8-96	10-12-96	5	3	N.A.
EE (E) Changtongia	Shri Mongsen Lopshi, ALM	1-2-96 (S/Pension)	22-9-96	10-12-96	7	2	S/NL/7348
EE (E) Zunheboto	Late Hevukhu Sumi, Jugali	16-2-96 (F/Pension)	1-12-96	24-4-97	9	3	N.A.
EE (E) Mon	M.Ali Ao, Lineman	18-2-96 (F/Pension)	4-9-96	15-10-96	6	---	N.A.
EE (E) Dimapur	Late Arjun Das Purkayastha, Welder, Gr.I	10-3-96 (F/Pension)	26-8-96	19-9-96	4	---	N.A.

APPENDIX-IX

Statement showing the details of Store materials issued during 1994-95 to 1996-97
(upto February 1997)

(Reference: Paragraph 2.4.18; page 53)

Sl. No.	Name of the Division to whom store materials issued	Outstanding value of store materials against the Division as on 31-3-94 (Rupees in lakh)	Total value of store materials issued to Division and charged to MPWA during 94-95 to 96-97		Total amount outstanding against the indenting Division upto 2/97 (Rupees in lakh)
			Dr. in MPWA	Cr. In MPWA	
1.	Dimapur Electrical Division	229.76	132.57	---	362.33
2.	Kohima Electrical Division	336.41	110.68	---	447.09
3.	Mokokchung Electrical Division	51.14	51.67	---	102.81
4.	Changtongia Electrical Division	16.77	28.64	---	45.41
5.	Tuensang Electrical Division	57.15	55.54	---	112.69
6.	Dimapur Transmission Division	169.96	40.33	---	211.29
7.	Wokha Electrical Division	16.12	23.55	---	39.67
8.	Likinro Civil Construction Kohima	219.00	13.69	---	232.69
9.	Zunheboto Electrical Division	(-) 5.92	32.30	---	26.38
10.	Phok Electrical Division	36.85	48.99	---	85.84
11.	Mon Electrical Division	108.23	19.96	---	128.19
12.	Mokokchung Transmission Division	37.30	4.39	---	41.69
13.	Hydel Investigation Division Kohima	47.83	2.17	---	50.00
14.	Hydro Electrical Division Kohima	(-) 48.89	1.26	---	47.63
15.	Likinro Electrical Division Camp-Kohima	---	18.12	---	18.12
Total:-		1271.71	584.86		1856.57

APPENDIX - X
Statement showing percentage of excess over final grants
(Reference: Paragraph 2.5.1; page 55)

Serial number	Name of Grant/Major head and sub-head	Percentage of excess over final grants			
		1992-93	1993-94	1994-95	1995-96
(1)	(2)	(3)	(4)	(5)	(6)
A. Agriculture					
Revenue Section (Voted)					
1.	48- Agriculture 2401-B. Crop Husbandry				
(a)	001(1) Direction	81	---	4	10
(b)	001(2)- Subordinate establishment	15	245	4	100
(c)	103(6)- Aghunato Seed Farm	---	---	100	---
(d)	103(7)- Establishment of Community Nursery	---	---	3134	821
(e)	108(1)- Sugarcane Development	18	---	---	93
(f)	108(5)- AIRDP (CSS)	---	---	---	1200
(g)	108(7)- Development of Betel Vine	---	---	---	5703
(h)	108(9)- NPDP (CSS)	---	37	---	---
(i)	109(1)- Farmer's training	---	---	30	---
(j)	113(1)- Superintendence	57	19	144	49
(k)	113(2)- Land Reclamation	---	56	26	78
(l)	119(1)- Baghty Fruit Nursery	---	---	---	1908
(m)	119(2)- Naginimora Garden	---	---	---	180
(n)	119(3)- Namisa Demonstration Garden	---	---	---	808
(o)	119(9)- Namisa Demonstration Garden	3706	12828	1765	---
(p)	800(1)- Building maintenance	53	230	---	140
(q)	800(2)- Agriculture Link Road	139	1025	---	---
(r)	800(7)- High Yielding Variety Programme	40	221	128	1830
	2415- Agriculture Research and Education				
(s)	004(1)- Research Chemistry Laboratory	---	167	100	150
(t)	004(2)- Sugarcane Research Station	---	329	197	45
(u)	004(3)- Plant Protection	---	---	---	98
(v)	004(5)- State Agriculture Research Farm, Yisemyong	117	398	255	---
(w)	004(7)- Research Sub station, Wokha	---	---	---	660
(x)	277(1)- IETC	71	33	23	107
	2552- North Eastern Areas				
(y)	109- Extension & Training, Scholarship and Stipends	---	55	1795	---
Total provisions under Revenue (Rupees in crore)		9.32	10.34	12.12	13.32
Total expenditure (Rupees in crore)		6.79	12.70	12.62	20.88
Total excess (Rupees in crore)		---	2.36	0.50	7.56

(1)	(2)	(3)	(4)	(5)	(6)
2. B. Servicing of Debt (Grant No.72 to 74)					
Revenue Section					
2049- Interest Payment					
01- Interest on Internal Debt					
101- Interest on market loan	3	---	---	---	---
305- Management of Debt	---	---	---	---	188
03- Interest on Small Savings					
104- Interest on State PFs	---	---	---	---	30
04- Interest on Loans & Advances from Central Government					
101- Interest on loans for State Plan Scheme	---	---	---	---	24
102- Interest on loans for Central Plan Schemes	---	---	440	---	353
103- Interest on loans for Centrally Sponsored Plan Schemes	---	8	---	---	---
104- Interest on loans for Non-Plan Schemes	---	306	---	---	---
104(2)- Other Non-Plan Schemes	---	---	3630	---	3420
105- Interest on loans for Special Schemes	100	100	13	---	---
106- Interest on Ways & Means Advances	100	---	---	---	---
107- Interest on pre 1984-85 loans	100	---	---	---	---
107(2)- 15 years consolidated loans	---	34	---	---	---
107(3)- Interest on Small Savings Loans	---	---	100	---	---
Capital Section					
6003- Internal Debt of the State Government					
101- Market loans					
101(2)- Market loans not bearing interest	100	47636	---	---	---
103- Loans from LIC of India	---	31	22	---	5
104- Loans from GIC of India	43	---	---	---	---
108- Loans from NCDC	13	146	13	---	50
109- Loans from other Institutions					
109(1)- R.E.C.	45	100	---	---	---
109(4)- Loans from UTI	---	---	100	---	---
109(7)- Loans from NIC	---	---	100	---	---
110- Ways and Means Advances from RBI	757	8	83	---	---
6004- Loans and Advances from Central Government					
01- Non-Plan Loans					
102- Share of Small Savings Collection	---	---	---	---	256
201- House Building Advance	100	100	100	---	100
02- Loans for State Plan Scheme					
101- Block Loans	---	---	---	---	20
03- Loans for Central Plan Scheme					
800- Other Loans	100	100	100	---	100

(1)	(2)	(3)	(4)	(5)	(6)
	04- Loans for Centrally Sponsored Plan Schemes				
	800- Other Loans	---	13	---	---
	05- Loans for Special Schemes				
	101- Schemes of North Eastern Council (NEC)	---	38	108	24
	06- Ways and Means Advances				
	800- Other Ways & Means Advances	13	---	---	---
	101- Ways and Means Advances for Plan Schemes	---	11	---	---
	07- Pre- 1984-85 loans				
	108- 1979-84 Consolidated loans	7322	---	---	---
	105- Small savings loans	---	100	100	100
	Total provisions under Revenue and Capital (Rupees in crore)	303.50	285.79	194.08	170.00
	Total expenditure (Rupees in crore)	652.00	300.30	249.59	123.47
	Total excess (Rupees in crore)	348.50	14.51	55.51	---
3.	C. Police Engineering Project (PEP) (Grant No.68)				
	Revenue Section				
	2055- Police				
	001- Direction & Administration				
	001(2)- Police Engineering	---	94	71	10
	Capital Section				
	4216- Capital outlay on Housing				
	101- Police Housing	12	47	---	---
	Total provisions under Revenue and Capital (Rupees in crore)	10.34	5.02	2.31 (Revenue only)	4.19 (Revenue only)
	Total expenditure (Rupees in crore)	4.30	7.12	3.95 (Revenue only)	4.63 (Revenue only)
	Total excess (Rupees in crore)	---	2.10	1.64 (Revenue only)	0.43 (Revenue only)

APPENDIX - XI

Statement showing fraudulent drawal of pension and ORB during January 1995 to March 1997

(Reference: Paragraph 3.5; page 83)

Sl.No.	Name of Treasuries	Pension (Rs.)	DCRG (Rs.)	Commuted value (Rs.)	Double drawal of pensionn (Rs.)	Excess payment (Rs.)	Total (Rs.)
1.	Kohima (North)	2,14,230 (6)	9,29,829 (24)	12,69,827 (26)	61,674 (1)		24,45,560 (57)
2.	Kohima (South)	2,27,634 (8)	10,81,000 (24)	12,10,652 (22)			25,19,286 (54)
3.	Dimapur	53,730 (2)	1,22,522 (4)	1,23,191 (3)		28,614 (1)	3,28,057 (10)
4.	Phck		3,50,048 (8)	4,33,849 (8)			7,83,897 (16)
5.	Pfutsero Sub		2,17,548 (5)	2,70,607 (5)			4,88,155 (10)
6.	Zunheboto	13,27,642 (31)	16,26,804 (37)	19,79,851 (37)	33,064 (1)		49,67,361 (106)
7.	Wokha	3,90,316 (10)	6,10,990 (12)	6,88,705 (12)		3,72,420 (7)	20,62,431 (41)
8.	Mokokchung		12,18,007 (15)	14,58,368 (15)			26,76,375 (30)
9.	Tuensang	2,44,910 (8)	5,68,516 (14)	6,92,090 (14)			15,05,516 (36)
10.	Mon	36,251 (2)	10,94,047 (25)	13,79,061 (25)			25,09,359 (52)
Total:-		24,94,713 (67)	78,19,311 (168)	95,06,201 (167)	64,738 (2)	4,01,034 (8)	2,02,85,997 (412)

Figures in brackets indicate number of cases.

APPENDIX-XII

Statement showing physical targets and achievements of the various components of NPDP & IDCP-R

(Reference: Paragraph 3.7.7; page 90)

Sl. No.	Component	Target (T) Achievement (A)	1992-93	1993-94	1994-95	1995-96	1996-97	Total
(a) NPDP								
1.	Distribution of Minikits (Nos.)	T A	1328 1000	1600 1600	6400 NIL	6000 6400	6400 6400	22128 15000
2.	Block Demonstration (Hectare)	T A	125 100	191 190	455 NIL	455 400	455 450	1681 1140
3.	Distribution of Rhizobium Culture (Hectare)	T A	1133 NIL	1333 NIL	2000 NIL	2000 2000	2000 2000	8466 4000
4.	Phenomone Trap (Hac)	T A	NIL NIL	NIL NIL	100 NIL	100 100	100 100	300 200
5.	Integrated Pest Management Demonstration (Nos.)	T A	NIL NIL	NIL NIL	67 NIL	67 67	67 67	201 134
6.	Supply of Farm Implements (Nos.)	T A	NIL NIL	NIL NIL	67 NIL	67 67	67 67	201 134
7.	Plant Protection chemicals	T A	NIL NIL	NIL NIL	NIL NIL	NIL NIL	NIL NIL	NIL NIL
(b) IDCP-R								
1.	Distribution of seeds (qtls.)	T A	1320 320.50	2500 132	1500 1500	2500 2000	1800 1800	9620 5720.50
2.	Supply of Plan Protection equipment (Nos.)	T A	3000 450	2200 545	NIL NIL	NIL NIL	NIL NIL	5200 995
3.	Supply of Farm Implements (Nos.)	T A	1000 NIL	400 16	500 500	400 400	280 280	2580 1196
4.	Power Tillers (Nos.)	T A	50 NIL	50 20	NIL NIL	NIL NIL	70 70	170 90
5.	Field Demonstration Production Tech. (Acres)	T A	2 6	20 NIL	60 140	60 60	120 120	262 326
6.	Field Demonstration IPM (Nos.)	T A	NIL NIL	NIL NIL	60 NIL	60 50	120 120	240 170
7.	Farmers Training (No. of Farmers)	T A	200 200	100 100	2400 2400	2400 2400	2400 2400	7500 7500
8.	Award to Gram Panchayat (Nos.)	T A	NIL NIL	NIL NIL	28 28	28 28	12 12	68 68
9.	Supply of Sprinkler sets (Nos.)	T A	NIL NIL	NIL NIL	NIL NIL	7 7	10 10	17 17
10.	Herbicides (Kg./Ltrs.)	T A	NIL NIL	1500 NIL	NIL NIL	NIL NIL	NIL NIL	1500 NIL
11.	Pesticides (Kg. Ltrs.)	T A	NIL NIL	5500 50	NIL NIL	NIL NIL	NIL NIL	5500 50

APPENDIX-XIII

**Statement showing expenditure made on purchase of seeds under NPDP & ICDP-R
(Reference: Paragraph 3.7.8; page 93)**

Name of the Scheme	Source of purchase	Crop	Quantity purchased (In qtls.)	Value (Rupees in lakh)
NPDP	NSC	Peas	308.10	4.82
		Lentil	8.00	.12
		Gram	54.00	.86
			370.10	5.80
	Private suppliers	Peas	346.00	10.00
		Lentil	100.00	2.91
		Gram	100.00	2.20
		Moong	191.00	5.62
		Arhar	167.50	5.05
		Cow Pea	56.00	1.14
		Black gram	10.00	.43
		970.50	27.35	
		1340.60	33.15	
ICDP-R	NSC	Paddy	196.50	1.45
			196.50	1.45
	Private suppliers	Paddy, Wheat and Maize	1342.00	14.98
			1342.00	14.98
			1538.50	16.43
Grand Total:	N.S.C.		566.60	7.25
Grand Total:	Private suppliers		2312.50	42.33
Grand Total:	NSC and Private suppliers		2879.10	49.58

APPENDIX-XIV
Statement showing the non-production of records.
(Reference: Paragraph 3.10.8; page 113)

Name of officer	Information/Documents not produced
(a) ACE. PHED (for the Department as a whole)	<div data-bbox="681 357 1398 1043"> <ul style="list-style-type: none"> (i) Year-wise expenditure on WC staff and No. of employees entertained during 1990-91 and 1991-92. (ii) Adjustment of WC salaries/wages on plan and non-plan works as well as on stock and storage. (iii) Details of employees retrenched as per Government order of July 1990 and those subsequently reinstated as per departmental order of September 1990. (iv) Fresh appointments with authority of WC staff between August 1990 and March 1997 and expenditure incurred thereon. (v) Consolidated budget proposals and allied records sent to Government for sanction, allotment of funds and Division-wise release of LOC from 1990-91 to 1996-97. (vi) Division-wise sanctioned strength of WC staff for the years from 1990-91 to 1996-97. (vii) Consolidated position (with year-wise and Division-wise break-up) of regular employees entertained for running and maintenance of water supply scheme from 1990-91 to 1996-97. </div>
(b) EE. PHE. Kohima	<div data-bbox="681 1047 1398 1496"> <ul style="list-style-type: none"> (i) Incumbency list of all WC employees for the period from 1990-91 to 1996-97. (ii) Appointment orders and date against each employee. (iii) Green Card opened and card No. assigned to individual employees. (iv) Salaries and wages of each employee paid from time to time. (v) Staff retrenched/reappointed and appointed afresh after 1.8.90 to 31.3.97. (vi) Pay bills, imprest vouchers and APRs in support of drawal of money and disbursement of salaries and WC staff for the period from 1992-93 to 1996-97. </div>

APPENDIX-XV

Statement showing the targets and achievements under Rural water supply during VIIIth Plan period
(Reference: Paragraph 4.1.7.2(b); page 137)

Period	No. of villages targetted					No. of villages completed					Population covered		No. of Projects completed	
	ARWSP (CSS)		MNP (State)		Total	ARWSP		MNP		Total	NC to FC	PC to FC		
	NC	PC	NC	PC		NC	PC	NC	PC					
Annual Plans														
1990-91	N.A.	N.A.	N.A.	N.A.	114	--	113	--	70	183	**	--	95,141	
1991-92	N.A.	N.A.	N.A.	N.A.	107	2	27	1	34	64		1,201	51,191	
VIIIth Plan	N.A.	N.A.	N.A.	N.A.										
1992-93	N.A.	N.A.	N.A.	N.A.	54	8	19	--	22	49		2,076	25,186	
1993-94	N.A.	N.A.	N.A.	N.A.	141	1	19	--	45	65		426	68,344	
1994-95	N.A.	N.A.	N.A.	N.A.	60	--	--	--	--	--		--	--	
1995-96	N.A.	N.A.	N.A.	N.A.	66	--	30	4	25	59		1,764	75,899	
1996-97	N.A.	N.A.	N.A.	N.A.	75					Not yet available				
Total:-					617	11	208	5	196	420		5,467	3,15,761	288

N.C. Not covered
P.C. Partially covered
F.C. Fully covered
N.A. Not available

** This over achievement was due to spill over and works not included in the Action Plan.

APPENDIX-XVI
Statement showing the excess over estimated cost
(Reference: Paragraph 4.1.7.2(c); page 139)

VIIth Plan

Name of Division	Sl.No.	Name of scheme taken up	Estimated cost	Actual expenditure	Excess over estimated cost	Percent age of completion	Targetted year of completion		Completed during	Time overrun (in years)
							Original	Revised		
KOHIMA	1.	Providing of water supply to Keyuke	5.97	6.55	0.58	98	1989-90	1992-93	In progress	--
	2.	-do- Veterinary 'C'	3.78	3.86	0.08	100	-do-	-do-	1995-96	7
	3.	Augmentation of water supply at Shikhazou M.E.School	3.00	3.93	0.93	100	-do-	-do-	-do-	6
	4.	-do- Sandenyu M.E. School	1.52	1.98	0.46	100	-do-	-do-	-do-	6
	5.	-do- St.Paul School. Zakhama	7.50	8.18	0.68	90	-do-	-do-	In progress	7
	6.	-do- Tseminyu 'B'	11.58	14.50	2.92	100	-do-	-do-	1995-96	6
Total:-			33.35	39.00	5.65					
DIMAPUR STORE	1.	Providing water supply to Saijang	5.46	6.98	1.52	100	1989-90	1992-93	1995-96	6
	2.	Augmentation of water supply at Nzau village.	3.30	4.31	1.01	100	-do-	-do-	1993-94	4
	3.	-do- Tenning old village	4.17	5.22	1.05	100	-do-	-do-	-do-	4
	4.	-do- Lebenphai village	6.00	6.70	0.70	100	-do-	-do-	1995-96	6
	5.	-do- Kendung village	4.67	5.41	0.74	100	-do-	-do-	-do-	6
	6.	-do- Khatkhathi ABC village	31.70	36.51	4.81	100	-do-	-do-	-do-	6
	7.	-do- Medziphema village	17.23	18.45	1.22	100	-do-	-do-	-do-	6
	8.	-do- Sirhima Kuki village	4.92	5.48	0.56	100	-do-	-do-	1993-94	4
	9.	-do- Nsong village	3.50	5.21	1.71	100	-do-	-do-	1995-96	6
	10.	-do- Khamakhori village	3.11	3.48	0.37	100	-do-	-do-	1993-94	4
	11.	-do- Tsema village	4.21	7.22	3.01	100	-do-	-do-	1995-96	6
	12.	-do- Jaluki 'B' village	17.00	19.63	2.63	100	-do-	-do-	1993-94	4
	13.	-do- Dhansiri Village	15.35	19.06	3.71	100	-do-	-do-	1995-96	6
	14.	-do- Signal 'W' village	14.81	18.76	3.95	100	-do-	-do-	1994-95	5
	15.	-do- New Ngulang village	3.18	3.47	0.29	100	-do-	-do-	-do-	5
Total:-			138.61	165.89	27.28					

VIIth Plan

Name of Division	Sl.No.	Name of scheme taken up	Estimated cost	Actual expenditure	Excess over estimated cost	Percent age of completion	Targetted year of completion		Compl eted during	Time overrun (in years)
							Original	Revised		
DIMAPUR WORKING DIVISION	1.	Augmentation of water supply to Kervishe & surrounding	9.87	10.93	1.06	20	1989-90	1992-93	In progress	
	2.	Providing of water supply to Khotovi and others	5.72	5.94	0.22	100	-do-	-do-	1995-96	6
	3.	Augmentation of water supply to Ghotovi village	5.00	15.97	10.97	30	-do-	-do-	In progress	7
	4.	Providing of water supply to Bamun Pukhuri	8.27	8.43	0.16	10	-do-	-do-	-do-	7
	5.	-do-Nagarjan	12.33	12.49	0.16	100	-do-	-do-	1996-97	7
	Total:-		41.19	58.76	12.57					
MON	1.	Providing water supply to Bazarang 'C'	6.28	10.53	4.25	Abandoned	1989-90	---	Abandoned	
	2.	-do- Longmeing village	11.36	15.75	4.39					
	3.	-do- Sangsa (old) village	6.83	10.68	3.85					
	4.	-do- Handa village	5.52	6.25	0.73					
	5.	-do- Longlem N/Khel village	6.06	7.10	1.04					
	Total:-		36.05	50.31	14.26					
WOKHA	1.	Providing water supply to Serika 'B'	4.19	4.73	0.54	100	1989-90	1992-93	1995-96	6
	2.	-do- Aghoikito village	4.17	4.69	0.52	100	-do-	-do-	-do-	6
	3.	-do- Akukland village	3.71	4.93	1.22	100	-do-	-do-	-do-	6
	4.	-do- Amboto village	5.06	6.54	1.48	100	-do-	-do-	-do-	6
	5.	-do- Nizapeto village	8.75	8.82	0.07	100	-do-	-do-	-do-	6
	6.	-do- Lishuyu village	5.76	7.41	1.65	100	-do-	-do-	-do-	6
	7.	-do- Bhandari village	11.61	14.88	3.27	100	-do-	-do-	-do-	6
	Total:-		43.25	52.00	8.75					
Grand Total:-		292.45	360.96	68.51						
VIIth Plan										
Wokha	1.	Providing water supply to Lotha Middle Range	119.77	153.06	33.29	Abandoned	1984-85	---	---	12
Total: Vith + VIIth Plan		39	412.22	514.02	101.80					
Plan										

APPENDIX - XVII
Statement showing expenditure incurred on abandoned schemes
(Reference: Paragraph 4.1.7(e)(ii); page 140)

Kohima district		Estimated cost (Rupees in lakh)	Expenditure
(a)	Kohima Division		
1.	Providing water supply to John High School, Viswema	2.10	1.49
2.	-do- Joseph High School, Jakhama	5.65	3.24
(b)	Dimapur Working Division		
3.	Providing water supply to Maikham and Daragapur	3.40	1.23
4.	-do- Seithekima 'C'	8.60	7.37
5.	-do- Pimla and Zutovi	27.54	25.28
(c)	Mon district		
	Mon Division		
6.	Providing water supply to Bajrang colony	6.28	10.53
7.	-do- Longmeing village	11.36	15.75
8.	-do- Old Sangsa	6.83	10.68
9.	-do- Longlum 'N' Khei	6.06	7.10
10.	-do- Handa	5.52	6.25
Total:-		83.34	88.92

APPENDIX-XVIII

Statement showing overall stock holding of PHE Divisions of Nagaland (Reference: Paragraph 4.1.8.1(a); page 141)

Year	Reseve Stock Limit	Opening Balance	Debit (+)	Credit (-)	Closing Balance		Excess holding (with reference to Department)
					As per A/cs Debit	As per Department	
(Rupees in lakh)							
1990-91	90.00	1,027.17	385.10	481.63	930.64	989.07	899.07
1991-92	90.00	930.64	947.30	743.30	1,134.64	1,457.97	1,367.97
1992-93	90.00	1,134.64	733.01	142.40	1,725.25	1,589.34	1,499.34
1993-94	90.00	1,725.25	532.81	720.80	1,537.26	2,353.60	2,263.60
1994-95	90.00	1,537.26	375.35	127.18	1,785.43	3,059.77	2,969.77
1995-96	90.00	1,785.43	629.20	927.00	1,487.63	2,269.81	2,179.81
1996-97	90.00	1,487.63	5,075.81	3,841.56	1,029.53 *	1,803.71 *	1,713.71

* Difference in closing balance between the Departmental figure and those reflected in accounts are under reconciliation by the AG (A&E) office.

APPENDIX - XIX

Statement showing incurring of extra expenditure due to erroneous fixation of procurement rates and payment of additional charges.

(Reference: Paragraph 4.1.8.2(a); page 143)

Year	Mode of approval	Period of supply order	Suppliers	Materials & quantity		Cost at supply order rate	Cost at lowest quoted rate	Extra expenditure	Price escalation	Additional payments		Total
				GI pipe (metres)	PS tanks (Nos.)					Excise Duty, CST & Carriage	NST(k)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(14)
1990-91 & 1991-92	On call of tenders in 1990-91	March 1991 to July 1992	2(a)	4,93,010	N.A.	415.92	376.83(b)	39.09	83.01(c) (20% of basic cost)	44.79	---	166.89
1992-93 (d) & 1993-94	Approved rates of 1990-91 adopted with 20% price escalation	August 1993 to October 1993	32	5,25,880	N.A.	381.78	337.60(c)	44.18(c)	---	---	---	44.18
1994-95(f) & 1995-96 & 1996-97	Shown on the basis of call of tenders but documents not available (h)	August 1995 to March 1997	16(g)	16,74,642	1230	1,950.19	---	417.63 (i) 62.20 (j) 479.83	---	460.90	156.01	1,096.74
Total 1990-97			50	26,93,532	1230			563.10	83.01	505.69	156.01	1,307.81
								646.11				

NOTE

- M/s Y.Y. Trade Agency, Dimapur and SNH India, Delhi.
- M/s Trans Asia, Jammu & Kashmir.
- 20% of Rs 415.92 lakh, actual payment Rs 83.01 lakh. This was highlighted in para 4.3 of the Report of the C&AG of India. Government of Nagaland for the year 1991-92. PAC recommendation on this has not yet been received.
- Tender floated in July 1992. Lowest rates of M/s Jatindra Steel Tubes, Delhi recommended (9/92) by ACE but not approved by Government. However, the adopted rate was lower than lowest tender rate but higher than DGS&D rate.
- As compared to DGS&D rate.

- (f) Tender floated (June-July 1994) and rate approved disregarding lowest quoted rate of M/s Bihariji Udyog Ltd., Haryana. However, the approved rate was subsequently cancelled (9/94) by Government.
- (g) (1) M/s Trade Links, Nagaland, Dimapur. (2) M/s K.T. Agencies, Dimapur. (3) M/s J.L. Traders, Dimapur. (4) M/s Dimapur Enterprise, Dimapur. (5) M/s Traders Chamber, Dimapur. (6) M/s Rillo Enterprise, Dimapur. (7) M/s Angami Agencies, Dimapur. (8) M/s Unique Enterprise, Dimapur. (9) M/s A.A. Enterprise, Dimapur. (10) M/s Ura Traders, Kohima. (11) M/s Pravin Chandra, Calcutta. (12) M/s SNH India, Delhi. (13) M/s Steel and Pipes Stores, Guwahati. (14) Shri L. Merò, Kohima. (15) Shri Theja Therie, Dimapur and (16) Shri T. Kenye, Kohima.
- (h) Approved by Government in July 1995 in favour of M/s Trade Links, Nagaland, Dimapur whose tender/quotation documents not kept/found on record.
- (i) Rates of GI pipes as compared to the adopted rate of 1992-94 which was recommended (9/94) by ACE while forwarding tender papers of 1994-95 for adopting during 1995-96.
- (j) Rates of PS tank as compared to the approved workable rate of 1992-93 and did not warrant revision.
- (k) DGS&D terms of supplies are 'FOR' railhead of any State and inclusive of all duties and taxes.

APPENDIX - XX
Statement showing non-receipt of materials against advance payments
(Reference: Paragraph 4.1.8.4; page 146)

Year	Name of Divisions	Quantity of materials		Value	Advance paid	Material supplied		Value	Outstanding advance
		Pipes (metre)	Tanks (Nos.)	(Rupees in lakh)		Pipes (metre)	Tanks (Nos.)	(Rupees in lakh)	
1990-92	Dimapur Store	4,93,010	800	510.68	359.89	1,56,569 (1,12,732)	442 ⁽¹⁾ (2)	193.12	35.38 ⁽²⁾
1993-94	All PHE Divisions	5,25,800	N.A. ⁽³⁾	381.78	177.66	N.A.		46.54	131.12
1995-97	Kohima Store	7,96,235	750	1,007.71	522.95	4,44,000	190	495.15	352.80
	Dimapur Store	8,78,407		942.48	524.15	4,42,932	200	482.98	281.65
	Total: 1995-97	16,74,642	1,230	1,950.19	1047.10	8,86,932	390	978.13	634.45
	Grand Total: 1990-91	26,93,452	2,030	2,842.65	1,584.65	10,43,501	832	1217.79	800.95

- (1) As per report of the departmental Inspection Board dated 20.4.93, 442 nos. of syntax tank valuing Rs.53.25 lakh received. Though these were found accounted for by the Sub-Division but, due to non-compilation of Divisional stock return from the goods receipt sheet (account) as well as in the absence of issue accounts, actual receipts and utilisation of the materials could not be verified in audit.
- (2) 1,12,732 metres of GI pipes of various sizes valued at Rs.98.84 lakh shown as received from a supplier (M/s Y.Y.Trade Agencies) as per report of EE (date not indicated). But due to non-maintenance of Divisional Stock return as well as for non-availability of receipts and issue accounts actuality of their receipts and utilisation could not be verified in audit.
- (3) Details not available.

APPENDIX - XXI

Statement showing supplier-wise receipt/non-receipt of materials and advance outstanding (Reference: Paragraph 4.1.8.4 and 5.5.5.3(b); page 146 & 167)

Sl. No.	Name of supplier	Kohima Division						Dimapur (Store) Division						Total outstanding	
		Quantity of materials as per supply order		Amount of advance paid (Rupees in lakh)	Material received	Advance adjusted	Advance outstanding	Quantity of material as per supply order		Amount of advance paid (Rupees in lakh)	Material received	Advance adjusted	Advance outstanding	Material (3+9-12)	Advance (8+14)
		GI pipe (metres)	PS tanks (Nos.)					GI pipe (metres)	PS tanks (Nos.)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
1.	M/s Trade Links Nagaland, Dimapur	34,000 45,000	200	48.80 31.00	---	---	48.80 31.00	66,500 ---	---	36.39 ---	8,034 ---	---	36.39 ---	92,466 (45,000) 200	116.19
2.	M/s K.T. Agencies, Dimapur	70,000	---	25.80	---	---	25.80	2,14,000	---	99.80	17,841	---	99.80	2,66,159	125.60
3.	M/s J.L.Traders, Dimapur	---	---	---	---	---	---	29,000	---	20.98	16,390	---	20.98	12,610	20.98
4.	M/s Dimapur Enterprise, Dimapur	50,000	---	19.50	---	---	19.50	50,000	---	19.50	---	---	19.50	1,00,000	39.00
5.	M/s Traders Chamber, Dimapur	6,820 11,000	---	7.00 11.00	---	---	7.00 11.00	---	---	---	---	---	---	6,820 (11,000)	18.00
6.	M/s Rillo Enterprise, Dimapur	1,10,000	---	49.00	1,10,000	---	49.00	---	280	15.30	---	---	15.30	280 (Tanks) (1,10,000) (Pipes)	64.30

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
7	M/s Angami Agencies Dimapur	1,51,000	---	77.20	---	---	77.20	62,000	---	35.00	35.962	---	35.00	1,77,038 (Pipes)	112.20
8	M/s A. A. Enterprise Dimapur	8,000	---	18.00	---	---	18.00	---	---	---	---	---	---	8,000	18.00
9	M/s Ura Traders Kohima	32,415	---	25.28	---	---	25.28	---	---	---	---	---	---	32,415	25.28
10	M/s Praven Chandra Calcutta	14,000	---	14.00	14,000	---	14.00	50,000	---	19.50	---	---	19.50	50,000 (14,000)	33.50
11	M/s SNH India Delhi	---	---	---	---	---	---	11,000	---	10.18	4.798	---	10.18	6,202	10.18
12	M/s Steels & Pipes Guwahati	---	---	---	---	---	---	36,000	---	25.00	---	---	25.00	36,000	25.00
13	Shri. L. Mero Kohima	18,000	---	6.60	18,000	---	6.60	---	---	---	---	---	---	(18,000)	6.60
14	Shri. Theja Tharich Kohima	---	180	9.82	---	---	9.82	---	---	---	---	---	---	180 (Tanks)	9.82
15	Shri. T. Kenye Kohima	---	180	9.80	---	---	9.80	---	---	---	---	---	---	180	9.80
		5,50,235	560	352.80	1,98,000	---	352.80	5,18,500	280	281.65	83,025	---	281.65	7,37,710	634.45
														Pipes: (1,98,000)	
														Tanks: 840	

Figures in brackets shows materials recorded as received by the Division; detailed account of which was not made available to audit.

APPENDIX - XXII

Statement showing receipt and distribution of materials (Reference: Paragraph 4.1.8.5; page 147)

Name of Division	Materials received		Materials utilised/distributed	
	GI pipes (metres)	PS tanks (Nos)	GI pipes (metres)	PS tanks (Nos)
Kohima Store Receipts upto 1/97 Issue upto 3/97 (S)	4,44,000	190	Kohima Not available	--
		Wokha	69,810	2
		Phiek	49,827	--
		Zunheboto	77,425	--
Total:-	4,44,000	190	1,97,062	2
Balance in store			2,46,938	188
Dimapur Store both receipts & issue upto 3/97(P)	4,42,932	200	Dimapur Store	--
		Dimapur Working	52,065	25
		Mokokchung	41,741	30
		Tuensang	34,422	60
		Mon	19,992	25
Total:-	4,42,932	200	2,30,458	140
Balance in store			2,12,474	60
Grand total of balance in stores			4,59,412	248

As per stock adjustment account against advance payments upto 1/97 Receipt Account duly supported by challans and Board Inspection Report were available for 2,46,000 metres only. Receipt accounts and Inspection Reports for February-March 1997 as well as for balance materials (1,98,000 metres) have not been produced to audit (July 1997) despite repeated reminders through requisitions.

APPENDIX - XXIII
Statement showing expenditure directly charged to Works
(Reference: Paragraph 4.13; page 158)

Voucher No. and Month	Total No. of vouchers	Amount paid (Rs)	To whom paid	Class of materials	Charged to
156 to 168 of 3/92	13	69,542	Shri Akho Angami SDOI(C)	Building Materials	MH-2216 Housing. Repair and maintenance of extra building
191 to 195 of 3/92	5	45,040	-do-	-do-	-do-
197 to 239 of 3/92	43	4,67,819	-do-	Road Materials	MH-3054 Roads and Strengthening of Kohima Town Road
278 to 296 of 3/92	19	1,19,597	-do-	-do-	-do-
		29,212	-do-	Building Materials	MH-4216 Capital Outlay on housing construction of Government Quarters.
242 to 266	25	2,07,991	Shri Akang Jongshi SDOI(C)	-do-	1) MH-2216 A/R to Central building 2) MH-5054 C.O. on Roads and bridges A/R to Town Road. 3) MH-4059 C.O. on public works a) Renovation of Raj Bhavan b) Renovation of Naga Hospital Kohima.
304 to 317 of 3/92	13	1,27,161	-do-	-do-	Co. of Raj Bhavan(MH-4059) and A/R to Central building (2216)
297 to 303 of 3/92	7	28,006	Shri Kropal Vitsa SDO II(C)	-do-	A/R to Central buildings (MH-2216 + 4216).
169 to 174 of 3/92	6	29,895	-do-	-do-	A/R to Central building (MH-2216 +4216)
181 to 184 of 3/92	4	80,000	Shri Telimo Angami supplier	-do-	MH-2059 -Stock
189 of 3/92	1	89,000	M/s Dosco collaborators	-do-	MH-4059 NA
198 of 3/92	1	22,137	Shri Vichu Angami	-do-	MH-5054 NA
4 of 12/92	1	28,419	SDO (C) PWD	-do-	2059 - A/R to Central Building
		+ 16,219			
6.7 of 12/92	2	1,45,900	M/s B.K. Agencioes Kohima	-do-	-do-
8 of 12/92	1	41,000	Shri Gori	-do-	-do-

Voucher No. and Month	Total No of vouchers	Amount paid (Rs)	To whom paid	Class of materials	Charged to
23 of 12/92	1	103,173	M/s Shiv Agency	-do-	4059- Custruction of building for stationery and printing Deptt.
		+ 3,968	Dimapur	(CGI Sheets)	
24 of 11/92	1	42,827	-do-	-do-	-do-
		+ 3,173			
48 of 1/93	1	90,100	SDO-I PWD (C)	Building Materials	-do-
5 to 8 of 3/93	4	2,00,044	M/s HK Hardwares	-do-	-do-
			Kohima	(Paints stone)	
Total:-		19,90,223			

APPENDIX-XXIV
Statement showing position of Stores held by different Divisions
(Reference: Paragraph 5.5.5.1; page 165)

Sl. No.	Name of Divisions	Prescribed stock limit	Date of sanction	PERIOD ENDING							
				31.3.1992		31.3.1993		31.3.1994		31.3.1995	
(Rupees in lakh)											
1.	EE. PHE Kohima	2.00	17.2.82	1317.94	13.86	1389.39	1454.24	1436.63	(+)	1447.53	
2.	EE. PHE Dimapur (Store) #	50.00	17.2.82	44.34	374.80	(-) 20.35	34.37	(-) 180.69	(-)	354.34	
3.	EE. PHE Dimapur (Working) ##	NIL	---	161.70	183.49	374.89	878.16	380.23	(+)	377.32	
	Peren ##	NIL	---	---	---	---	---	---	(-)	100.17	
4.	EE. PHE Phok	8.00	17.2.82	(-) 0.10	22.56	(-) 4.63	1.04	(-) 1.99	(-)	120.50	
5.	EE. PHE Wokha	NIL	17.2.82	123.08	48.26	56.63	100.87	51.12	(-)	66.32	
6.	EE. PHE Zunheboto	2.00	---	11.69	35.67	60.10	46.69	49.65	(+)	51.74	
7.	EE. PHE Mokokchung	8.00	17.2.82	182.72	236.22	232.20	244.22	191.09	(+)	176.98	
8.	EE. PHE Tuensang	10.00	17.2.82	329.64	429.57	407.68	410.47	452.02	(+)	651.80	
9.	EE. PHE Mon	10.00	17.2.82	264.30	244.91	(-) 142.31	(-) 110.89	(-) 108.25	(-)	156.85	
TOTAL:-		90.00		2435.31	1589.34	2353.60	3059.77	2269.81		1803.71	

All assets and liabilities including stock balance of Working Division as in February 1997 handed over to Store Division, Dimapur.

Dimapur (Working) Division closed down in February 1997 and renamed as Peren Division and shifted to Peren.

APPENDIX-XXV

Statement showing the number of consumers, power sold, amount realisable, realised and outstanding revenue, average State tariff rate
(Reference: Paragraph 6.5.5(c); page 186)

Sl. No.	Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	Total
1.	Total No. of consumers in the State	1,02,654	1,05,264	97,887	99,654	1,11,833	---
2.	Total No. of consumers in 5 Divisions test audited	62,739	64,159	67,996	71,368	71,367	---
3.	Total No. of consumers in 5 other Divisions (Col. 1-2)	39,915	41,105	29,891	28,286	40,466	---
4.	Total quantum of power sold in the State (in MU)	78.22	89.13	94.45	99.56	110.09	471.45
5.	Quantum of power sold in 5 Divisions test audited (in MU)	40.38	56.70	64.87	63.77	69.48	295.20
6.	Quantum of power sold in 5 other Divisions (in MU)	37.84	32.43	29.58	35.79	40.61	176.25
7.	Total amount realisable from the State as a whole (Rupees in lakh)	860.42	1025.00	1238.47	1318.25	1487.34	5929.48
8.	Total amount realisable in 5 Divisions test audited (Rupees in lakh)	548.36	653.79	843.16	848.61	1054.53	3948.45
9.	Total amount realisable in 5 other Divisions (Col. 7 - 8) (Rupees in lakh)	312.06	371.21	395.31	469.64	432.81	1981.03
10.	Total amount realised in the State as a whole (Rupees in lakh)	655.68	689.26	891.70	882.47	1006.86	4125.97
11.	Total amount realised in 5 Divisions test audited (Rupees in lakh)	548.36	595.33	772.99	777.87	922.60	3617.15
12.	Total amount realised in 5 other Divisions (Col. 10 - 11) (Rupees in lakh)	107.32	93.93	118.71	104.60	84.26	508.82
13.	Total amount outstanding in the State as a whole (Rupees in lakh)	204.74	335.74	346.77	435.78	480.48	1803.51
14.	Total amount outstanding in 5 Divisions test audited (Rupees in lakh)	---	58.47	70.17	70.74	131.93	331.31
15.	Total amount outstanding in 5 other Divisions (Col. 13 - 14) (Rupees in lakh)	204.74	277.27	276.60	365.04	348.55	1472.20
16.	Average tariff rate in the State (Rs.)	1.10	1.15	1.31	1.32	1.35	---

Statement showing the particulars of paid up
of Government

(Reference : Para

Sl. No.	Name of the company	Paid up capital at the end of current year				Loans outstanding at the close of the current year	Amount of guarantees given	
		State	Central	Others	Total		As on 31 March 1996	As on 31 March 1997
1	2	3(a)	3(b)	3(c)	3(d)	4	5(a)	5(b)
(Rupees)								
1.	Nagaland Industrial Development Corporation Limited	652.02	Nil	473.25	1125.27	1590.11	150.00***	121.57
2.	Nagaland Handloom and Handicrafts Development Corporation Limited	362.00*	64.74*	Nil	426.74	73.30	Nil	Nil
3.	Nagaland Sugar Mills Company Limited	496.00	Nil	Nil	496.00	Nil	70.00***	Nil
4.	Nagaland Industrial Raw Materials and Supply Corporation Limited	62.00	Nil	Nil	62.00	11.00	Nil	Nil
5.	Nagaland State Mineral Development Corporation Limited	0.004	Nil	Nil	0.004	Nil	Nil	Nil
Total:-		1572.02	64.74	473.25	2110.01**	1674.41	220.00	121.57

* The Company in their last report furnished to audit (July 1996) had excluded Central share and shown State's share as Rs.411.24 lakh. The matter is under correspondence with the Company.

** This differs from the figures appearing in Statement-13 of Finance Accounts by Rs.6.02 crore. This is mainly due to exclusion of investment (Rs.6.33 crore) made in Nagaland Pulp and Paper Company Limited, Tuli as it has not yet been incorporated as Government Company and inclusion of discrepant figures (Rs.0.31 crore) reported by the Companies and those appearing in Finance Accounts 1996-97. The difference is under reconciliation (January 1998).

DIX -- XXVI

capital, outstanding loans, working results etc. companies.

graph 8.2.2 and 8.2.4; pages 208 & 209)

Amount of guarantees outstanding at the close of year		Year for which accounts were finalised	Accumulated profit (+) loss (-) at close of the current year	Any excess of accumulated loss over paid up capital	Remarks
As on 31 March 1996	As on 31 March 1997				
6(a)	6(b)	7(a)	7(b)	7(c)	8
in-lakh)					
133.00***	121.57	1984-85	(-) 985.63	Nil	
Nil	Nil	1980-81	(-) 365.23	Nil	
195.00***	Nil	1977-78	(-) 1470.00	(-) 974.00	
Nil	Nil	1977-78	(-) 11.00	Nil	
Nil	Nil	Nil	(-) 573.12	Nil	
328.00	121.57		3404.98	(-) 974.00	

Position of guarantee and sums outstanding thereagainst as on 31 March 1996 is as per last year's Report.

Summarised financial results of Government

(Reference : Para

Sl. No.	Name of the company	Name of department	Date of incorporation	Period of account	Year in which finalised	Total capital investment at the end of the year of account
1	2	3	4	5	6	7
(Rupees in						
1.	Nagaland Industrial Development Corporation Limited, Dimapur	Industries and Commerce	26.03.70	1984-85	1996-97	629.02
2.	Nagaland Sugar Mills Company Limited, Dimapur	-do-	22.03.73	1977-78	1992-93	213.66
3.	Nagaland Handloom and Handicrafts Development Corporation Limited, Dimapur	-do-	27.02.79	1980-81	1992-93	53.00
4.	Nagaland Industrial Raw Materials and Supply Corporation Limited, Dimapur	-do-	28.03.73	1977-78	1987-88	87.00
5.	Nagaland State Mineral Development Corporation Limited, Kohima	Geology and Mining	21.05.81	1981-82	1996-97	76.00

D I X -- XXVII

companies for the year for which accounts were finalised

graph 8.2.3 and 8.2.4; pages 208 & 209)

Profit(+) Loss (-)	Total inte- rest charged to pro- fit and loss account	Interest on long term loans	Total return on capital inves- ted (8+10)	Capi- tal emplo- yed	Total return on ca- pital- emplo- yed (8+9)	Percentage of total return on capital		Remarks
						Inves- ted	Emple- yed	
8	9	10	11	12	13	14	15	16
lakh)								
(+) 5.89	20.52	50.69	56.58	30.06	26.41	9.00	87.90	
(-) 27.29	Nil	17.99	(-) 9.30	(-) 69.10	(-) 27.29	(-) 4	(-) 39.5	
(-) 31.33	Nil	Nil	(-) 31.33	32.00	(-) 31.33	(-) 59	(-) 97.9	
(+) 16.00	Nil	2.00	18.00	16.00	16.00	20.6	100	
- Nil	Nil	Nil	76.00	Nil	-	-	-	

APPENDIX-XXVIII

Statement showing the Capital structure of the Nagaland Plantation Crops Development Corporation from 1981-82 to 1991-92 (Reference: Paragraph 8.4.6.2; page 212)

Year	Authorised Capital		Issued and subscribed capital		Share capital application deposited by the Nagaland Government	
	Number	Amount (Rs.)	Number	Amount (Rs.)	Number	Amount (Rs.)
1981-82	50000 equity share of Rs.1000 each	5,00,00,000	2 equity share of Rs.1000 each	2000	4240 equity shares of Rs.1000 each	42,40,000
1982-83	-do-	-do-	-do-	-do-	8620 equity shares of Rs.1000 each	86,20,000
1983-84	-do-	-do-	-do-	-do-	11,620 equity shares of Rs.1000 each	1,16,20,000
1984-85	-do-	-do-	-do-	-do-	16,620 equity shares of Rs.1000 each	1,66,20,000
1985-86	-do-	-do-	-do-	-do-	21,620 equity shares of Rs.1000 each	2,16,20,000
1986-87	-do-	-do-	-do-	-do-	27,320 equity shares of Rs.1000 each	2,73,70,000
1987-88	-do-	-do-	-do-	-do-	39,370 equity shares of Rs.1000 each	3,97,37,000
1988-89	-do-	-do-	-do-	-do-	45,070 equity shares of Rs.1000 each	4,50,70,000
1989-90	-do-	-do-	-do-	-do-	50,670 equity shares of Rs.1000 each	5,06,70,000
1990-91	-do-	-do-	-do-	-do-	55,470 equity shares of Rs.1000 each	5,54,70,000
1991-92	-do-	-d-	-do-	-do-	59,670 equity shares of Rs.1000 each	59,67,000

APPENDIX-XXIX

Summarised financial position of Nagaland Plantation Crops Development Corporation Limited Kohima declined
at the end of each year for the years ending 1990-91
(Reference: Paragraph 8.4.7; page 212)

Period of accounts	Profit (+) Loss (-)	Total interest charged to profit and loss accounts	Capital employed	Total return on capital employed (3+4)
(1)	(3)	(4)	(7)	(8)
		(Rupees in lakh- all figures provisional)		
1981-82	(-) 0.84	---	(-) 5.06	(-) 0.84
1982-83	(-) 3.04	---	7.79	(-) 3.04
1983-84	(-) 14.12	6.37	57.67	(-) 7.75
1984-85	(-) 59.22	36.53	(-) 18.04	(-) 22.69
1985-86	(-) 65.32	47.51	(-) 46.08	(-) 17.81
1986-87	(-) 69.92	55.02	(-) 52.36	(-) 14.90
1987-88	(-) 68.50	52.52	2.23	(-) 15.98
1988-89	(-) 63.61	51.31	3.97	(-) 12.30
1989-90	(-) 63.41	54.28	9.73	(-) 9.13
1990-91	(-) 73.88	61.09	18.31	(-) 12.79
1991-92		NOT AVAILABLE		

APPENDIX-XXX

**Statement showing the working results of Nagaland Plantation Crops Development Corporation Limited, Kohima
for the years ending 1990-91
(Reference: Paragraph 8.4.7.2 & 8.4.7.3; page 213)**

Particulars	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	Total accumula ted loss (Rupees in lakh)
(Rupees in lakh)												
INCOME												
Sale of coffee	---	---	0.10	0.20	0.25	0.70	1.00	1.43	2.30	1.12	N.A.	
Other income	0.03	0.07	0.33	4.39	2.82	5.15	0.64	5.50	2.97	---	N.A.	
TOTAL:-	0.03	0.07	0.43	4.59	3.07	5.85	1.64	6.93	5.27	1.12	N.A.	
EXPENDITURE												
Interest on loans	---	---	6.37	36.53	47.51	55.02	52.52	51.31	54.28	61.09	N.A.	
Salaries and other expenditure	0.87	3.11	8.18	27.28	20.88	20.75	17.62	19.23	14.14	13.91	N.A.	
TOTAL:-	0.87	3.11	14.55	63.81	68.39	75.77	70.14	70.54	68.68	75.00	N.A.	
Profit (+) Loss (-)	(-) 0.84	(-) 3.04	(-) 14.12	(-) 59.22	(-) 65.32	(-) 69.92	(-) 68.50	(-) 63.61	(-) 63.41	(-) 73.88	N.A.	481.86

APPENDIX-XXXI

Statement showing expenditure for abandoned projects (Reference: Paragraph 8.4.11; page 214)

Sl.No.	Name of the projects	Year of taking up	Total expenditure (Rs.)	Year of abandonement
1.	Longsa (Wokha) Projects	1982	8,16,811.15	April 1984
2.	Tseminyu	-do-	7,91,082.72	April 1984
3.	Pelhang	1984	2,90,900.00	17-09-86
4.	Tsungiki	1982	9,15,412.00	17-09-86
5.	Yimchenkimong	1982	7,40,193.00	17-09-86
6.	Molungkimong	1982	8,26,472.00	17-09-86
7.	Lakhuni	1982	6,41,993.00	17-09-86
8.	Waromong	1982	8,49,947.00	17-09-86
9.	Molungyimsen	1984	3,26,412.00	17-09-86
10.	Yaongyimsen	1983	5,84,267.00	17-09-86
11.	Chuchuyimlang	1981	22,36,359.00	17-09-86
12.	Phishumi 'A'	1982	67,41,190.00	17-09-86
13.	Littami 'A'	1981	22,12,813.00	17-09-86
14.	Littami 'B'	1982	10,59,961.00	17-09-86
15.	Izcheto	1982	5,85,569.00	17-09-86
16.	Longsa (Mokokchung) Projects	1982	10,94,621.00	17-09-86
17.	Tizit	1984	2,95,409.00	17-09-86
18.	Jalukie	1982	11,67,354.00	17-09-86
19.	Muhuni	1984	4,63,304.00	17-09-86
20.	Chishilumi	1985	4,39,246.00	01-05-89
21.	Okotsa 'A'	1983	3,75,628.00	01-05-89
22.	Longjeng 'A'	1981	7,45,422.00	01-05-89
23.	Yongleh	1984	3,94,311.00	01-05-89
24.	Mekokla	1983	8,28,075.00	25-06-91
Total:-			2,54,22,751.00	



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1998