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

**FOR THE YEAR ENDED
31 MARCH 2007**

GOVERNMENT OF NAGALAND

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR ENDED 31 MARCH 2007



COMPTROLLER AND AUDITOR GENERAL OF INDIA
2008

INDIA AND-2000-01

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GOVERNMENT OF NAGALAND

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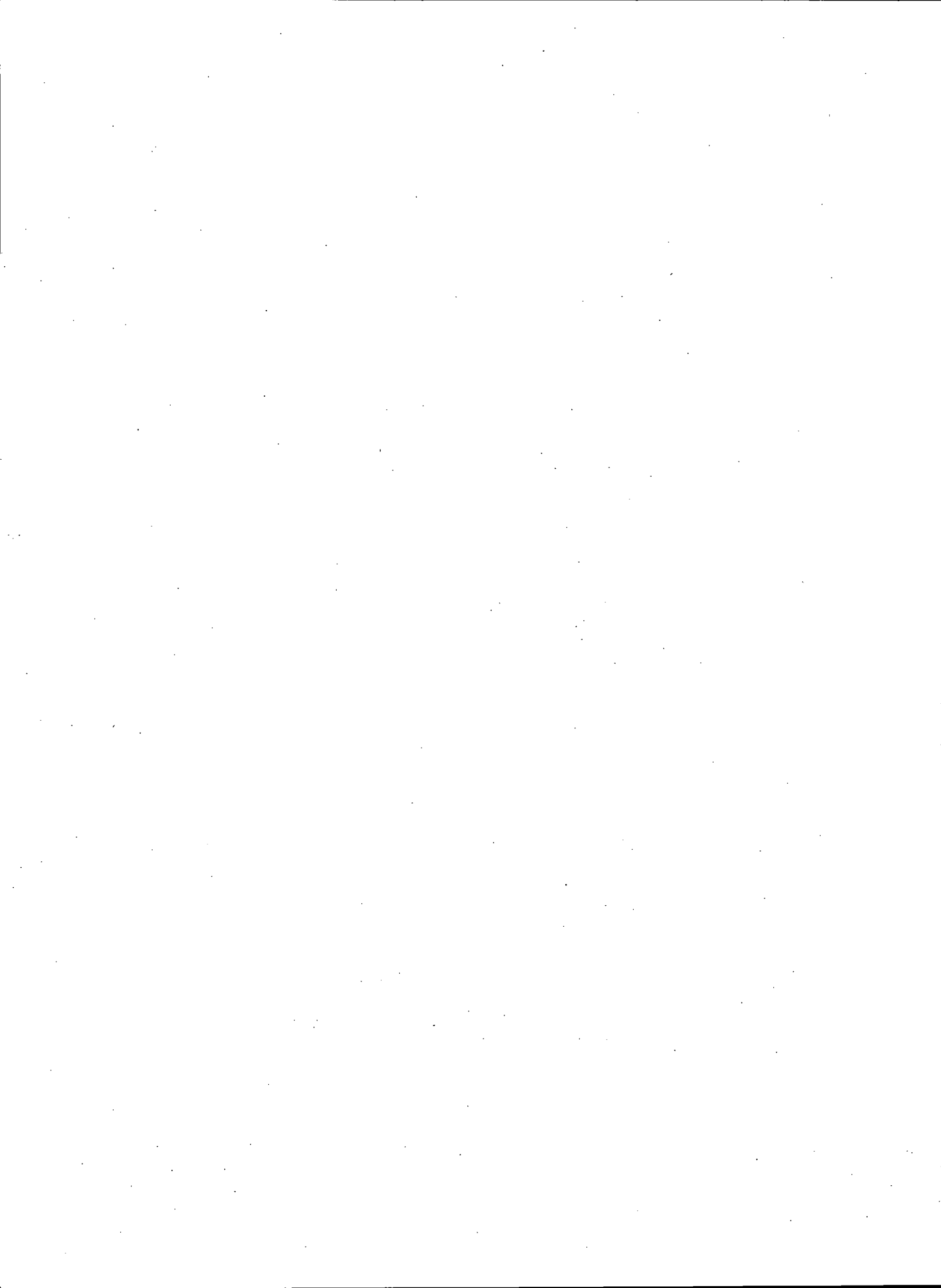
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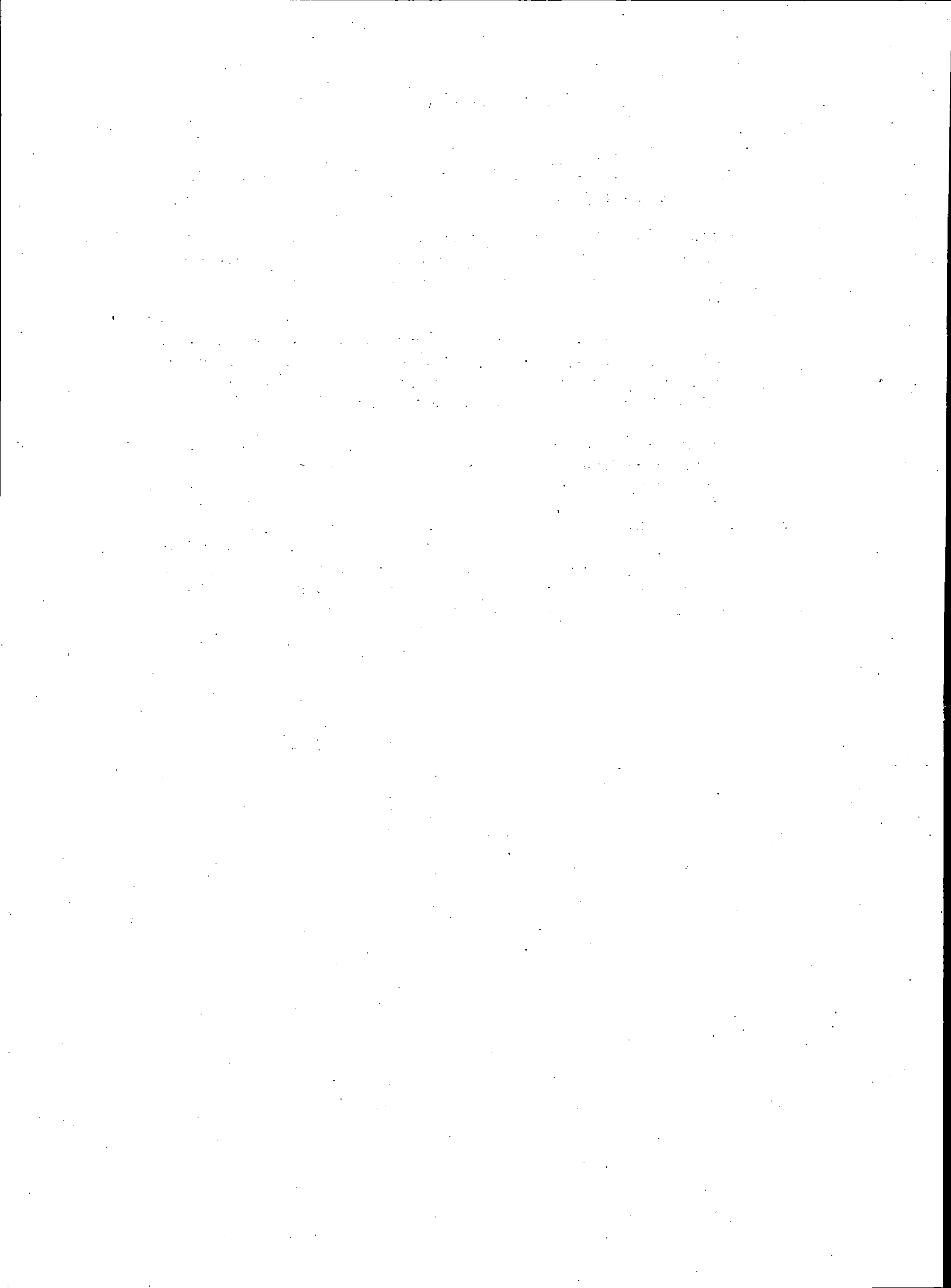
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PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*
2. *Chapters I and II of this Report contain audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts respectively of the State Government for the year ended 31 March 2007.*
3. *The remaining chapters deal with the findings of performance reviews and audit of transactions in various departments including the Public Works and Irrigation Departments; audit of stores and stock and audit of autonomous bodies and departmentally run commercial undertakings.*
4. *The Report also contains the observations arising out of audit of Statutory Corporations, Boards and Government Companies and the observations on revenue receipts.*
5. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07, as well as those, which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2006-07 have also been included wherever necessary.*



OVERVIEW

OVERVIEW

This Report contains 19 audit paragraphs and four performance reviews apart from comments on the Finance Accounts and Appropriation Accounts. There is a separate chapter on Internal Control System in Industries and Commerce Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the department concerned in respect of 17 paragraphs and two performance reviews.

1. Finances of the State Government

The fiscal health of the State as reflected in terms of trends in key fiscal parameters- revenue, fiscal and primary deficits- has shown significant improvement during 2006-07 over the previous year. However, the State finances are heavily dependent on Central transfers, which account for about 92 *per cent* of its revenue receipts and helped the State Government to maintain revenue surplus during the period 2003-07. Although the State had maintained revenue surplus during the last four years, fiscal deficit continued to persist, primarily because a part of capital expenditure was financed through borrowed funds during these years. The expenditure pattern of the State reveals that the revenue expenditure as a *percentage* to total expenditure constituted around 76 *per cent* during the current year leaving inadequate resources for expansion of services and creation of assets. A further analysis of expenditure reveals that the NPRE at Rs.1768.46 crore is significantly higher than the normative assessment of Rs.1532.18 crore by TFC for the State for 2006-07. Moreover, its three components viz., expenditure on salaries, pensions, and interest payments constituted 82 *per cent* of NPRE during 2006-07. The continued prevalence of fiscal deficit in the finance accounts of the State indicates the increasing reliance on borrowed funds resulting in increasing fiscal liabilities of the State over this period. The increasing fiscal liabilities accompanied by a zero rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run, unless suitable measures are initiated to compress the non plan revenue expenditure and mobilize additional resources both through the tax and non tax sources in ensuing years.

(Paragraphs 1.1 to 1.10)

2. Allocative priorities and Appropriation

The overall saving of Rs.452.03 crore was the net result of excess of Rs.46.03 crore in 16 cases of Grants/Appropriation and savings of Rs.498.06 crore in 64 cases of Grants/Appropriations.

Excess expenditure of Rs.1833.57 crore (238 cases of Grants/Appropriations) reported during 1996-97 to 2005-06 had not been regularised as of November 2007.

(Paragraphs 2.3.1 and 2.3.2 (ii))

3. Performance Reviews

3.1. Accelerated Rural Water Supply Programme

Performance review of Accelerated Rural Water Supply Programme (ARWSP) revealed major deficiencies in the implementation of the programme like short/delayed release of funds, inadequate planning, diversion of funds and faulty execution of schemes leading to cost and time overrun.

- Poor planning led to abandonment of 15 rural water supply schemes after incurring an expenditure of Rs.4.61 crore
- While the State Government is required to match, fund released by GOI on 1:1 basis, it released only Rs.39.23 crore against Rs.111.49 crore received from GOI.
- Out of 232 NC, 137 PC and 27 SB habitations to be covered during 2002-07, the Department provided potable drinking water only to 146 NC (63 per cent), 140 PC (102 per cent) and 28 SB (104 per cent) habitations.
- Due to non-availability of relevant record Audit could not ascertain the genuineness of installation of 206 units of Iron Removal Plant (IRP) stated to have been installed at the cost of Rs.8.11 crore.
- Monitoring by the State Planning Department was ineffective as the time schedule for completion of the scheme was not adhered to in most of the cases.

(Paragraph 3.1)

3.2. Sampoorna Grameen Rozgar Yojana

Sampoorna Grameen Rozgar Yojana (SGRY) was launched (September 2001) in the State of Nagaland by merging the ongoing Employment Assurance Scheme (EAS), Additional Wage Employment Scheme and Jawahar Gram Samridhi Yojana (JGSY), a rural infrastructure development programme. The scheme was aimed at providing greater thrust to additional wage employment, infrastructural development and food security in rural areas. SGRY was open to all rural poor who were in need of wage employment and desired to do manual and unskilled work. Performance Audit of the Scheme revealed that:

- Due to the failure of the State Government in releasing its matching share the Central Government deducted an amount of Rs.26.63 crore and 8112 MT of foodgrains valued at Rs10.09 crore.
- Due to lack of financial control, 9 out of 14 blocks test checked showed a short receipt of Rs.1.75 crore and 16 out of 60 VDBs test checked showed a short receipt of Rs.19 lakh during 2002-07.
- The Director, RD and Project Directors of eight DRDAs incurred unauthorised expenditure of Rs.3.44 crore on transportation of foodgrains in excess of the admissible amount.

- None of the DRDAs/blocks/VDBs test checked maintained employment registers although Rs.23.41 crore and 39,676 MTs of foodgrains were released to them.
- Beneficiaries were not paid minimum wages admissible.

(Paragraph 3.2)

3.3 *Information Technology Audit of Electoral Roll and Voter Registration System*

The preparation and updation of electoral database is the responsibility of Chief Electoral Officer. The Department took up Intensive E-Roll (Electoral Roll) revision in 2004 in all the districts of Nagaland as per the instructions of the Election Commission of India (ECI) and completed it in 2005. Audit examination of the E-Roll system revealed deficiencies in security, access, input, and backup controls resulting in unreliable data.

- The Department is yet to formulate an IT Policy, even though computerisation of Electoral rolls is about a decade old.
- No documentation exists for Electoral Management System; periodical modifications made to the system were not documented.
- The Department spent Rs.3.10 crore for issue of Electoral Photo Identity Card (EPIC) – but the E-Roll database could not be synchronized with the EPIC database.
- Defective manuscripts coupled with lack of controls to detect duplications and inconsistency in details of voters at the district level (during electoral enumeration) and State level (during data entry and processing) resulted in defective electoral data. Inadequate input and validation controls resulted in duplication of data in electoral rolls and unreliable data.
- Inadequate physical and logical access controls make the system susceptible to security breach, data theft/ manipulation and induced breakdown. The System was also infected with virus.
- The Department does not have a back up policy and disaster recovery procedures.

(Paragraph 3.3)

3.4 *Manpower Management in Police Department*

Police Department is the biggest Government Department in the State giving employment to more than twenty thousand people. The performance review of ‘Manpower Management in Police Department’ revealed gross irregularities in recruitment, promotion, training, deployment of police personnel and their performance appraisal.

- Expenditure on manpower was 64 to 76 *per cent* of the total expenditure of the Department during the period 2002-03 to 2006-07.
- Training courses were not conducted as per planned schedule in training institutes. As a result large number of recruited staff remained untrained as of March, 2007.
- Due to lack of basic training as per norms, 777 Recruit Constables remained without any stipulated work and the Department incurred an idle and unfruitful expenditure of Rs.4.97 crore towards pay and allowances of these personnel from April 2006 to March 2007.
- Deployment of police personnel for security guards to VVIPs/VIPs was in excess of entitlement and for longer periods of time.
- Promotion to various posts was not done as per prescribed norm/policy.
- There was no system of submission of monthly/quarterly returns/reports regarding manpower management to Government.

(Paragraph 3.4)

4. Internal Control System in Industries and Commerce Department

Internal control is an integrated process by which an organisation conducts its activities so as to obtain reasonable assurance that its objectives are achieved in an economical, effective and efficient manner. It comprises methods and policies designed to protect resources against loss due to waste, abuse and mismanagement. Evaluation of the internal control system in the Industries and Commerce Department disclosed that budgetary, administrative, accounting, operational and monitoring controls were not effective to ensure compliance with established procedures/practices. This was further compounded by absence of internal audit during the period covered by audit. Non-maintenance of basic records also affected the accuracy and completeness of accounts.

- Budget estimates were not prepared on the basis of actual requirement which resulted in overall savings of Rs.54.68 crore during 2002-07.
- An amount of Rs.5.31 lakh was unauthorisedly and fraudulently drawn by the District Industrial Centre Wokha.
- Recovery of loans from beneficiaries were not monitored properly. During 2002-07 only Rs.2 crore (4 *per cent*) had been recovered out of Rs.50.84 crore due for recovery.
- Subsidy receiving industrial units were not verified periodically resulting in payment of Rs.57.67 lakh to closed units.
- The Department failed to monitor the execution of various schemes.

(Paragraph 5.1)

5. Audit of Transactions**(a) Civil**

Rupees 47 lakh was paid by a sub-treasury by honouring Gratuity Payment Orders which were not authorised by the Accountant General.

(Paragraph 4.1)

Payment of Rs.1.29 crore to beneficiaries under Chief Minister's Special Development Programme Fund was irregular and doubtful.

(Paragraph 4.4)

Rupees 4.53 crore was incurred due to appointment of teachers in excess over approved norms and on ad-hoc basis.

(Paragraph 4.6)

Executive Engineer irregularly appointed 35 employees between March 2001 and December 2006 leading to extra expenditure of Rs.84.34 lakh on salary.

(Paragraph 4.7)

The CE, Public Health Engineering Department made an irregular advance payment of Rs.3.78 crore to a contractor who failed to supply materials valued at Rs.2.65 crore resulting in blocking of funds besides loss of interest of Rs.50.79 lakh.

(Paragraph 4.8)

Enhancement of rate above approved rate without rationale and applying it with retrospective effect resulted in extra avoidable expenditure of Rs.80.28 lakh and undue financial benefit to the contractor to that extent.

(Paragraph 4.10)

Payment of mobilisation advance of Rs.84.96 lakh by the Director of Tourism in violation of codal provision resulted in undue financial benefit to the contractor.

(Paragraph 4.11)

Additional Central Assistance of Rs.5 crore relating to 'Bamboo Flowering' was diverted for other purposes resulting in defeating the objective of providing relief to bamboo growers in the State.

(Paragraph 4.12)

Sanction and release of Rs.3.36 crore from CRF by the State Government after a delay of two years after occurrence of floods and their non-utilisation resulted in non-achievement of the objectives for which the funds were sanctioned.

(Paragraph 4.13)

The EE made a fictitious payment of Rs.62.47 lakh to the contractor for the works shown to have been executed between 16 November 2003 and 10 February 2004 against the actual commencement of works on 20 February 2004.

(Paragraph 4.15)

(b) Revenue

The total revenue receipts of the State Government for the year 2006-07 amounted to Rs. 2772.51 crore against Rs. 2267.20 crore for the previous year. Eight *per cent* of this was raised by the State through tax revenue (Rs.119.02 crore) and non tax revenue (Rs.91.14 crore). The balance 92 *per cent* was receipts from Government of India as State's share of divisible Union taxes (Rs.316.93 crore) and Grants-in-aid (Rs.2245.42 crore).

(Paragraph 6.1.1)

Altogether 432 paragraphs involving Rs.287.91 crore remained outstanding for settlement at the end of September 2007.

(Paragraph 6.1.9)

Failure of the Department to detect misuse of invalid 'C' forms by two dealers led to non-levy of tax of Rs.58.79 lakh including interest and maximum penalty.

(Paragraph 6.2)

Non-realisation of hire charge of bulldozers/road rollers/JCB excavators resulted in non-realisation of Government revenue of Rs.68.41 lakh.

(Paragraph 6.3)

Departmental receipts of Rs.12.67 lakh were not accounted for by the EE, Generation Division, Kohima resulting in unauthorised retention of Government revenue.

(Paragraph 6.4)

Admission/examination fees of Rs.16.58 lakh collected by the officer incharge, Institute of Communication and Information Technology, Mokochung were unauthorisedly retained by the State Project Implementation Unit.

(Paragraph 6.5)

(c) Commercial

There were five working Government Companies, one non-working company and nine departmentally managed Government commercial and quasi-commercial undertakings in the State as on 31 March 2007. The total investment in the five working Government companies was Rs.59.74 crore (equity: Rs.21.05 crore, share application money: Rs.2.34 crore and long term loans: Rs.36.35 crore).

(Paragraphs 7.1.1 and 7.1.2)

None of the five working Government Companies had finalised their accounts for the year 2006-07. The accounts of all the five working Government Companies were in arrears for periods ranging from nine to 26 years as on 30 September 2007.

(Paragraph 7.1.5)

According to the latest finalised accounts of five working Government Companies, three Companies had incurred an aggregate loss of Rs.1.63 crore. The capital employed worked out to Rs.19.79 crore in four Companies and total return thereon was Rs.0.95 crore.

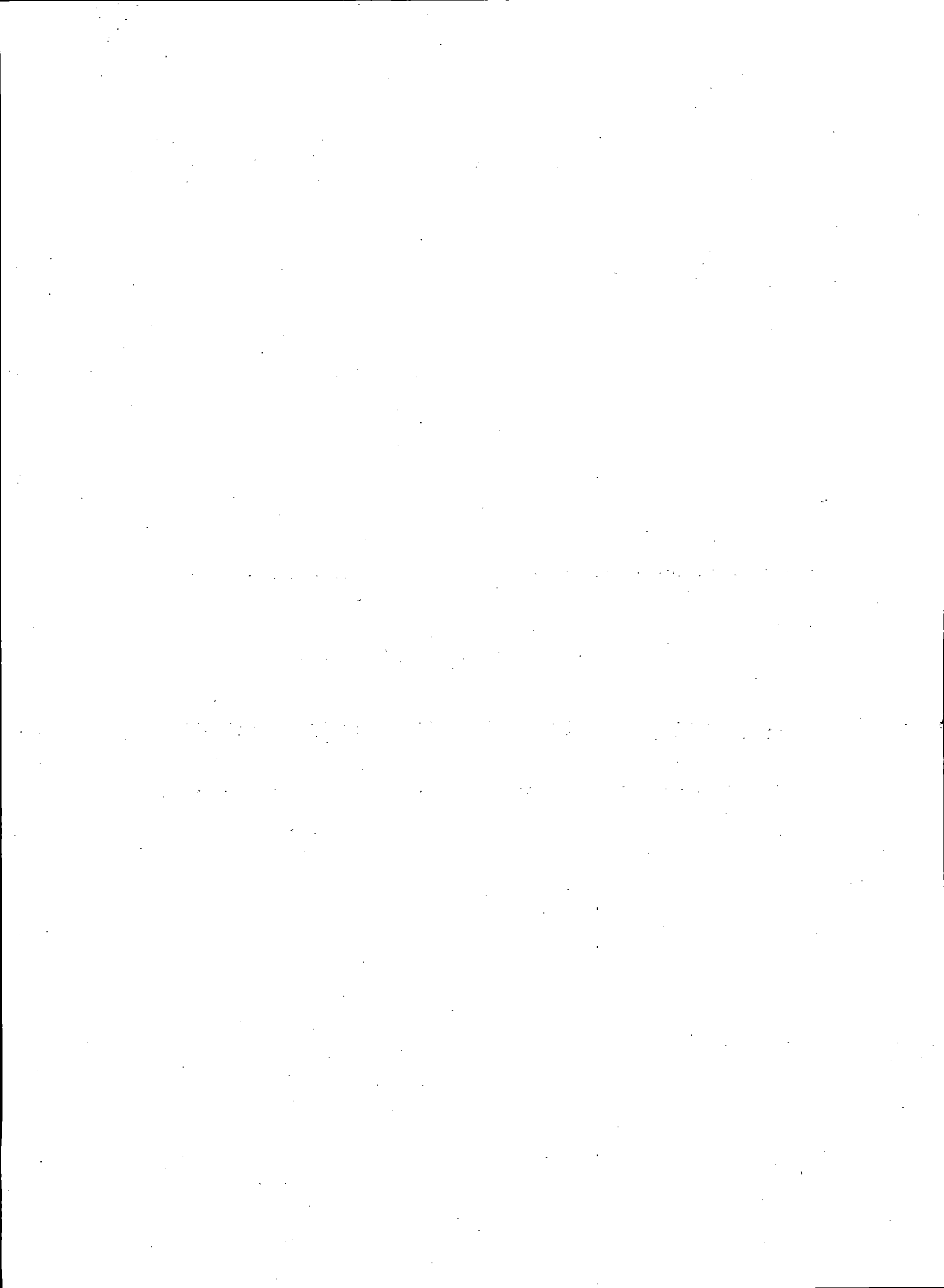
(Paragraphs 7.1.6 & 7.1.8)

The proforma accounts of nine departmentally managed Government commercial and quasi-commercial undertakings were in arrears for periods ranging from three to 36 years as on 30 September 2007.

(Paragraph 7.1.14)

CHAPTER — I

FINANCES OF THE STATE GOVERNMENT



CHAPTER-I FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account (*Appendix-1.1 Part-A*). The Finance Accounts of the Government of Nagaland are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund and Public Account of the State. The lay out of the Finance Accounts is depicted in *Appendix-1.1 Part-B*.

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarises the finances of the State Government for the year 2006-07 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from **Statement-1** of Finance Accounts and other detailed statements.

Table-1.1: Summary of receipts and disbursements for the year 2006-07

(Rupees in crore)							
2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
Section-A: Revenue					Non-Plan	Plan	Total
2267.20	Revenue receipts	2772.51	2060.53	Revenue expenditure	1768.46	453.69	2222.15
105.53	Tax revenue	119.02	939.90	General services	1009.17	11.15	1020.32
96.82	Non-tax revenue	91.14	552.23	Social Services	419.26	169.59	588.85
248.50	Share of Union Taxes/Duties	316.93	568.40	Economic Services	340.03	272.95	612.98
1816.15	Grants from Government of India	2245.42	---	Grants-in-aid/Contributions	---	---	---
Section-B: Capital							
---	II. Miscellaneous Capital Receipts	---	517.87	II. Capital Outlay	15.17	695.31	710.48
5.40	III. Recoveries of Loans and Advances	4.33	0.61	III. Loans and Advances disbursed	0.20	0.04	0.24
626.88	IV. Public Debt receipts	432.79	220.90	IV. Repayment of Public Debt	---	---	152.13
---	V. Contingency Fund	---	---	V. Contingency Fund	---	---	---
1025.68	VI. Public Account receipts	1131.63	1040.94	VI. Public Account disbursement	---	---	1175.14
---	VII. Closing overdraft from Reserve Bank of India	---	---	VII. Opening overdraft from Reserve Bank of India	---	---	---
(-) 227.49	Opening Balance	(-) 143.08	(-) 143.08	Closing Balance	---	---	(-) 61.96
3697.77	Total	4198.18	3697.77	Total			4198.18

The following are the significant changes during 2006-07 over the previous year:

- The overall revenue receipts increased by 22.29 per cent from Rs.2267.20 crore in 2005-06 to Rs.2772.51 crore in 2006-07 mainly due to increase in grants from Government of India (GOI) (Rs.429.27 crore), State's own tax

revenue (Rs.13.49 crore), and State's share of Union taxes and duties (Rs.68.43 crore).

- The revenue expenditure of the State, on the other hand increased by around eight *per cent* from Rs.2060.53 crore in 2005-06 to Rs.2222.15 crore in 2006-07; capital expenditure increased by 37 *per cent* from Rs.517.87 crore in 2005-06 to Rs.710.48 crore in 2006-07. Both recoveries of loans and advances as well as their disbursements indicated a decline in 2006-07 over the previous year.
- The public debt receipts and repayment decreased by Rs.194.09 crore and Rs.68.77 crore respectively during 2006-07, from the level of Rs.627 crore and Rs.221 crore respectively in 2005-06.
- The Public Account receipts increased by Rs.133.86 crore against an increase in disbursement by Rs.48.47 crore during 2006-07 over the previous year.

The flow of funds under various major heads indicated above, resulted in a sharp improvement in the cash balance position of the State, as the balances improved from (-) Rs.143 crore in the beginning of 2006-07 to (-) Rs.62 crore at the close of the year.

1.1.2 Trends in fiscal aggregates

The fiscal position of the State during the current year as compared to the previous year is given in Table-1.2.

Table-1.2

(Rupees in crore)

2005-06	Sl. No.	Major Aggregates	2006-07
2267.20	1.	Revenue Receipts (2+3+4)	2772.51
105.53	2.	Tax Revenue	119.02
96.82	3.	Non-Tax Revenue	91.14
2064.85	4.	Other Receipts	2562.35
5.40	5.	Non-Debt Capital Receipts	4.33
5.40	6.	Of which Recovery of Loans	4.33
2272.60	7.	Total Receipts (1+5)	2776.84
1651.41	8.	Non-Plan Expenditure	1783.83
1637.68	9.	On Revenue Account	1768.46
253.89	10.	Of which Interest Payments	279.69
13.47	11.	On Capital Account	15.17
0.26	12.	On Loans disbursed	0.20
927.60	13.	Plan Expenditure	1149.04
422.85	14.	On Revenue Account	453.69
50.40	15.	On Capital Account	695.31
0.35	16.	On Loans disbursed	0.04
2579.01	17.	Total Expenditure (13+8)	2932.87
(+) 206.67	18.	Revenue Deficit (-)/Surplus (+) [(1)-(9+14)]	(+) 550.36
(-) 306.41	19.	Fiscal Deficit (-)/Surplus (+) [(1+5)-17]	(-) 156.03
(-) 52.52	20.	Primary Deficit (-)/Surplus (+) [(10)-19]	(+) 123.66

During the current year, revenue receipts increased by 22.29 *per cent* (Rs.505.31 crore) while revenue expenditure increased by 8 *per cent* (Rs.161.62 crore) over the previous year resulting in an increase in revenue surplus by Rs.343.69 crore during

2006-07 over the previous year. Given the increase in revenue surplus, a marginal decline of Rs.1.07 crore in non-debt capital receipts and the combined increase of Rs.192.24 crore in capital expenditure and loan and advances disbursed during 2006-07 over the previous year, the fiscal deficit decreased by Rs.150.38 crore during the current year from the level of Rs.306.41 crore in 2005-06. A decline in fiscal deficit accompanied by an increase in interest payments (Rs.25.80 crore) resulted in primary surplus of Rs.123.66 crore against a primary deficit of Rs.52.52 crore in 2005-06.

1.2 Methodology adopted for assessment of fiscal position

The trends in the major fiscal aggregates of receipts and expenditure as emerging from the Statements of Finance Accounts were analysed wherever necessary over the period 2002-07 and observations have been made on their behaviour. In its Restructuring Plan of State finances, the Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States enact the Fiscal Responsibility (FR) Acts and draw their fiscal correction path accordingly for the five year period (2005-06 to 2009-10) so that fiscal position of the State could be improved as committed in their respective FR Acts/Rules covering medium to long term periods. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their FR Acts and in other Statements required to be laid in the Legislature under the Act, have been used to make qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that Gross State Domestic Product (GSDP) is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the GSDP¹ at current market prices. The buoyancy coefficients for tax revenue, non-tax revenue, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess as to whether the mobilisation of resources, pattern of expenditure etc, are keeping pace with the change in the base or these fiscal aggregates are also affected by factors other than GSDP. The New GSDP series as published by the Directorate of Economics and Statistics of the State Government have been used in estimating these percentages and buoyancy ratios.

¹ GSDP is defined as the total income of the State or the market value of goods and services produced using labour and all other factors of production.

Table-1.3: Trends in Growth and Composition of GSDP

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP) (Rupees in crore)	4748.60	5238.66	5778.77	6374.56	6957.97
Rate of growth of GSDP (per cent)	14.79	10.32	10.31	10.31	9.15

The key fiscal aggregates for the purpose are grouped under four major heads: (i) Trends and composition of aggregate receipts, (ii) Application of resources, (iii) Assets and liabilities, and (iv) Management of deficits (*Appendix 1.2 to 1.5*). The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in *Appendix 1.1 Part C*.

1.2.1 The Nagaland Fiscal Responsibility and Budget Management (NFRBM) Act, 2005

The State Government enacted (August 2005) the NFRBM Act, 2005, to ensure prudence in fiscal management and fiscal stability by achieving revenue surplus, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability, greater fiscal transparency in fiscal operations of the Government and conduct of fiscal policy in a medium term framework. To give effect to the fiscal management principles, the Act prescribed the following fiscal targets for the State Government:

- strive to remain revenue surplus by building up further surplus;
- bring down fiscal deficit to 3 *per cent* of GSDP by the year ending 31 March 2009;
- ensure within a period of 5 years, beginning 1 April 2005 and ending 31 March 2010, that the total debt stock does not exceed 40 *per cent* of the estimated GSDP for that year;
- limit the amount of annual incremental risk weighted guarantees to 1 *per cent* of the total revenue receipts (TRR) or 1 *per cent* of the estimated GSDP in the year preceding the current year, whichever is lower;
- follow a recruitment and wage policy, in a manner such that the total salary bill relative to revenue expenditure, net of interest payments and pensions does not exceed 61 *per cent* in any financial year.

Though the NFRBM Act was enacted in August 2005, the rules for carrying out the provisions of the Act were framed by the Government in February 2007.

1.2.2 Roadmap to achieve the fiscal targets laid down in NFRBM Act/Rules

Keeping in view the fiscal targets laid down in the NFRBM Act, and the anticipated annual rate of reduction of fiscal deficit of the State worked out by the TFC for its award period, the State Government developed its own Fiscal Correction Path (FCP) in January 2007 indicating the milestones of outcome indicators for the years 2007-08, 2008-09 and 2009-10 (*Appendix-1.1 Part-D*).

1.2.3 Mid-term review of fiscal situation

To enforce compliance with the fiscal principles and targets laid down in the NFRBM Act, 2005, the Finance Department of the State Government is to review every quarter the trends in receipts and expenditure including the fiscal indicator targets set for the current financial year and place before the State Legislature a statement containing the outcome of such reviews. However, the State Government is yet to enforce the provision of the Act in this regard.

1.2.4 Fiscal performance

In terms of an incentive scheme of TFC, a reward for fiscal performance was built into the debt-write off package under DCRF². According to the scheme, the quantum of write off of repayment of GOI loans after consolidation and reschedulement, will be linked to the absolute amount by which revenue deficit is reduced in each successive year during the award period. In effect, if the revenue deficit is brought to zero, the entire repayment during the period will be written off. As a result of improved fiscal performance in terms of this criterion, the State Government received a debt waiver of Rs Rs.3.68 crore during 2006-07. The fiscal performance viewed vis-à-vis the State Government's budget estimates for 2006-07 as well as the targets set for reducing the fiscal deficit under FRBM Act reveals that the State government could maintain a revenue surplus of Rs.550.36 crore in 2006-07 which was more by Rs.25.74 crore as compared to BE of 2006-07. The fiscal deficit at (-) Rs.156.03 crore in 2006-07 was also less by its BE of (-) Rs.165.40 crore during the year. Relative to GSDP, it was 2.36 *per cent* in 2006-07, i.e., less than the target of 3 *per cent* to be achieved by 31 March 2009 as per the NFRBM Act, 2005.

1.3 Trends and composition of aggregate receipts

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of Union taxes and duties and grants-in-aid from the GOI. Capital receipts comprise miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and

² In pursuance of the recommendations of the TFC for fiscal consolidation and elimination of revenue deficit of the States, GOI formulated the Debt Consolidation and Relief Facility (2005-06 to 2009-10)" under which, general debt relief is provided by consolidating and re-scheduling at substantially reduced rates of interest, the Central loans to States on enacting the FRBM Act and debt waiver is granted based on fiscal performance, linked to the reduction of revenue deficits of States.

advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from the GOI as well as accruals from Public Account. Table-1.4 shows that the total receipts of the State Government for the year 2006-07 were Rs.4341.26 crore. Of these, revenue receipts comprised Rs.2772.51 crore, constituting 64 *per cent*. The balance came largely from borrowings and receipts from the Public Account.

Table-1.4: Trends in growth and composition of aggregate receipts
(Rupees in crore)

Sources of Receipts	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	1346.90	2359.79	1839.52	2267.20	2772.51
II Capital Receipts	481.27	3.59	430.80	632.28	437.12
Recovery of Loans and Advances	7.42	6.81	6.50	5.40	4.33
Public Debt Receipts	473.85	(-) 3.22	424.30	626.88	432.79
Miscellaneous Capital Receipts	---	---	---	---	---
III Contingency Fund	---	---	---	---	---
IV Public Account Receipts	990.10	658.48	776.73	1025.68	1131.63
a. Small Savings, Provident Fund etc	96.75	106.45	110.24	156.55	95.22
b. Reserve Fund	3.58	0.85	0.85	4.62	5.64
c. Deposits and Advances	151.11	81.50	131.50	68.77	127.55
d. Suspense and Miscellaneous	248.48	(-) 93.39	41.20	39.89	39.73
e. Remittances	490.18	563.07	492.94	755.85	863.49
Total Receipts	2818.27	3021.86	3047.05	3925.16	4341.26

Public Account receipts declined by 64 *per cent* from Rs.156.55 crore in 2005-06 to Rs.95.22 crore in 2006-07, mainly due to decrease in receipts in Provident Fund (Rs.40.84 crore) over the previous year. Receipts under Provident Fund increased in 2005-06 by Rs.40 crore over the previous year due to deposit of arrears of pay of Government employees. Remittances increased by 14 *per cent* from Rs.755.85 crore in 2005-06 to Rs.863.49 crore in 2006-07 mainly due to increase in public works remittances (Rs.124.83 crore), cash remittances between treasuries and currency chest (Rs.9.61 crore) and decrease in forest remittances (Rs.26.68 crore).

1.3.1 Revenue receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in Table-1.5.

Table-1.5: Revenue Receipts - Basic parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR) (Rupees in crore)	1346.90	2359.79	1839.52	2267.20	2772.51
Own Taxes (<i>per cent</i>)	62.00 (4.60)	68.55 (2.91)	78.31 (4.26)	105.53 (4.65)	119.02 (4.29)
Non-Tax Revenue (<i>per cent</i>)	43.94 (3.26)	60.91 (2.58)	77.90 (4.00)	96.92 (4.00)	91.14 (3.29)
Central Tax Transfers (<i>per cent</i>)	46.01 (3.42)	256.97 (10.89)	160.15 (8.71)	248.50 (10.96)	316.93 (11.43)
Grants-in-aid (<i>per cent</i>)	1194.94 (88.72)	1973.36 (83.62)	1523.16 (82.80)	1816.35 (80.12)	2245.42 (80.99)
Rate of growth of RR (<i>per cent</i>)	1.69	75.20	(-) 22.05	23.25	22.29
RR/GSDP (<i>per cent</i>)	28.36	45.05	31.83	35.57	39.85
Revenue Buoyancy (ratio)	0.114	7.287	(-) 2.138	2.255	2.435
State's own taxes Buoyancy (ratio)	0.13	7.12	(-) 1.55	0.67	1.74
GSDP Growth (<i>per cent</i>)	14.79	10.32	10.31	10.31	9.15

The revenue receipts of the State increased from Rs.1346.90 crore in 2002-03 to Rs.2772.51 crore in 2006-07 at an annual average rate of 21.17 *per cent*. While 7.58 *per cent* of the revenue receipts during 2006-07 have come from the State's own resources comprising taxes and non-taxes, Central tax transfers and grants-in-aid together contributed 92.42 *per cent*.

Tax revenue

Tax revenue increased by Rs.13.49 crore (12.78 *per cent*) from Rs.105.53 crore in 2005-06 to Rs.119.02 crore in 2006-07. The share of sales tax in total tax revenue not only remained significant but it has increased from 66 *per cent* in 2002-03 to 73 *per cent* in 2005-06 and marginally dipped to 71 *per cent* in the current year. State excise (Rs.2.13 crore), taxes on vehicles (Rs.12.26 crore), Stamps and Registration (Rs.1.05 crore) taxes were the other contributors to the State's tax revenue. Table-1.6 below presents the trends in growth and composition of tax revenue during 2002-07.

Table-1.6: Trends in Growth and Composition of Tax Revenue

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Sales Tax	41.16	45.63	53.08	77.16	85.02
State Excise	1.98	1.99	2.07	1.96	2.13
Taxes on vehicles	4.74	6.00	7.30	8.71	12.26
Stamps and Registration fees	0.57	0.66	0.73	0.89	1.05
Land Revenue	0.41	0.54	0.43	0.55	0.50
Taxes and duties on Electricity	---	---	---	---	---
Other taxes	13.14	13.73	14.70	16.26	18.06
Total	62.00	68.55	78.31	105.53	119.02

Non-Tax Revenue

Non-tax revenue, which increased steeply from Rs.77.90 crore in 2004-05 to Rs.96.92 crore in 2005-06, decreased by Rs.5.78 crore (6 per cent) to Rs.91.14 crore in 2006-07. The decrease was mainly due to less collection of revenue under the head 'Other Administrative Services' (Rs.5.64 crore). The major contributors in the non tax revenue included Power (Rs.41.63 crore), Miscellaneous General Services (Rs.14.59 crore, including Rs.3.68 crore on account of debt waiver granted by GOI under DCRF in 2006-07), Road Transport (Rs.8.03 crore), Forestry and Wildlife (Rs.5.94 crore), interest receipts on investment of cash balances by RBI (Rs.3.84 crore), Water Supply & Sanitation (Rs.2.25 crore), State Lotteries (Rs.1.66 crore) and Education, Sports and Art & Culture (Rs.1.64 crore).

The tax and non-tax revenue receipts vis-à-vis the normative assessment made by the TFC and the State Government in its BE 2006-07 were as under:

	(Rupees in crore)		
	Projects by TFC	Budget Estimates 2006-07	Actual Receipts
Own Tax Revenue	177.19	118.74	119.09
Non-Tax Revenue	42.01	90.70	91.14

While the own tax revenue of the State was almost at par with the normative assessment of the TFC and the BE of the Government for 2006-07, the non-tax revenue was in line with the estimates in the State budget but was significantly higher than the normative assessment of TFC.

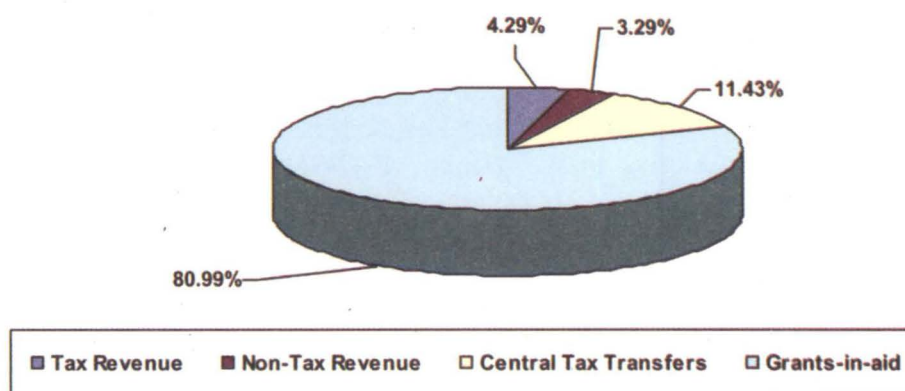
Central tax transfers

Central tax transfers to the State increased by 27.53 per cent from Rs.248.50 crore in 2005-06 to Rs.316.93 crore in 2006-07. The increase was mainly due to increase in Corporation tax (Rs.30.31 crore), Customs (Rs.13.38 crore), Service Tax (Rs.12.07 crore), taxes on income other than Corporation tax (Rs.11.71 crore) and Union Excise (Rs.0.95 crore).

Grants-in-aid

The grants-in-aid from GOI have increased by 23.62 per cent from Rs.1816.35 crore in 2005-06 to Rs.2245.42 crore in 2006-07 mainly due to increase of grants for State Plan schemes (Rs.460.74 crore) under "Block Grants (Rs.374.06 crore) and grants received for new schemes under Non Lapsable Central Pool of Resources (NLCPR) (Rs.55.30 crore). Besides, increases were also recorded under Watershed Development Projects in Shifting Cultivation area (Rs.4.50 crore), Central Road Fund (Rs.1.47 crore). Further grants were also received under Sarva Siksha Abhiyan (SSA) (Rs.4.88 crore) and Rural Development Programmes for Backward Region (Rs.22.50 crore) in the current year. The grants for Centrally Sponsored Plan Schemes (Rs.36.04 crore) were mainly under Post Matric Scholarship to SC and ST students (Rs.21.98 crore). A decline in non plan grants was mainly due to the fact that non plan grants were enhanced during 2005-06 on account of one time grants received under modernization of State police force (Rs.9.30 crore) and raising of Indian Reserve Battalion (Rs.9.75 crore) in 2005-06 which were not available during the current year.

Chart:1.1
Revenue Receipts for 2006-07
(Rs.2772.51 crore)



1.4 Application of resources

1.4.1 Growth of expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, to extend the network of these services through capital expenditure and investments and to discharge their debt service obligations. The total expenditure of the State increased from Rs.1849.29 crore in 2002-03 to Rs.2932.87 crore in 2006-07. Total expenditure, its annual growth rate and ratio of expenditure to GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in Table-1.7.

Table-1.7: Total expenditure - Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Total Expenditure (TE) (Rupees in crore)	1849.29	2209.20	2064.41	2579.01	2932.87
Rate of Growth (<i>per cent</i>)	10.78	19.46	(-) 6.55	24.93	13.72
TE/GSDP Ratio (<i>per cent</i>)	38.94	42.17	35.72	40.46	42.15
RR/TE Ratio (<i>per cent</i>)	72.83	106.82	89.11	87.91	94.53
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	0.729	1.886	(-) 0.636	2.418	1.499
RR (ratio)	6.39	0.26	0.30	1.072	0.613

Total expenditure during 2006-07 at Rs.2932.87 crore increased by Rs.353.86 crore (13.72 *per cent*) over the previous year. Out of the total expenditure in 2006-07, revenue expenditure formed 75.76 *per cent* (Rs.2222.15 crore) while capital expenditure formed 24.23 *per cent* (Rs.710.48 crore) and loans and advances formed 0.01 *per cent* (Rs.0.24 crore). The break up of total expenditure in terms of plan and non-plan reveals that while the share of plan expenditure constituted 39 *per cent* (Rs.1149 crore), the remaining 61 *per cent* was non-plan expenditure (Rs.1783.63

crore). The increase in total expenditure during 2006-07 over the previous year was due to increase of revenue expenditure by Rs.161.62 crore and capital expenditure by Rs.192.61 crore and decrease in disbursement of loans and advances by Rs.0.37 crore. The increase in revenue expenditure was mainly due to increase in the expenditure on General Education (Rs.35.35 crore), Police (Rs.31.49 crore), Pension and Pensionary Benefits (Rs.22.31 crore), Power (Rs.16.43 crore), Special Programmes for Rural Development (Rs.10.29 crore), Social Welfare and Nutrition (Rs.8.97 crore), Forestry (Rs.8.74 crore), Medical and Public Health (Rs.7.52 crore), Soil and Water Conservation (Rs.5.50 crore) and Agriculture and Allied Activities (Rs.5.02 crore). Increase in capital expenditure was mainly due to increase in plan capital outlay on Transport (Rs.81.18 crore), Special areas programme (Rs.55.91 crore), Water Supply, Sanitation and Housing (Rs.45.57 crore) and Education, Sports, Art & Culture (Rs.10.05 crore).

1.4.2 Trends in total expenditure by activities

In terms of activities, total expenditure could be considered as being composed of expenditure on General Services including interest payments, Social and Economic Services, grants-in-aid and loans and advances. The relative share of these components in total expenditure during the last five years is indicated in Table-1.8.

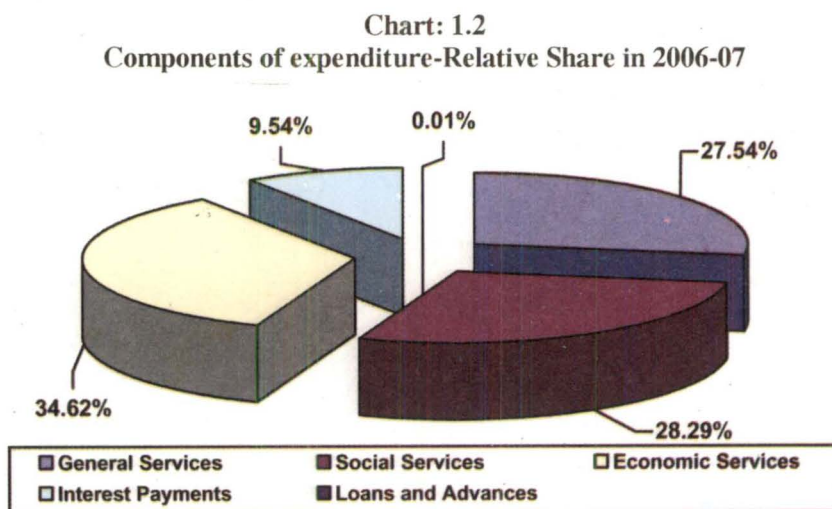


Table 1.8: Components of Expenditure-Relative share

	(in per cent)				
	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	32.92	31.24	31.54	29.00	27.54
Interest payments	11.61	10.63	12.09	9.84	9.54
Social Services	28.90	25.37	27.61	27.43	28.29
Economic Services	26.44	32.53	28.74	33.71	34.62
Grants-in-aid	---	---	---	---	---
Loans and Advances	0.13	0.23	0.02	0.02	0.01

The movement of relative share of various components of expenditure reveals consistency in the share of expenditure on Social Services during the period 2002-07 with marginal inter year variations, while the share of Economic Services increased by little more than 8 percentage points in 2006-07 relative to its share in 2002-03 with

relative stability during 2005-06 and 2006-07. The increase in the share of Economic Services is offset by a decline in the share of General Services including interest payments, which is normally treated as non developmental expenditure. The trends during the last two years indicate relative stability in the share of various components of total expenditure.

1.4.3 Incidence of Revenue expenditure

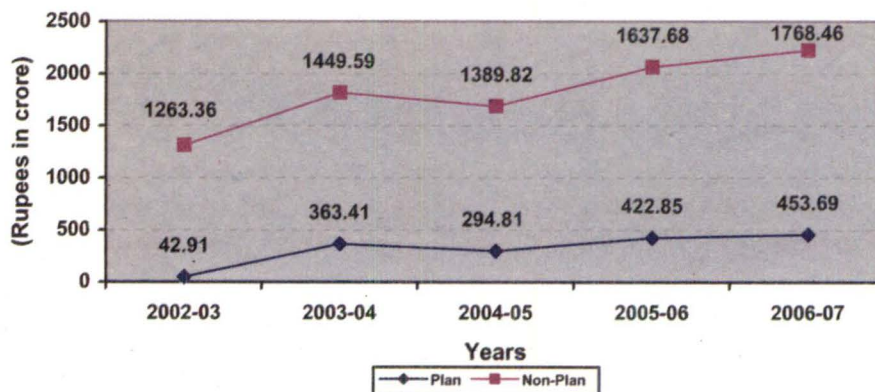
Revenue expenditure had predominant share in the total expenditure of the State. Revenue expenditure is incurred to maintain the current level of services and payment for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, its ratio to GSDP and to revenue receipts and its buoyancy are indicated in Table-1.9.

Table-1.9: Revenue Expenditure - Basic Parameters

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE)	1506.27	1812.99	1684.63	2060.53	2222.15
Of which,					
Non-Plan Revenue Expenditure (NPRE)	1263.36	1449.59	1389.82	1637.68	1768.46
Plan Revenue Expenditure (PRE)	242.91	363.40	294.81	422.85	453.69
Rate of Growth (per cent)					
Revenue Expenditure	5.55	20.36	(-) 7.62	22.31	7.84
NPRE	5.77	14.74	(-) 4.30	17.83	7.99
PRE	4.41	49.60	(-) 23.94	43.43	7.29
NPRE/GSDP (per cent)					
NPRE as per cent of TE	68.32	65.62	67.32	63.50	60.30
NPRE as per cent of RR	93.80	61.43	75.55	72.23	63.79
Buoyancy of Revenue Expenditure with					
GSDP (ratio)	0.375	1.973	(-) 0.739	2.164	0.857
Revenue Receipts (ratio)	0.304	3.69	(-) 3.71	1.04	2.84

Revenue expenditure of the State increased by 47.53 per cent from Rs.1506.27 crore in 2002-03 to Rs.2222.15 crore in 2006-07 at an average annual rate of 11.88 per cent. Except for a dip in 2004-05, both NPRE and PRE have shown a consistent increase over the period 2002-07 (Chart 1.3). Of the total increase of Rs.161.82 crore in revenue expenditure during 2006-07, increase in NPRE contributed 81 per cent while PRE accounted for the remaining 19 per cent. The increase of Rs.130.78 crore in NPRE during 2006-07 over the previous year was mainly due to increase in Administrative Service (Rs.28.25 crore), Interest Payment & Servicing of Debt (Rs.25.80 crore), Pension & Miscellaneous General Services (Rs.22.92 crore), Energy (Rs.16.43 crore) and Education and Sports, Art and Culture (Rs.13.96 crore). A comparative position of NPRE vis-à-vis assessment made in TFC and FCP/BE reveal that NPRE at Rs.1768.46 crore during 2006-07 was higher than both the projections made in FCP/BE (Rs.1684.90 crore) and by TFC (Rs.1688.21 crore) for the year 2006-07. An increase of Rs 30.84 crore in PRE was mainly contributed by an increase of expenditure in Agriculture and Allied Activities (Rs.19.85 crore) and Education, Sports, Art and Culture (Rs.15.14 crore).

Chart: 1.3
Trend of Non-Plan and Plan revenue Expenditure
(Rupees in crore)



1.4.4 Committed expenditure

Expenditure on salaries and wages: The expenditure on salaries increased from Rs.695.52 crore in 2002-03 to Rs.1020.08 crore in 2006-07 as indicated in Table-1.10.

Table-1.10: Expenditure on Salaries

Heads	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries ³ & Wages	695.52	768.19	824.78	953.71	1020.08
Of which,					
Non-Plan Head	NA	756.76	774.04	898.32	965.98
Plan Head	NA	11.43	50.74	55.39	54.10
As per cent of GSDP	14.65	14.66	14.27	14.96	14.66
As per cent of RR	51.64	32.55	44.84	42.07	36.79

Source: Finance Accounts for 2005-06 and 2006-07 and for the years prior to that State Government figures were adopted

Salary expenditure increased by 7 per cent during 2006-07 over the previous year due to a sharp increase in expenditure under non-plan head viz., Police (Rs.16.40 crore), Medical (Rs.13.97 crore), General Education (Rs.13.30 crore), Social Security & Welfare (Rs.4.75 crore), Roads & Bridges (Rs.4.55 crore), District Administration (Rs.1.31 crore), Animal Husbandry (Rs.1.13 crore) and Secretariat Economic Services (Rs.1.04 crore). Salaries and wages accounted for 14.66 per cent of the GSDP and 36.79 per cent of the revenue receipts during 2006-07. Salary expenditure was 58.60 per cent of revenue expenditure, net of interest payments and pensions, which was within the ceiling of 61 per cent targeted in NFRBM Act, but was much higher than the norm of 35 per cent recommended by the TFC.

³ Represents salaries only and includes salaries spent from grants-in-aid but excludes wages upto 2004-05.

Expenditure on pension payments: Pension payments grew at an average rate of 12.81 *per cent* from Rs.133.38 crore in 2002-03 to Rs.201.74 crore in 2006-07. The year-wise break up of expenditure on pension payments during the period 2002-03 to 2006-07 is indicated in Table-1.11.

Table-1.11: Expenditure on Pensions

Heads	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	133.38	140.81	133.83	179.42	201.74
As <i>per cent</i> of GSDP	2.81	2.69	2.32	2.81	2.90
As <i>per cent</i> of RR	9.90	5.97	7.28	7.91	2.78

Source: Finance Accounts

Although pension payment was Rs.31.26 crore less than the projections made in the FCP (Rs.233.00 crore) and Rs.11.77 crore less than the assessment made by TFC (Rs.213.51 crore) for the year 2006-07 it has increased by more than 12.44 *per cent* from Rs.179.42 crore in 2005-06 to Rs.201.74 crore in 2006-07 mainly due to increase in the expenditure under superannuation and retirement benefits and for meeting the arrear payments. The State Government has not introduced the new Pension Policy so far, to meet the increasing pension liabilities.

Interest payments

Interest payments made and their ratio to revenue receipts and revenue expenditure during the period 2002-07 are detailed in Table-1.12.

Table-1.12: Interest payments

Year	Total Revenue Receipts	Interest Payments	Percentage of Interest payments to	
			Revenue Receipts	Revenue Expenditure
			(Rupees in crore)	
2002-03	1346.90	214.58 (7.04)	15.93	14.25
2003-04	2359.79	234.74 (9.40)	9.95	12.95
2004-05	1839.52	249.62 (6.34)	13.57	14.82
2005-06	2267.20	253.89 (1.71)	11.20	12.32
2006-07	2772.51	279.69 (10.16)	10.09	12.59

Source: Finance Accounts

The major sources of borrowing of the State Government were (i) Loans from the Centre, (ii) Loans from Market, (iii) Loans from Banks and Financial institutions and (iv) Loans from Small Savings and Provident Fund. The interest rates on these borrowings varied from 6.50 *per cent* to 12.50 *per cent* per annum during the period 2002-03 to 2006-07. Interest payments increased by 30.34 *per cent* from Rs.214.58 crore in 2002-03 to Rs.279.69 crore in 2006-07. Increase in interest payments during 2006-07 over the previous year were on internal debt (Rs.17.20 crore), loans from Central Government (Rs.3.35 crore) and State Provident Fund, etc. (Rs.5.26 crore). Interest payment was Rs.1.22 crore less than that projected (Rs.280.91 crore) in the FCP for the year 2006-07 and Rs.20.35 crore less than the normative projection (Rs.300.04 crore) by TFC.

Subsidies

The State Government has not made any explicit provision for subsidies in its Annual Budget.

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore the ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running the existing social and economic services efficiently and effectively would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP, better is the quality of expenditure. Table-1.13 gives these ratios during 2002-07.

Table-1.13: Indicators of Quality of Expenditure

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	340.69	391.13	379.44	517.87	710.48
Revenue Expenditure	1506.27	1812.99	1684.63	2060.53	2222.15
Of which,	707.61	938.07	826.68	1120.63	1201.83
Social and Economic Services with	(46.98)	(51.74)	(49.07)	(54.38)	(54.08)
(i) Salary & Wage Component	---	501.64	485.90	606.56	649.72
		(53.48)	(58.78)	(54.13)	(54.06)
(ii) Non-Salary & Wage Component	---	436.43	340.78	514.07	552.11
		(46.52)	(41.22)	(45.87)	(45.94)
As per cent of Total Expenditure **					
Capital Expenditure	18.42	17.70	18.38	20.08	24.23
Revenue Expenditure	81.45	82.07	81.60	79.90	75.77
As per cent of GSDP					
Capital Expenditure	7.17	7.47	6.57	8.12	10.21
Revenue Expenditure	31.72	34.61	29.15	32.32	31.94

* Excludes wage component.

** Total expenditure excludes Loans and Advances.

Though no specific norms were laid down by the State Government for prioritization of capital expenditure as stipulated in NFRBM Act, capital expenditure has consistently increased over the period 2002-07 and it sharply increased by 37 per cent (Rs.192.61 crore) during 2006-07 over the previous year. Education, Sports, Art and Culture, Health & Family Welfare, Water Supply and Sanitation etc., under Social Services and Transport under Economic Service are the major beneficiary sectors where incremental capital expenditure was absorbed during 2006-07. During 2006-07, capital expenditure accounted for 24.23 per cent of total expenditure and 10.21 per cent of GSDP.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities etc., have a strong linkage with eradication of poverty and economic progress, it would be prudent

to make an assessment with regard to the expansion and efficient provision of these services in the State. Table-1.14 summarises the expenditure incurred by the State Government in expanding and strengthening the Social Services in the State during 2002-07.

Table-1.14: Expenditure on Social Services

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Education, Sports, Art and Culture					
Revenue Expenditure	200.30	246.15	239.67	305.84	334.94
Of which					
(a) Salary and Wage Component	NA	207.93	204.75	249.34	264.62
(b) Non Salary and Wage Component	NA	38.22	34.92	56.50	70.32
Capital Expenditure	9.72	10.26	11.78	18.97	44.19
Total	210.02	256.41	251.45	324.81	379.13
Health and Family Welfare					
Revenue Expenditure	80.89	82.80	88.17	109.65	116.41
Of which					
(a) Salary and Wage Component	NA	68.86	74.92	83.71	97.52
(b) Non Salary and Wage Component	NA	13.94	13.25	25.94	18.89
Capital Expenditure	8.29	11.88	41.94	11.63	12.11
Total	89.18	94.68	130.11	121.28	128.52
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	32.33	18.07	31.64	43.04	31.87
Of which					
(a) Salary and Wage Component	NA	15.90	18.21	22.59	24.19
(b) Non Salary and Wage Component	NA	2.17	13.43	20.45	7.68
Capital Expenditure	122.89	107.23	86.36	112.80	158.37
Total	155.22	125.30	118.00	155.84	190.24
Other Social Services					
Revenue Expenditure	72.05	75.29	61.47	93.70	105.63
Of which					
(a) Salary and Wage Component	NA	63.32	27.94	30.71	35.91
(b) Non Salary and Wage Component	NA	11.97	33.53	62.99	69.72
Capital Expenditure	8.00	8.78	8.80	11.69	26.28
Total	80.05	84.07	70.36	105.39	131.91
Total (Social Services)					
Revenue Expenditure	385.57	422.31	420.95	552.23	588.85
Of which					
(a) Salary and Wage Component	NA	356.01 (84.30)	325.82 (77.40)	386.35 (69.96)	422.24 (71.71)
(b) Non Salary and Wage Component	NA	66.30 (15.70)	95.13 (22.60)	165.88 (30.04)	166.61 (28.29)
Capital Expenditure	148.90	138.15	148.97	155.09	240.95
Grand Total	534.47	560.46	569.92	707.32	829.80

The expenditure on Social Services increased from Rs.534.47 crore in 2002-03 to Rs.829.80 crore in 2006-07 and it constituted 28.30 per cent of the total expenditure (Rs.2932.63 crore) during 2006-07. Three major Social Services viz., General Education (Rs.339.13 crore), Health and Family Welfare (Rs.128.52 crore) and Water Supply and Sanitation (Rs.190.24 crore) accounted for 84 per cent of the total expenditure on Social Services. Capital expenditure on social services increased by 55 per cent from Rs.155.09 crore in 2005-06 to Rs.240.95 crore in 2006-07 due to increase mainly in Water Supply and Sanitation (Rs.45.57 crore) and Education, Art & Culture (Rs.25.22 crore).

To improve the quality of education and health services in the States, the TFC recommended that the non-plan salary expenditure under Education and Health and Family Welfare should increase only by 6 to 5 per cent respectively, while non salary expenditure under non-plan heads should increase by 30 per cent per annum in both the sectors during the award period. The trends in expenditure revealed that the salary and wage component of revenue expenditure under Education and Sports, Art & Culture increased by 6 per cent in 2006-07 over the previous year, while the non salary component increased by 24 per cent; under Health and Family Welfare, salary and wage component increased by 16.50 per cent in 2006-07 over the previous year while non salary component decreased by 37.32 per cent.

1.5.3 Expenditure on Economic Services

Expenditure on Economic Services includes all such expenditure that promotes directly or indirectly, productive capacity within the States' economy. The expenditure on Economic Services (Rs.1015.35 crore) accounted for 34.62 per cent of the total expenditure (Table-1.15). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport consumed 15.12 per cent of the total expenditure.

Table-1.15: Expenditure on Economic Services

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture and Allied Activities					
Revenue Expenditure	102.25	110.27	117.24	163.06	182.52
Of which					
(a) Salary and Wage Component	NA	66.87	71.23	84.55	83.30
(b) Non Salary and Wage Component	NA	43.40	46.01	78.51	99.22
Capital Expenditure	12.88	20.63	9.38	41.46	39.47
Total	115.13	130.90	126.62	204.52	221.99
Irrigation & Flood Control					
Revenue Expenditure	13.46	21.33	22.21	25.07	33.29
Of which					
(a) Salary and Wage Component	NA	6.20	6.09	6.93	6.95
(b) Non Salary and Wage Component	NA	15.13	16.12	18.14	26.34
Capital Expenditure	5.20	0.01	1.08	0.82	0.96
Total	18.66	21.34	23.29	25.89	34.25
Energy					
Revenue Expenditure	58.11	158.90	94.28	97.22	113.68
Of which					
(a) Salary and Wage Component	NA	20.10	20.89	23.89	23.93
(b) Non Salary and Wage Component	NA	138.80	73.39	73.33	89.75
Capital Expenditure	74.26	60.74	44.42	76.20	46.47
Total	132.37	219.64	138.70	173.42	160.15
Road Transport					
Revenue Expenditure	15.76	18.78	15.06	18.42	19.73
Of which					
(a) Salary and Wage Component	NA	9.69	9.52	10.98	11.92
(b) Non Salary and Wage Component	NA	9.09	5.54	7.44	7.81
Capital Expenditure	6.85	6.55	6.55	5.72	7.40
Total	22.61	25.33	21.61	24.14	27.13
Other Economic Services					
Revenue Expenditure	132.46	206.48	156.94	264.63	263.76
Of which					
(a) Salary and Wage Component	NA	42.77	52.35	93.86	100.47

(b) Non Salary and Wage Component	NA	163.71	104.59	170.77	163.29
Capital Expenditure	67.31	115.00	126.24	176.74	308.07
Total	200.27	321.48	283.18	441.37	571.83
Total (Economic Services)					
Revenue Expenditure	322.04	515.76	405.73	568.40	612.98
Of which					
(a) Salary and Wage Component	NA	145.63 (28.24)	160.08 (39.45)	220.21 (38.74)	226.57 (36.96)
(b) Non Salary and Wage Component	NA	370.13 (71.76)	245.65 (60.55)	348.19 (61.26)	386.41 (63.04)
Capital Expenditure	167.00	202.93	187.67	300.94	402.37
Grand Total	489.04	718.69	593.40	869.34	1015.35

Out of the total expenditure on Economic Services during 2006-07, 21.86 per cent was incurred on Agriculture and Allied Activities, 15.77 per cent on Power and Energy, 3.37 per cent on Irrigation and Flood Control and 2.67 per cent on Transport. As compared to 2002-03, significant increases were observed in 2006-07 in Agriculture and Allied Activities (91.82 per cent), Irrigation and Flood Control (83.55 per cent), Power and Energy (20.98 per cent), and Transport services (20 per cent).

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure has increased from Rs.167.00 crore (34.15 per cent) in 2002-03 to Rs.402.37 crore (39.63 per cent) in 2006-07, while the revenue expenditure increased from Rs.322.04 crore (65.85 per cent) in 2002-03 to Rs.612.98 crore (60.37 per cent) in 2006-07. Of the revenue expenditure, salary component increased from Rs.160.08 crore (26.97 per cent) in 2004-05 to Rs.226.57 crore (22.31 per cent) in 2006-07 whereas non-salary component increased from Rs.245.65 crore (41.40 per cent) to Rs.386.41 crore (38.06 per cent).

1.5.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided by the State Government by way of grants and loans to local bodies and others during the five year period 2002-07 is presented in Table-1.16.

Table-1.16: Financial Assistance to local bodies and other institutions

	<i>(Rupees in crore)</i>				
	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	1.45	2.10	3.05	6.24	2.55
Municipal Corporations and Municipalities	--	--	--	--	0.27
Zilla Parishads and Other Panchayati Raj Institutions	--	--	--	--	---
Development Agencies	0.43	--	24.67	0.28	---
Hospitals and other Charitable Institutions	--	0.10	5.59	5.74	8.12
Other Institutions	10.03	28.46	1.02	21.17	23.10
Total	11.91	30.66	34.33	33.43	34.04
Assistance as percentage of RE	0.79	1.69	2.04	1.62	1.53

The total assistance to local bodies has increased from Rs.11.91 crore in 2002-03 to Rs.34.04 crore in 2006-07. The assistance as a percentage of total revenue expenditure had increased from 0.79 in 2002-03 to 1.53 in 2006-07. As against a sharp decline in financial assistance to educational institutions, it increased in respect

of hospitals and other charitable institutions in 2006-07 over the previous year. The financial assistance granted under the head 'Other Institutions' constituted more than 2/3rd of the total assistance given by the State during the current year. Moreover, under this head bulk of the assistance (98 per cent) is given to Village Development Board (Rs.22.53 crore) and the remaining to Co-operative Societies (Rs.0.57 crore).

1.6 Assets and Liabilities

In Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix 1.2* gives an abstract of such liabilities and the assets as on 31 March 2007 compared with the corresponding position on 31 March 2006. While the liabilities in this regard consist mainly of internal borrowings, loans and advances from the GOI, receipts from Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. *Appendix-1.5* depicts the time series data on State Government finances for the period 2002-2007.

1.6.1 Investments and returns

As on 31 March 2007, the Government had invested Rs.119.84 crore in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives (Table-1.17). The average return on this investment was 'Nil' during the last five years, while an average interest rate of 11.44 per cent was being paid by the Government on its borrowings.

Table-1.17: Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on Government borrowings	Difference between interest paid and return
	(Rupees in crore)			(per cent)	
2002-03	58.47	0.00	0.00	11.30	11.30
2003-04	69.36	0.00	0.00	11.66	11.66
2004-05	73.41	0.00	0.00	12.26	12.26
2005-06	103.11	0.00	0.00	10.50	10.50
2006-07	119.84	0.00	0.00	11.50	11.50

During the current year, the Government invested Rs.10.73 crore in State Mineral Development Corporation, a Government Company and Rs.6 crore in Nagaland Forest Product, a Joint Stock Company. During 2005-06, significant increase in Government investment (Rs.29.70 crore) was mainly in State Mineral Development Corporation (Rs.13.99 crore), Nagaland Forest Products (Rs.11.75 crore), Industrial Raw Material and Supply Corporation (Rs.2.81 crore) and Public Sector and Other Undertakings (Rs.1.15 crore).

Out of total Government investment of Rs.119.85 crore at the close of the current year, Rs.62.22 crore was invested in 6 Government companies and State PSUs, Rs.24.66 crore in 2 Joint Stock Companies and remaining amount of Rs.25.88 crore was invested in Cooperative Bank and Cooperative Societies etc. A Government company viz., Nagaland Sugar Mills Ltd (Rs.7.29 crore investment) and a Joint Stock

Company Nagaland Paper and Pulp Corporation (Rs.6.33 crore-investment) were closed down; while 3 Government Corporations- Nagaland Industrial Development Corporation Ltd., (Rs.8.39 crore), Nagaland Industrial Raw Materials & Supply Corporation Ltd., (Rs.4.05 crore) and Nagaland Handloom & Handicrafts Development Corporation Ltd., (Rs.2.82 crore) were incurring losses. Since the accounts of Nagaland State Mineral Development Corporation Ltd., (Rs.39.37 crore) are outstanding from 1994-95, the financial status of the company could not be assessed.

1.6.2 Loans and Advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, the Government has also been providing loans and advances to many of these organisations and also to Government employees for construction of houses and other miscellaneous purposes.

Table-1.18: Average Interest Received on Loans Advanced by the State Government

	(Rupees in crore)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	48.04	42.96	41.23	35.06	30.27
Amount advanced during the year	2.33	5.08	0.34	0.61	0.24
Amount repaid during the year	7.42	6.81	6.50	5.40	4.33
Closing Balance	42.96	41.23	35.06	30.27	26.19
Net addition	(-) 5.09	(-) 1.73	(-) 6.16	(-) 4.79	(-) 4.09
Interest Received	0.75	0.89	1.53	1.24	1.38
Interest received as <i>per cent</i> to outstanding Loans and advances	1.65	2.11	4.36	4.10	5.27
Average interest rate (in <i>per cent</i>) paid on borrowings by State Government	11.30	11.66	12.26	10.50	11.50
Difference between average interest paid and received (<i>per cent</i>)	9.65	9.55	7.90	6.40	6.28

At the end of March 2007, the Government had outstanding loans and advances of Rs.26.19 crore (Table 1.18) mainly from Co-operative Societies (Rs.21.79 crore), Village & Small Industries (Rs.1.87 crore), Government Servants (Rs.1.51 crore). The Interest received as percentage of outstanding loans ranged from 1.65 to 5.27 *per cent* during the period, which was much less than the interest paid by the Government on its own borrowings.

1.6.3 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special- from Reserve Bank of India (RBI) has been put in place. The operative limit for normal WMA is reckoned as the three year average of revenue receipts and the operative limit for special WMA is fixed by RBI from time to time depending on the holding of Government securities. WMA and overdrafts availed, the number of occasions when these were availed and interest paid by the State is detailed in Table-1.19.

Table-1.19: Ways and Means Advances and Overdrafts of the State
(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and Means Advances					
Availed in the year	656.80	44.55	297.35	195.08	188.18
Number of occasions	9	1	9	5	4
Outstanding WMA, if any	---	---	7.07	53.01	95.32
Interest Paid	1.77	0.63	0.48	0.27	0.27
Number of days	311	6	53	14	7
Overdraft					
Availed in the year	349.55	---	57.02	79.84	78.53
Number of occasions	11	---	2	1	1
Number of days	158	365	3	2	5
Interest Paid	0.71	0.13	0.33	0.37	0.24

1.7 Undischarged Liabilities

“Total liabilities” as defined in NFRBM Act, 2005 means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

1.7.1 Fiscal liabilities-Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund - Capital Account. It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time be fixed by an Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of Public Account, include deposits under small savings scheme, provident fund and other deposits.

Table-1.20 gives the fiscal liabilities of the State, their rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.20: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities* (Rupees in crore)	2102.22	1924.41	2146.29	2641.34#	2922.01
Rate of Growth (<i>per cent</i>)	23.96	(-) 8.46	11.53	23.00	10.63
Ratio of Fiscal Liabilities to					
GSDP (<i>per cent</i>)	44.30	36.70	37.10	43.44	42.00
Revenue Receipts (<i>per cent</i>)	156.10	81.60	116.70	116.50	105.39
Own Resources (<i>per cent</i>)	1984.30	1486.50	1374.00	1305.33	1390.37
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	1.620	(-) 0.820	1.118	2.231	2.381
Revenue Receipts (ratio)	14.185	(-) 0.112	(-) 0.523	0.990	0.948
Own Resources (ratio)	181.045	(-) 0.381	0.558	1.284	1.753

* Includes Internal Debt, Loans and Advances from GOI and other obligations.

The fiscal liabilities of 2005-06 differ from the last year Report due to rectification of errors in Finance Accounts during 2006-07, i.e. Rs.89.06 crore which was wrongly booked under 8007-Investment of National Savings Fund in 2005-06, since rectified and transferred in 2006-07 to 6003-111-Special Securities issued to National Small Savings Fund of the Central Government.

The overall fiscal liabilities of the State have increased from Rs.2102.22 crore in 2002-03 to Rs.2922.01 crore in 2006-07. The growth rate was 10.63 *per cent* during 2006-07 over the previous year. The ratio of fiscal liabilities to GSDP also decreased from 44.30 *per cent* in 2002-03 to 42 *per cent* in 2006-07 with inter-year variations. The fiscal liabilities of the State at the close of 2006-07 comprised (a) internal debt of the State Government at Rs.2518.35 crore which included market loan, loans from Insurance Companies/Other Institutions, ways and means advance from RBI, Special Securities issued to National Small Savings Fund of the Central Government which has increased by 13.41 *per cent* from Rs.2220.54 crore in 2005-06 and (b) Loans and advances from the Central Government comprising Rs.403.66 crore in 2006-07 which included non plan loans, loans for State Plan Schemes, loans for Central Plan Schemes, loans for Centrally Planned Schemes, loans for Special Schemes and Pre 1984-85 Loans, which have decreased by 4.25 *per cent* from Rs.420.80 crore in 2005-06. These liabilities stood at nearly 1.05 times the revenue receipts and 13.90 times of the State's own resources at the end of 2006-07. In line with the recommendations of the TFC, the State Government has set up the Sinking Fund for amortisation of market borrowings as well as other loans and debt obligations during 2006-07. Contribution to the corpus of the fund was Rs.16.17 crore as of March 2007.

1.7.2 Debt sustainability

Debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between costs of additional borrowings with returns from such borrowings. It means that rising fiscal deficit should match the increase in capacity to service the debt. A prior condition for debt sustainability is debt stabilization in terms of debt/GSDP ratio.

Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable, provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate–interest rate) and quantum spread (Debt*rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling. Trends in fiscal variables indicating the progress towards debt stabilisation are indicated in Table-1.21.

Table-1.21: Debt Sustainability-Interest Rate and GSDP Growth

	(in per cent)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Average Interest Rate	11.30	11.66	12.26	10.50	11.50
GSDP Growth	14.79	10.32	10.31	10.31	9.15
Interest spread	3.49	(-) 1.34	(-) 1.95	(-) 0.19	(-) 2.35
Outstanding Debt	1695.93	2102.22	1924.41	2146.29	2641.34
Quantum spread (Rs. in crore)	59.00	(-) 28.00	(-) 35.00	(-) 4.00	(-) 62.00
Primary Deficit (-) /Surplus (+) (Rs. in crore)	(-) 280.39	392.14	31.23	(-) 52.52	(+) 123.66

Table 1.21 shows that quantum spread together with primary deficit was (-) Rs.221.39 crore in 2002-03 with debt-GSDP ratio at 44.3 per cent during the year. This sum turned into a huge positive figure of Rs 364.14 crore in the very next year (2003-04) thereby reducing steeply the debt-GSDP ratio by more than seven percentage points to 36.70 per cent during 2003-04. The sum of quantum spread and primary deficit remained negative during 2004-05 and 2005-06 indicating rising Debt-GSDP ratio during these years which marginally declined to 42 per cent during 2006-07 as primary surplus exceeded the negative quantum spread during the year. However, it may be stated that debt sustainability of the State will depend substantially on the continued availability of grants-in-aid from the GOI (which forms the major part of the State's receipts) and ability of the State Government to maintain the growth rate of GSDP higher than the rate of borrowing.

Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. Debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. Table-1.22 indicates the resource gap as defined for the period 2002-07.

Table-1.22: Incremental revenue receipts and Revenue Expenditure

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	22	166	14	180	(-) 158
2003-04	1013	339	20	359	(+) 654
2004-05	(-) 521	(-) 160	15	(-) 145	(-) 376
2005-06	427	511	4	515	(-) 88
2006-07	504	327	26	353	(+) 151

The trends in Table-1.22 also reveal that the incremental non-debt receipts of the State were enough to meet the incremental interest liabilities and incremental primary expenditure in two years (2003-04 and 2006-07) out of the five year period 2002-07 mainly on account of boost in revenue receipts due to large flow of grants-in-aid from the GOI. The negative resource gap during the remaining three years indicated State's reliance on borrowed funds to meet even its incremental requirements on account of interest obligations and primary expenditure.

1.7.3 Net availability of funds

Another important indicator of debt sustainability is the net availability of funds after the payment of the principal on account of earlier contracted liabilities and interest. Table-1.23 below gives the position of the receipts and repayment of internal debt and other fiscal liabilities of the State over the last five years.

Table-1.23 Net Availability of Borrowed Funds

	2002-03	2003-04	2004-05	2005-06	2006-07
Internal debt					
Receipts	238.58	393.93	256.22	413.50	454.33
Repayment (Principal + Interest)	180.55	211.80	247.15	280.37	329.04
Net Fund Available	58.03	182.13	9.07	133.13	125.29
Net Fund Available (<i>per cent</i>)	24.32	46.23	3.54	32.20	27.58
Loans and Advances from Government of India					
Receipts	447.67	(-) 397.15	163.92	104.77	1.15
Repayment (Principal + Interest)	76.61	164.81	171.21	161.59	64.69
Net Fund Available	371.06	(-) 561.96	(-) 7.29	(-) 56.82	(-) 63.54
Net Fund Available (<i>per cent</i>)	82.89	141.50	(-) 4.45	(-) 54.23	(-) 5525.22
Other obligations					
Receipts	242.88	186.99	111.21	161.78	101.10
Repayment (Principal + Interest)	168.68	210.70	204.24	279.39	161.38
Net Fund Available	74.20	(-) 23.71	(-) 93.03	(-) 117.61	(-) 60.28
Net Fund Available (<i>per cent</i>)	30.55	(-) 12.68	(-) 83.65	(-) 72.70	(-) 59.62
Total liabilities					
Receipts	929.13	183.77	531.35	680.05	556.58
Repayment (Principal + Interest)	425.84	587.31	622.60	721.35	555.11
Net Fund Available	503.29	(-) 403.54	(-) 91.25	(-) 41.30	1.47
Net Fund Available (<i>per cent</i>)	54.17	(-) 219.59	(-) 17.17	(-) 6.07	0.26

The funds available on account of the redemption of internal debt, loans and advances from GOI and other receipts in Public Account obligations net of repayments and discharge of interest payment obligations have consistently improved from (-) Rs.219 crore in 2003-04 to (+) Rs.1.47 crore in 2006-07. During the current year, the

Government repaid principal plus interest on account of internal debt of Rs.329.04 crore (which was less than the receipts of Rs.454.33 crore), Rs.64.69 crore on GOI loans and advances against the receipts of Rs.1.15 crore and also discharged other obligations of Rs.161.38 crore against the receipts of Rs.101.10 crore resulting in a meagre balance of Rs 1.47 crore to meet its development requirements.

1.8 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised and applied are important pointers to its fiscal health.

1.8.1 Trends in deficits

The trends in fiscal parameters depicting the position of fiscal equilibrium in the State are presented in Table-1.24.

The revenue account of the State presents the trends in its revenue expenditure and revenue receipts over a definite time period. The revenue account of the State had exhibited consistent improvement during the period 2003-07 as the State had not only maintained revenue surplus but its surplus position has improved since 2004-05. An increase of Rs.343.69 crore in revenue surplus during the current year was mainly on account of enhancement in revenue receipts by Rs.505.31 crore as against the increase of Rs.161.62 crore in revenue expenditure during 2006-07 over the previous year. It may however be noted that around 98 *per cent* of the incremental revenue receipts were contributed by the increase in Central transfers comprising of States' share in Union pool of taxes and duties and grants-in-aid from the GOI. Further, given the increase in revenue surplus, a marginal decline of Rs.1.07 crore in non-debt capital receipts and the combined increase of Rs.192.24 crore in capital expenditure and loan and advances disbursed during 2006-07 over the previous year, fiscal deficit decreased by Rs.150.38 crore during the current year from the level of Rs.306.41 crore in 2005-06. A decline in fiscal deficit accompanied by an increase in interest payments (Rs.25.80 crore) resulted in primary surplus of Rs.123.66 crore against the primary deficit of Rs.52.52 crore in 2005-06.

Table-1.24: Fiscal Imbalances-Basic Parameters

Parameters	2002-03	2003-04#	2004-05	2005-06	2006-07
Revenue deficit(-)/surplus (+) (Rupees in crore)	(-) 159.37	546.80	154.89	206.67	550.36
Fiscal deficit (-)/surplus (+) (Rupees in crore)	(-) 494.97	157.40	(-) 218.39	(-) 306.41	(-) 156.03
Primary deficit(-)/surplus(+) (Rupees in crore)	(-) 280.39	392.14	31.23	(-) 52.52	123.66
RD or RS/GSDP (<i>per cent</i>)	(-) 3.36	10.44	2.68	3.24	7.91
FD/GSDP (<i>per cent</i>)	(-) 10.42	3.00	(-) 3.78	(-) 4.81	(-) 2.36
PD/GSDP (<i>per cent</i>)	(-) 5.90	7.49	0.540	(-) 0.82	(+) 1.66
RD/FD (<i>per cent</i>)	32.20	*	*	*	*

#During 2003-04 huge revenue surplus was observed largely on account of Conversion of GOI loans amounting to Rs 365 crore into grants-in-aid which has also resulted in a situation of fiscal and primary surplus during the year.

*The State experienced revenue surplus during these years.

Quality of deficit/surplus

The ratio of RD to FD and the decomposition of primary deficit into primary revenue deficit⁴ and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. During the entire five year period, the State had a revenue surplus indicating that a portion of surplus funds in the revenue account were being used to finance the fiscal deficit of the State during these years.

The bifurcation of the factors that result in primary deficit or surplus of the State during the period 2002-07 reveals (Table-1.25) that non-debt receipts were enough to meet the requirement of primary revenue expenditure and a portion of these receipts were available to finance the capital expenditure. These were, however, not enough during 2002-03 and 2005-06 indicating the extent to which primary deficit has been on account of capital expenditure requirements which may be desirable to improve productive capacity of the State's economy.

Table-1.25: Primary deficit/surplus- Bifurcations of factor

(Rupees in crore)							
Year	Non-debt Receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary Revenue Deficit (-)/ Surplus (+)	Primary Deficit (-)/ Surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2002-03	1354	1292	341	2	1635	(+) 62	(-) 281
2003-04	2367	1578	391	5	1974	(+) 789	(+) 393
2004-05	1846	1435	379	0	1814	(+) 411	(+) 32
2005-06	2273	1807	518	0	2325	(+) 466	(-) 52
2006-07	2777	1942	710	0	2652	(+) 835	(+) 125

1.9 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table-1.26 below presents a summarised position of Government finances over 2002-07, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their application, highlights areas of concern and captures its important facts.

Table 1.26 - Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07
I. Resource Mobilisation					
Revenue Receipts/GSDP	28.36	45.05	31.83	35.57	39.85
Revenue Buoyancy	0.114	7.287	(-) 2.138	2.255	2.435
Own tax/GSDP	1.31	1.31	1.36	1.66	1.71
II. Expenditure Management					
Total Expenditure/GSDP	38.94	42.17	35.72	40.46	42.15
Total Expenditure/Revenue Receipts	137.03	93.62	112.23	113.75	105.78

⁴ Primary revenue deficit defined as gap between non interest revenue expenditure of the State and its non-debt receipts indicates the extent to which the non-debt receipts of the State are able to meet the primary expenditure incurred under revenue account.

Revenue Expenditure/Total Expenditure	81.45	82.07	81.60	79.90	75.77
Salary & Wage expenditure on social and Economic Service/Revenue Expenditure	NA	27.67	28.84	29.44	29.20
Non-Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	NA	24.07	20.23	24.95	24.89
Capital Expenditure/Total Expenditure	18.40	17.70	18.38	20.08	24.22
Capital Expenditure on Social and Economic Services/Total Expenditure	17.08	15.44	16.31	17.68	14.54
Buoyancy of TE with RR	6.39	0.26	0.30	1.07	0.62
Buoyancy of RE with RR	3.28	0.27	0.32	0.96	(-) 4.00
III. Management of Fiscal Imbalances					
Revenue surplus(+)/deficit(-) (Rs. in crore)	(-) 159.37	546.80	154.89	206.67	550.36
Fiscal deficit(-)/surplus(+) (Rs. in crore)	(-) 494.97	157.40	(-) 218.39	(-) 306.41	(-) 156.03
Primary deficit(-)/surplus(+) (Rs. in crore)	(-) 280.39	392.14	31.23	(-) 52.52	(-) 123.66
Revenue deficit/Fiscal deficit	32.20	*	*	(-) 67.45	335.16
IV. Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	44.27	36.73	37.14	40.04	42.00
Fiscal Liabilities/RR	156.08	81.55	116.68	112.57	105.39
Primary deficit vis-à-vis quantum spread	(-) 207.39	366.14	(-) 10.71	(-) 57.52	(-) 192.66
Net Fund Available	54.17	(-) 219.59	(-) 17.17	(-) 6.07	0.26
V. Other Fiscal Health Indicators					
Return on Investment	0.00	0.00	0.00	0.00	0.00
Balance from Current Revenue (Rs. in crore)	(-) 555.96	247.88	(-) 386.32	(-) 58.01	(-) 169.27
Financial Assets/Liabilities	0.95	1.17	1.21	1.26	1.07

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP has consistently increased to 40 per cent during the current year from the level of 28 per cent in 2002-03 with an exception of 2003-04 when revenue receipts increased steeply due to conversion of GOI loans to Nagaland to grants-in-aid. The ratio of own taxes to GSDP has also increased since 2003-04 from 1.31 to 1.71 in 2006-07.

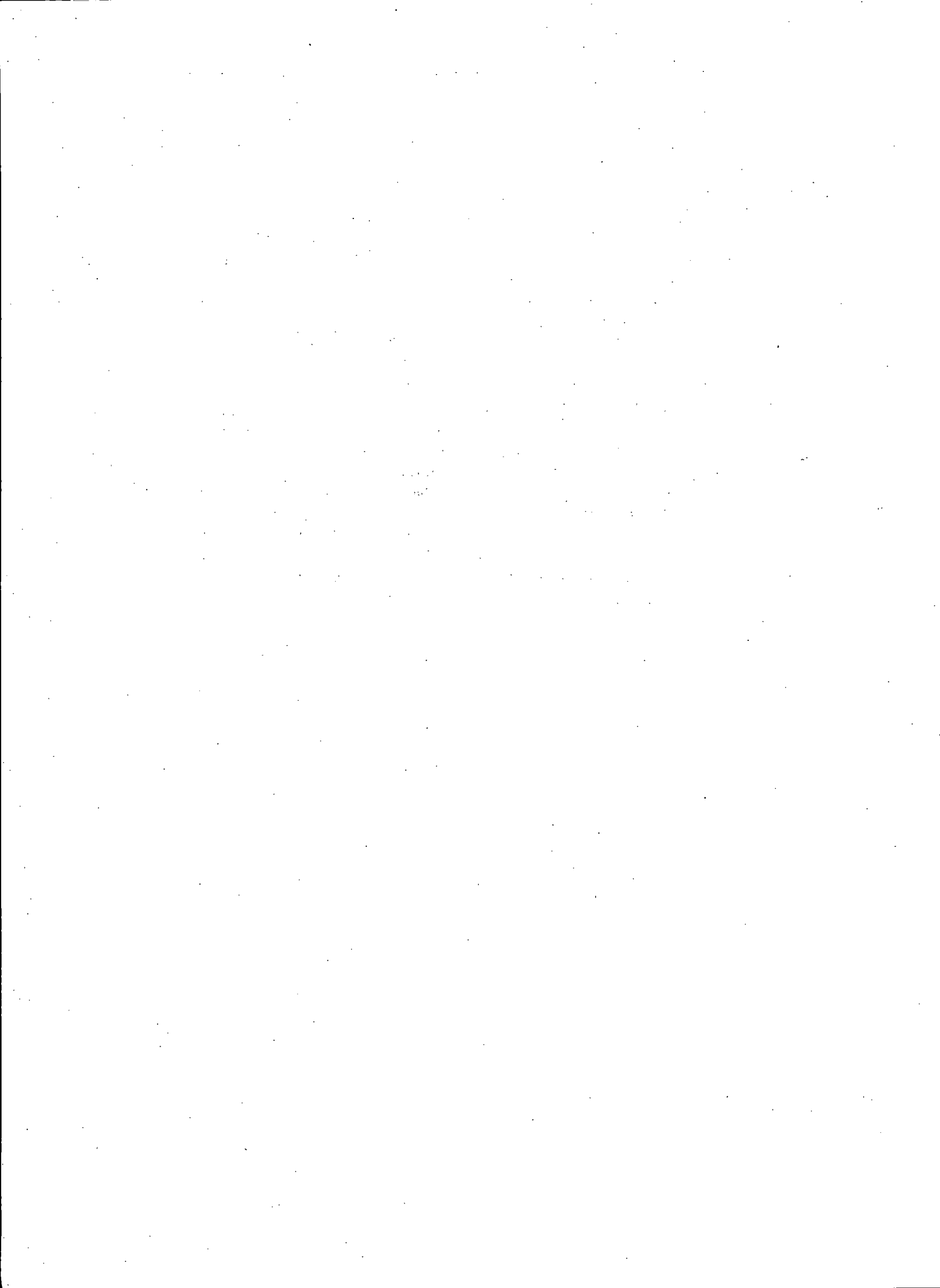
Various ratios concerning the expenditure management of the State indicate the quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. The revenue expenditure as a percentage to total expenditure declined by four percentage points from 82 per cent in 2003-04 to 76 per cent during 2006-07 exhibiting an increasing trend in the ratio of capital expenditure to total expenditure during the period. Barring 2003-04, the revenue receipts were inadequate to finance the total expenditure during the period 2002-07 indicating continued dependence on borrowed funds. However, noticeably the proportion of total expenditure being financed through borrowed funds declined over the period which is also reflected by the declining ratio of financial liabilities to revenue receipts which was 156 in 2002-03 as compared to 105 in 2006-07.

Revenue surplus consistently improved during the last three years and increased by Rs.343.69 crore during the current year as a result of which, the fiscal deficit declined by Rs.150 crore. The Balance from Current Revenue widely fluctuated during the

2002-07 and remained negative at (-) Rs.169 crore in the current year. An encouraging trend is however reflected in the ratio of fiscal assets to fiscal liabilities which remained greater during the last four years (2003-07).

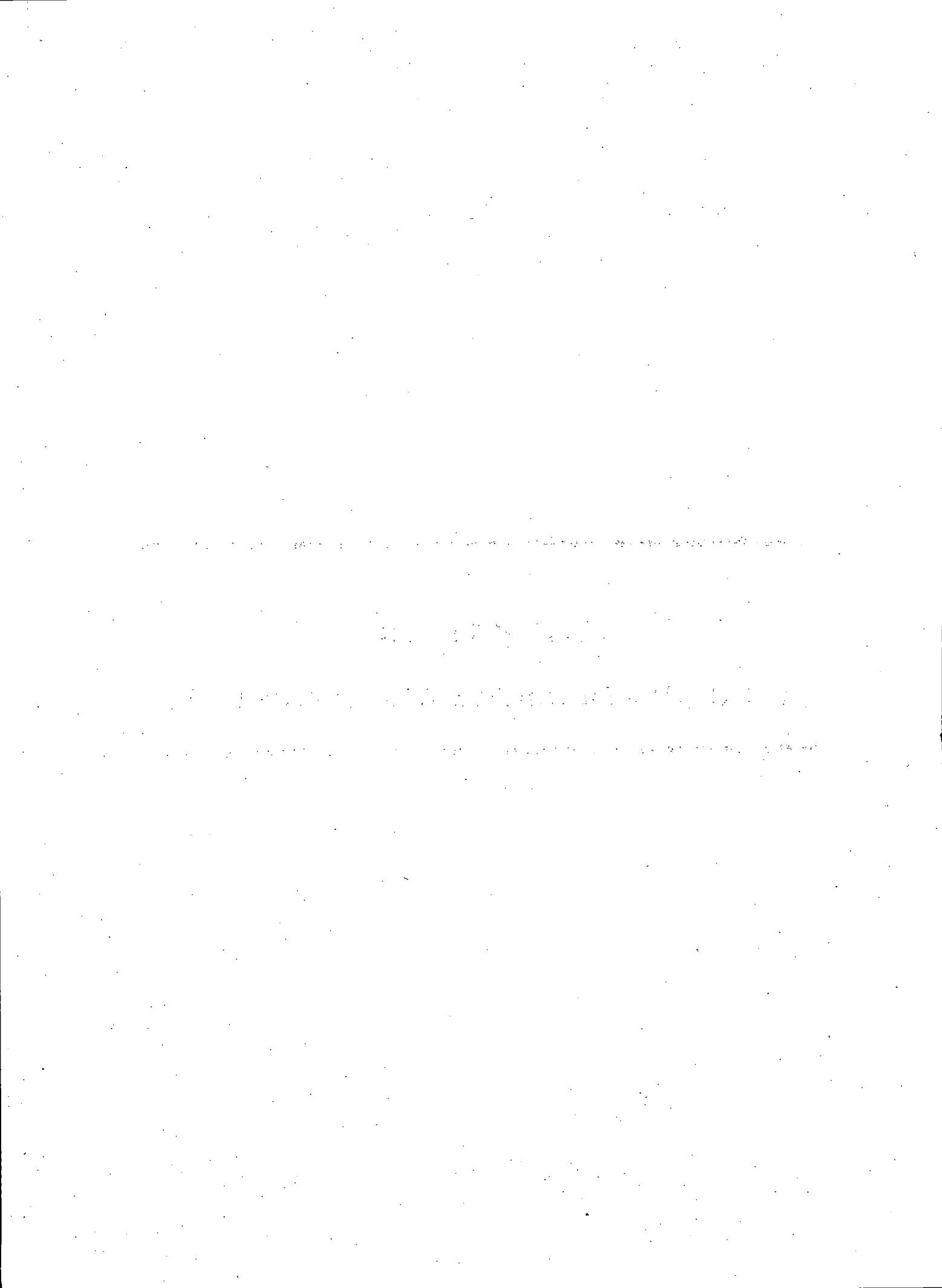
1.10 Conclusion

The fiscal health of the State as reflected in terms of trends in key fiscal parameters- revenue, fiscal and primary deficits- has shown significant improvement during 2006-07 over the previous year. However, the State finances are heavily dependent on Central transfers, which account for about 92 *per cent* of its revenue receipts and helped the State Government to maintain revenue surplus during the period 2003-07. Although the State had maintained revenue surplus during the last four years, fiscal deficit continued to persist, primarily because a part of capital expenditure was financed through borrowed funds during these years. The expenditure pattern of the State reveals that the revenue expenditure as a *percentage* to total expenditure constituted around 76 *per cent* during the current year leaving inadequate resources for expansion of services and creation of assets. A further analysis of expenditure reveals that the NPPE at Rs.1768.46 crore is significantly higher than the normative assessment of Rs.1532.18 crore by TFC for the State for 2006-07. Moreover, its three components viz., expenditure on salaries, pensions, and interest payments constituted 82 *per cent* of NPPE during 2006-07. The continued prevalence of fiscal deficit in the finance accounts of the State indicates the increasing reliance on borrowed funds resulting in increasing fiscal liabilities of the State over this period. The increasing fiscal liabilities accompanied by a zero rate of return on Government investments and inadequate interest cost recovery on loans and advances might lead to an unsustainable debt situation in medium to long run, unless suitable measures are initiated to compress the non plan revenue expenditure and mobilize additional resources both through the tax and non tax sources in ensuing years.



CHAPTER — II

ALLOCATIVE PRIORITIES AND APPROPRIATION



CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of charged as well as voted items of the budget.

Audit of Appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various Grants was within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution was so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2006-07 against 80 Grants/Appropriations is indicated in Table 2.1.

Table-2.1 (Rupees in crore)

	Nature of expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
Voted	I Revenue	1924.68	167.91	2092.59	1955.71	(-) 136.88
	II Capital	689.86	174.23	864.09	710.48	(-) 153.61
	III Loans and Advances	5.90	0.00	5.90	0.24	(-) 5.66
Total Voted		2620.44	342.14	2962.58	2666.43	(-) 296.15
Charged	IV Revenue	286.61	8.45	295.06	286.13	(-) 8.93
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt	588.48	0.00	588.48	441.53	(-) 146.95
Total Charged		875.09	8.45	883.54	727.66	(-) 155.88
	Appropriation to Contingency Fund	0.00	0.00	0.00	0.00	0.00
Grand Total		3495.53	350.59	3846.12	3394.09	(-) 452.03

Source: Appropriation Accounts

2.3 Fulfilment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

The overall saving of Rs.452.03 crore was the net result of excess of Rs.46.03 crore in 16 cases of Grants/Appropriation and savings of Rs.498.06 crore in 64 cases of Grants/Appropriations.

⁵ These are gross figures before adjustment of recoveries in reduction of expenditure viz. Revenue expenditure Rs.19.70 crore and Capital expenditure NIL.

Major savings of Rs.405.10 crore (90 per cent) occurred in 12 out of 64 Grants/Appropriations as mentioned below:

Table-2.2 *(Rupees in crore)*

Grant No./Name	Section	Original	Supple- mentary	Total	Actual expenditure	Savings
18- Pension and Other Retirement Benefits	Revenue (Voted)	233.00	0.00	233.00	201.74	31.26
32- Higher Education	Revenue (Voted)	35.26	15.77	51.03	36.55	14.48
52- Forest	Revenue (Voted)	46.96	0.00	46.96	31.93	15.03
58- Roads and Bridges	Revenue (Voted)	76.29	1.48	77.77	63.44	14.33
59- Irrigation and Flood Control	Revenue (Voted)	41.30	3.74	45.04	33.29	11.75
72- Land Resource Development	Revenue (Voted)	43.65	1.88	45.53	19.50	26.03
27- Planning Machinery	Capital (Voted)	61.48	0.00	61.48	11.82	49.66
35- Medical, Public Health and Family Welfare	Capital (Voted)	23.48	4.25	27.73	17.83	9.90
36- Urban Development	Capital (Voted)	49.71	22.00	71.71	56.74	14.97
45- Co-operation	Capital (Voted)	10.26	7.00	17.26	8.50	8.76
55- Power Projects	Capital (Voted)	99.46	0.00	99.46	46.47	52.99
75- Servicing of Debt-	Revenue (Charged)	280.91	7.77	288.68	279.69	8.99
75- Servicing of Debt	Capital (Charged)	588.48	0.00	588.48	441.53	146.95
Total		1590.24	63.89	1654.13	1249.03	405.10

Source: Appropriation Accounts 2006-07

Reasons for savings were not intimated by the departments (November 2007).

Areas in which major savings occurred in the above Grants/Appropriations are given in **Appendix-2.1**.

In 33 cases, savings exceeded Rs.50 lakh in each case and also by more than 10 per cent of the total provision. Details are given in **Appendix-2.2**.

2.3.2 Excess requiring regularisation

i) Excess over provision during 2006-07 requiring regularisation

The excess of Rs.23.68 crore under Revenue Section and Rs.22.35 crore under Capital Section as detailed in **Appendix-2.3** require regularisation under Article 205 of the Constitution.

ii) Excess over provision relating to previous years requiring regularisation

According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularised by the State Legislature; yet the excess expenditure of Rs.1833.57 crore (238 cases of Grants/Appropriations) reported during 1996-97 to 2005-06 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation

of the excess as of November 2007. Details of such excess in terms of Grants/Appropriations and amount involved therein requiring regularisation are given below:

Table-2.3

(Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Numbers	Amount involved
1.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40,46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
2.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48,55,60,64,65,67,71,74,76,36,53,62,68,75	241.09
3.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43,44,46,47,49,55,57,58,60,62,64,66,76	263.80
4.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42,45,46,51,58,60,64,67,68,69,74,75,76	167.14
5.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
6.	2001-02	16	18,38,40,43,49,52,58,62,64,72,75,14,32,34,68,70	27.98
7.	2002-03	19	16,18,22,28,35,38,42,43,49,58,61,62,64,65,67,69,73,74,76	723.75
8.	2003-04	32	1, 4, 7, 8, 9, 10, 12, 14, 19, 22, 27, 29, 31, 32, 34, 35, 38, 42, 44, 47, 48, 51, 55, 56, 58, 62, 64, 69, 74, 76, 77, 78	230.79
9.	2004-05	20	2, 10,11, 13,15,16, 17, 22, 35, 36, 45,48,49, 50, 51, 55, 58, 62, 64,77	28.82
10.	2005-06	25	4, 7, 10, 11, 16, 20, 21, 22, 26, 29, 31, 33, 35, 43, 46, 47, 48, 49, 50, 54, 58, 60, 64, 68, 76	64.96
Total		238		1833.57

Source: Audit Report 2005-06

2.3.3 Supplementary provision

Supplementary provision (Rs.350.59 crore) made during the year 2006-07 constituted 10 per cent of the original provision (Rs.3495.53 crore) as against 13 per cent in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provision

a) Supplementary provision of Rs.42.21 crore made in 14 Grants during the year proved unnecessary in view of aggregate savings of Rs.104.10 crore in these Grants as detailed in *Appendix-2.4*.

b) In 36 Grants, against additional requirement of Rs.52.38 crore, supplementary grants of Rs.213.34 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh aggregating Rs.160.96 crore. Details of these cases are given in *Appendix-2.5*.

c) In 15 Grants/Appropriations, supplementary provision of Rs.109.73 crore proved inadequate by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.37.74 crore as per details given in *Appendix-2.6*.

2.3.5 Persistent savings

In 22 Grants and one Appropriation, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision during 2004-05 to 2006-07. Details are given in *Appendix-2.7*.

2.3.6 Significant excesses

In 5 Grants, the expenditure exceeded the approved provision by more than Rs.50 lakh in each case and 10 *per cent* or more of the total provision during 2006-07. Details are given in *Appendix-2.8*.

2.3.7 Expenditure without provision

According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs.158.42 crore was incurred in 28 cases as detailed in *Appendix-2.9* without provision in the original estimates/supplementary demands.

2.3.8 Anticipated savings not surrendered

According to rules, the spending Departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when savings are anticipated. Unutilised funds amounting to Rs.139.40 crore in 11 cases, however, were not surrendered during the year as detailed in *Appendix-2.10*.

2.3.9 Surrender in excess of savings

In 19 Grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. Against the total amount of actual savings of Rs.93.14 crore, the amount surrendered was Rs.132.72 crore resulting in excess surrender of Rs.39.58 crore. Details are given in *Appendix-2.11*.

2.3.10 Trend of Recoveries and Credits

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

During 2006-07, the actual recoveries (Rs.19.70 crore) were less than the estimated recoveries (Rs.21.70 crore) by Rs.2 crore. This was the net result of short recovery of Rs.7.69 crore in eight Grants, and excess recovery of Rs.5.69 crore in three Grants. Details are given in *Appendix-2.12*.

2.3.11 Non-receipt of explanation for savings/excess

After the closure of accounts each year, the detailed Appropriation Accounts showing the final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the controlling officers (COs) who are required to explain the variation in general and those under important sub-heads in particular. The COs are to furnish

promptly all such information to the Sr. Deputy Accountant General (A&E and VLC) for preparation of Appropriation Accounts.

During the year 2006-07, out of 80 Grants/Appropriations, explanations for savings/excess were received in respect of only two grants.

2.3.12 Non-reconciliation of departmental figures of expenditure

Financial rules require that the controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud, defalcation, etc. Out of 80 controlling officers (COs), the expenditure in respect of seven COs aggregating Rs.463.05 crore pertaining to 2006-07 remained unreconciled.

The extent of non-reconciliation of expenditure by the COs increased from five per cent in 2004-05 to 14 per cent of the total expenditure in 2006-07 as shown below:

Table No.2.4 (Rupees in crore)

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved
2004-05	78	6	5.00	136.26
2005-06	78	4	0.19	5.48
2006-07	80	7	14.00	463.05

Source: Information furnished by A&E office

2.3.13 Money drawn in advance to avoid lapse of budget grants

Rule 290 of the Central Treasury Rules, as adopted by the Government of Nagaland, provides that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is also not permissible to draw money from the treasury in anticipation of demands, or to avoid lapse of budget provision.

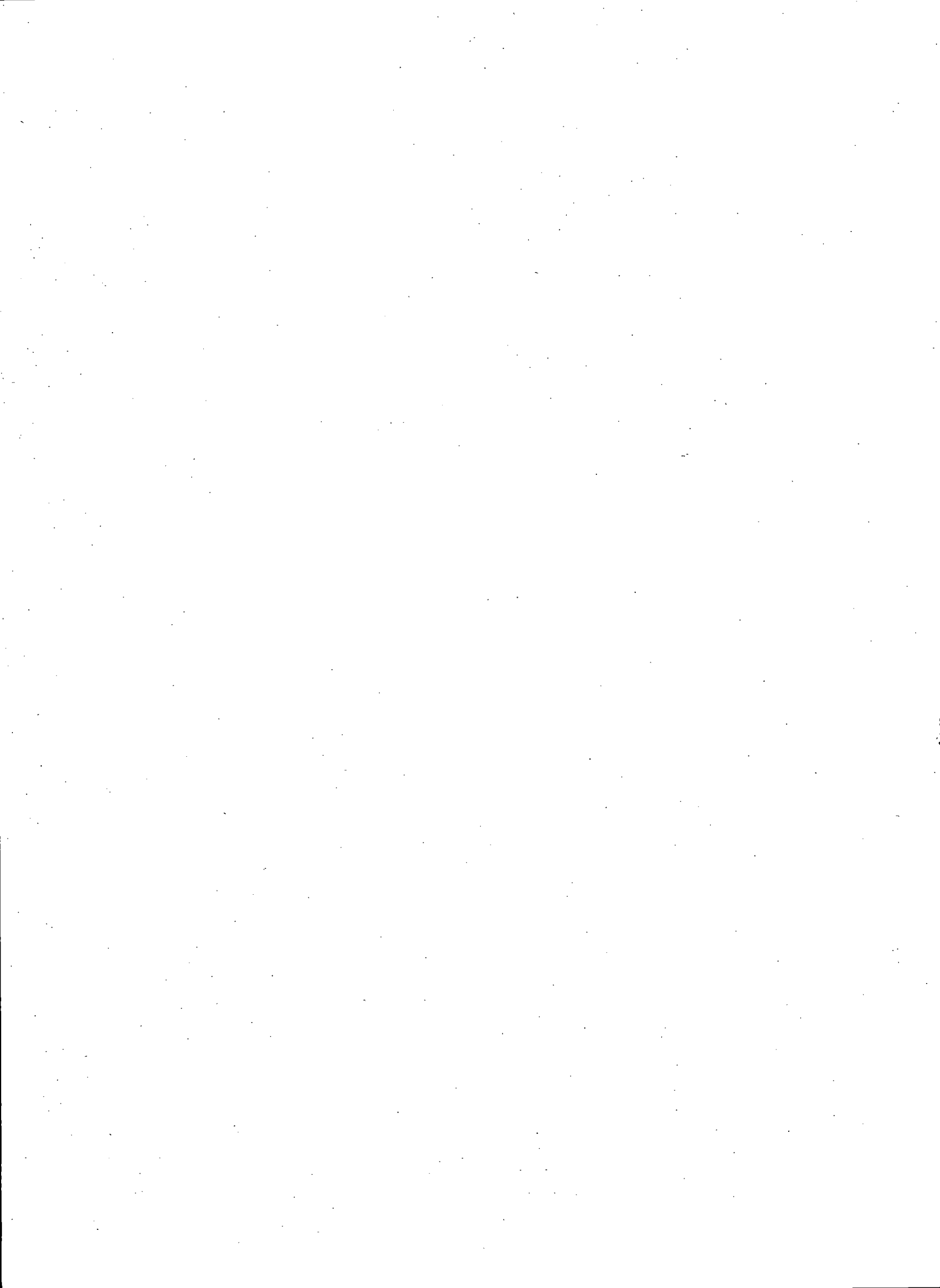
Information on lapse of budget provision during the year 2006-07 was called for (May 2007) from 49 Government Departments. However, only 16 departments furnished (November 2007) the information on lapse of budget provisions, out of which an amount of Rs.6.10 crore, remained undisbursed in respect of seven departments as shown below:

Table No.2.5

(Rupees in crore)

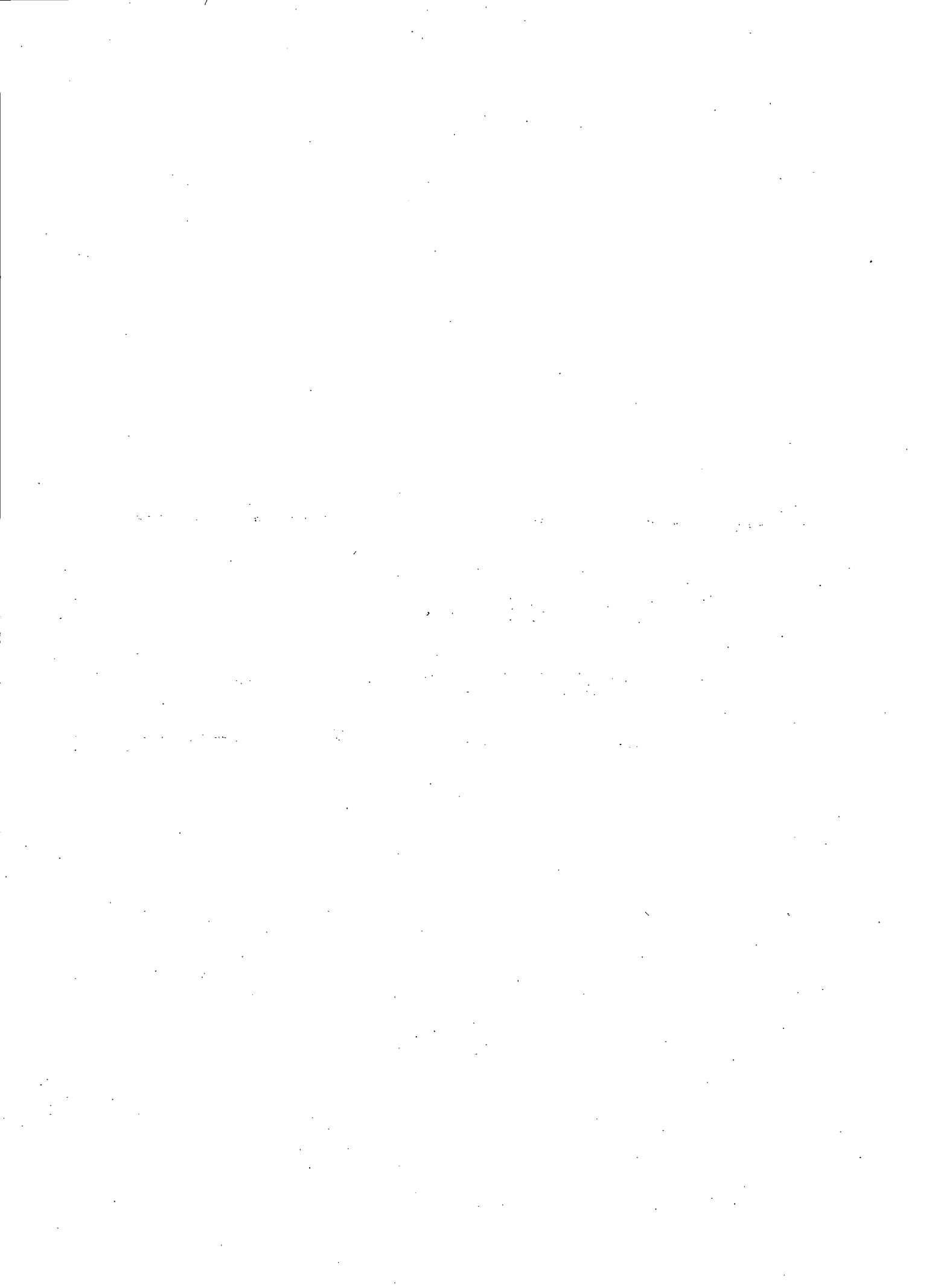
Sl. No.	Name of the Department	Amount drawn during 2006-07	Amount remaining undisbursed
1.	Director General of Police	4.64	4.64
2.	Geology & Mining	0.09	0.06
3.	Transport Commissioner	0.51	0.10
4.	Employment & Craftsmen Training	0.09	0.09
5.	Election	0.05	0.05
6.	Border Affairs	1.22	0.10
7.	Food & Civil Supplies	1.37	1.06
Total		7.97	6.10

Source: Information furnished by the Departments



CHAPTER — III

PERFORMANCE REVIEWS (CIVIL)



CHAPTER-III

PERFORMANCE REVIEWS

PUBLIC HEALTH ENGINEERING DEPARTMENT

3.1 Accelerated Rural Water Supply Programme

Performance review of Accelerated Rural Water Supply Programme (ARWSP) revealed major deficiencies in the implementation of the programme like short/delayed release of funds, inadequate planning, diversion of funds and faulty execution of schemes leading to cost and time overrun.

Highlights

Poor planning led to abandonment of 15 rural water supply schemes after incurring an expenditure of Rs.4.61 crore

(Paragraph 3.1.8.2)

While the State Government is required to match funds released by GOI on 1:1 basis, it released only Rs.39.23 crore against Rs.111.49 crore received from GOI.

(Paragraph 3.1.9.2)

Out of 232 NC, 137 PC and 27 SB habitations to be covered during 2002-07, the Department provided potable drinking water only to 146 NC (63 per cent), 140 PC (102 per cent) and 28 SB (104 per cent) habitations.

(Paragraph 3.1.10.1)

Due to non-availability of relevant records Audit could not ascertain the genuineness of installation of 206 units of Iron Removal Plant (IRP) stated to have been installed at the cost of Rs.8.11 crore.

(Paragraph 3.1.11.4)

Monitoring by the State Planning Department was ineffective as the time schedule for completion of the scheme was not adhered to in most of the cases.

(Paragraph 3.1.16)

3.1.1 Introduction

Accelerated Rural Water Supply Programme (ARWSP) was introduced by the GOI to assist the States and the Union Territories with 100 per cent grants-in-aid to provide drinking water in problem villages (PVs)⁶. This programme continued till 1973-74 but was withdrawn with the introduction of Minimum Needs Programme (MNP) in 1974-75. The programme was reintroduced in 1977-78 to accelerate the pace of coverage of PVs. In 1986, the programme was given a mission approach with the introduction of National Drinking Water Mission (NDWM), which was renamed as the Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991. The RGNDWM covered ARWSP, sector reforms programme, sub-mission project and

⁶ Problem villages: Villages where potable water is scarce.

support services. The sector reforms programme, launched by GOI on a pilot basis during 1999-2000, was modified and launched as Swajaldhara in 2002.

The objectives of the programme were to:

- cover all rural habitations with access to a minimum of 40 litres per capita per day (lpcd) of drinking water, with the source situated within 100 metres in hilly areas and 1.6 km in plains;
- provide one hand-pump or stand-post for every 250 persons;
- ensure sustainability of drinking water systems and sources;
- tackle the problem of water quality in affected habitations and
- institutionalise the reform initiative in rural drinking water supply sector.

To achieve the above objectives, a Comprehensive Action Plan (CAP) was prepared by GOI (1999) by identifying the Not Covered (NC)⁷ and Partially Covered (PC)⁸ habitations. The target was to cover all uncovered rural habitations by the year 2011-12.

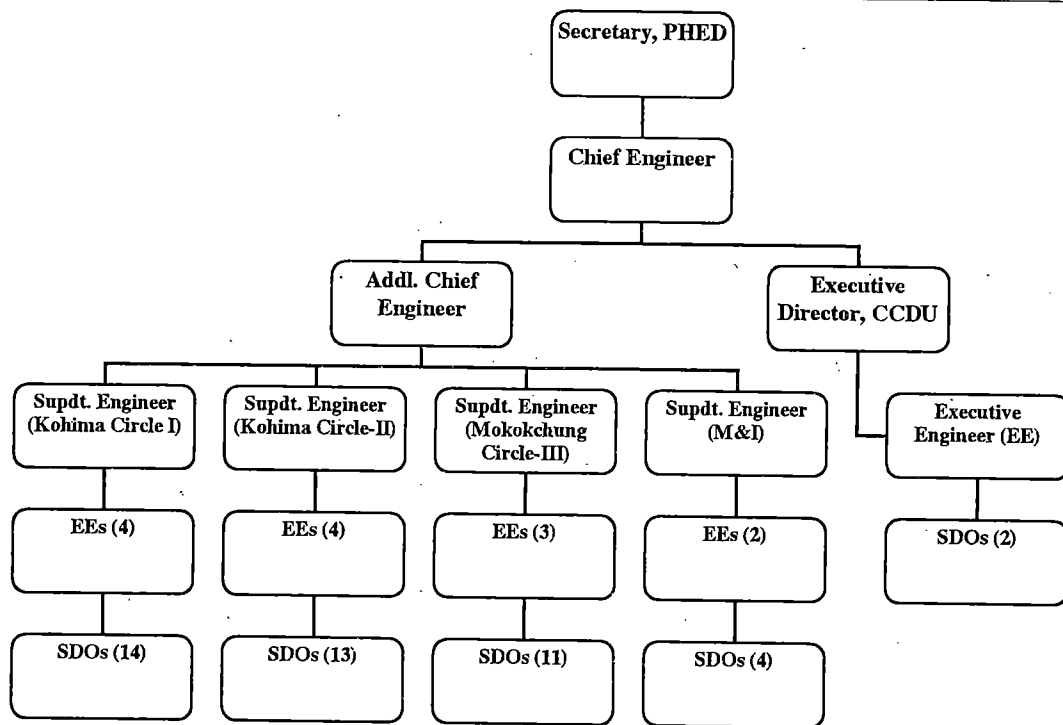
3.1.2 Organisational set-up

The Public Health Engineering Department (PHED) is responsible for implementation of ARWSP through the Directorate headed by the Chief Engineer (CE). The CE is assisted by one Addl. CE and four Superintending Engineers (SEs). The schemes are implemented through 11 working divisions headed by the Executive Engineers (EE). The Executive Director (ED), Communication and Capacity Development Unit (CCDU), Kohima is responsible for implementation of "Swajaldhara" scheme under ARWSP. The ED is assisted by one EE and two Sub Divisional Officers (SDOs).

An organogram of the Department is given below:

⁷ NC: habitations that had potable water facility of less than 10 lpcd.

⁸ PC: habitations where potable water is available between 10 to 40 lpcd.



3.1.3 Scope of audit

Performance review of the ARWSP for the period 2002-07 was carried out during April to July 2007 by a test check of records in the offices of the CE, PHED, and 7 selected PHE divisions⁹ covering 60 per cent (Rs.89.13 crore) of the total expenditure of Rs.149.78 crore.

3.1.4 Audit objectives

The main objectives of the performance review were to ascertain the following:

- extent of coverage of problem villages and NC and PC habitations with potable drinking water facilities;
- effectiveness of planning and execution of water supply schemes;
- financial control and funds management;
- measures for ensuring sustainability and quality of water;
- effectiveness of monitoring mechanism.

3.1.5 Audit criteria

The audit findings were benchmarked against the following criteria:

- Guidelines of the programme issued by GOI,

⁹ Kohima, Mokokchung, Tuensang, Mon, Peren, Store division, Dimapur and Sanitation division, Dimapur.

- Detailed Project Reports (DPR),
- Principles laid down for prioritisation and selection of villages,
- Quality control mechanism prescribed.

3.1.6 Audit methodology

The performance review commenced with an entry conference (19 June 2007) with the CE, ED, CCDU, SE and other officers of PHED wherein the audit objectives, criteria and scope of audit were explained to the Department and their suggestions as well as perceptions relating to the strengths and weaknesses in the implementation of the schemes were discussed. Out of 11 districts, 6 districts (55 per cent) were selected by simple random sampling without replacement method for detailed examination. Audit findings were discussed in an exit conference (6 November 2007) with the CE, Additional CEs, SE and other officers responsible for implementation of the scheme. The replies of the Department have been incorporated in the report at appropriate places.

Audit findings

The major findings of audit are detailed in the succeeding paragraphs.

3.1.7 Planning

The guidelines of ARWSP envisaged preparation of an Annual Action Plan (AAP) by the State Government six months before the commencement of the financial year, to provide a framework for execution of the schemes and for monthly/quarterly monitoring of physical and financial progress. As per GOI guidelines, a State Advisory Board was to examine the AAP and identify the schemes to be undertaken by the PHED. Schemes were to be taken up for implementation, after approval of the AAP by the GOI.

3.1.7.1 Survey and identification of target habitations

Uptill 2003, planning and execution of the schemes was based on data as per 1991 census. Guidelines were circulated (February 2003) by GOI for a fresh survey based on 2001 census in all the States. The main objective of the survey was to ascertain the status of drinking water supply in the rural habitations, rural schools and identification of habitations with water quality problems. The PHED was nominated as Nodal Agency by the State Government to conduct the survey.

An important objective of the survey was to categorise habitations into three types:

- **Fully covered:** those habitations which receive 40 lpcd and are located within 1.6 km of water source or at an elevation of 100 metres in mountain areas.
- **Partially covered:** those habitations that have a safe source within the distance or elevation norms but whose water availability ranges from 10 lpcd to 40 lpcd.

- **Not covered:** those habitations that do not have any domestic water source within the prescribed distance or elevation.

As per the survey carried out by the Department in 2003, there were 1376 habitations in the State comprising 72 NC, 1043 PC and 261 FC. A fresh survey conducted during 2006 identified the total habitations as 1381 comprising 756 FC, 207 PC, 93 NC and 325 slipped back (SB) habitations.

3.1.8 Annual Plan

3.1.8.1 Defective Annual Action Plan

Scrutiny revealed that AAPs prepared by the Department for the years 2002-07 merely mentioned the expected number of habitations to be covered and requirement of funds for the year and did not comply with the directions of the GOI on the following counts:

- GOI guidelines required that priority should be accorded to identification and coverage of "No Safe Sources" habitations exclusively populated by SC/STs, upgradation of source level to safe source, completion of incomplete works over taking up of new schemes, revival of non-functional/defunct water supply sources over new schemes, habitations which get less than 40 lpcd and coverage of schools and Anganwadis where safe drinking water was not provided earlier. The AAPs did not identify these priority areas.
- The AAPs had been prepared *suo moto* at the State level and the proposals from district, block and Village Council (VC) level had not been obtained. Consequently, the AAPs did not identify the habitations and the number of schemes required to cover them.

The State Government was required to submit AAP by the beginning of October each year to GOI for approval. Audit observed that the Department submitted the AAP to the State Government every May during the years 2002-03 to 2006-07. The dates of submission of AAP to the GOI by State Government were not intimated to audit. Thus, compliance of the State Government with the programme guidelines could not be ascertained.

3.1.8.2 Ineffective planning

Divisions are required to prepare a detailed project report (DPR) for every scheme, identifying the source of water, rate of discharge of water over three years and the capacity of the source to meet the drinking water needs of the expected population over the design period of 15 years. However, it was noticed that inadequate planning resulted in abandonment of 15 schemes after incurring an expenditure of Rs.4.61 crore during 2002-03, 2004-05 and 2005-06 due to land and source disputes (refer paragraph 3.1.10.9). No alternative plans were in place for providing water to the affected habitations thereafter, which continue to be deprived of potable drinking water.

Financial Management

3.1.9 Funding pattern

ARWSP is fully financed by the GOI. The State Government is required to match funds released by the GOI on 1:1 basis under Minimum Needs Programme (MNP). Under the programme, 15 per cent of allocation is earmarked for Operation & Maintenance (O&M) and 35 per cent for coverage of SC/ST habitations. 20 per cent of the funds are to be utilised on projects to tackle water quality problems and source sustainability. 20 per cent of the annual outlay is to be earmarked for implementation of Swajaldhara programme.

3.1.9.1 Non maintenance of separate records and accounts

As per GOI guidelines, the records and accounts of ARWSP were to be maintained separately and the funds were to be kept in separate bank accounts. Records of the test checked divisions revealed that the funds received under the ARWSP schemes were kept in common bank accounts alongwith the funds received for various Central/State projects. No separate cash books, inventory of stores and stock etc., were kept at any level for ARWSP.

3.1.9.2 Allocation and utilisation of funds

As mentioned in paragraph 3.1.9 above, Central assistance to the State under ARWSP is allocated on the basis of matching provision by the State under MNP. Releases under ARWSP are not supposed to exceed the provision made by the State under MNP. Details of allocation and utilisation of funds during the period 2002-07 are given below:

Table 3.1.1

(Rupees in crore)

Year	Opening balance	Allocation of funds		Funds released		GOI funds released by State Govt.	Expenditure		Savings (-)/ Excess (+)	
		GOI (normal ARWSP)	State (MNP)	GOI (normal ARWSP)	State (MNP)		GOI (normal ARWSP)	State (MNP)	GOI (normal ARWSP)	State (MNP)
2002-03	3.92	21.81	9.75	21.81	9.81	16.28	16.29	9.81	(-) 9.44	0.00
2003-04	9.44	16.27	6.40	16.27	6.40	23.81	23.21	6.40	(-) 2.50	0.00
2004-05	2.50	17.82	6.20	17.02	6.22	17.38	16.61	6.22	(-) 2.91	0.00
2005-06	2.91	29.08	8.16	26.41	8.15	15.47	*5.65 (16.47)	8.15	(-) 23.67 (- 12.85)	0.00
2006-07	23.67 (12.85)	29.98	7.96	29.98	8.66	*34.03 (38.10)	*35.48 (39.33)	8.66	(-)18.17 (- 3.50)	0.00
Total		114.96	38.47	111.49	39.24	106.97	97.24	39.24		

Source: Appropriation Accounts and information furnished by the Department

Note: Figures in brackets indicate Departmental figures and without brackets indicate audit findings

* During 2005-06 and 2006-07 the Department showed an expenditure of Rs.16.47 crore and Rs.39.33 crore instead of Rs.5.65 crore and Rs.35.98 crore respectively and GOI funds released by State Government during 2006-07 as Rs.38.10 crore instead of Rs.34.03 crore. This was due to late release of funds by State Government.

It would be seen from the above table that out of Rs.115.41 crore (including OB of Rs.3.92 crore) released by GOI during 2002-07, the State Government released only Rs.106.97 crore (93 per cent) and the Department spent only Rs.97.24 crore (91 per

cent) leaving Rs.18.17 crore of Central funds unutilised. As per guidelines, the State Government was required to release matching grant of Rs.111.49 crore but it released only Rs.39.24 crore (35 per cent) against MNP during 2002-07. Moreover, out of this Rs.39.24 crore, the Department spent Rs.29.42 crore (75 per cent) on salaries of workcharged staff (Rs.28.72 crore) and clearance of outstanding liabilities (Rs.70 lakh), which were not within the scope of the programme. Due to short release of matching grant by the State Government and excess opening balance, the GOI reduced its share by Rs.3.47 crore. Due to non release of full Central assistance by the State Government as well as the Department's inability to utilise the amount released, the State could not benefit from the full potential of the ARWSP.

3.1.9.3 Unauthorised diversion of special funds

In terms of the 'PM's Announcement' in August 2002, Rs.2.46 crore was sanctioned as grants-in-aid to the State Government by GOI as a component of ARWSP for installation of 427 hand pumps (Rs.1.34 crore), provision of drinking water facilities in 198 primary schools (Rs.53 lakh) and revival of 427 traditional sources of water (Rs.59 lakh). Release of funds by the GOI to State Government and to implementing agencies by the State Government during 2003-04 to 2005-06, were as follows:

Table 3.1.2

(Rupees in crore)

Year	Release of funds by GOI		Release of funds by State Government		Expenditure
	Amount	Month of release	Amount	Month of release	
2003-04	1.23	August 2003	1.23	February 2004	1.23
2004-05	1.23	March 2005	0.00	---	0.00
2005-06	0.00	---	1.17	October 2005	1.17
Total	2.46		2.40		2.40

Source: Information furnished by the Department

It would be seen that, against the release of Central assistance of Rs.2.46 crore, the State Government released only Rs.2.40 crore after a delay of six months and the balance amount of Rs.6 lakh was not released as of October 2007.

Scrutiny of records revealed that out of the Central assistance under 'PM's Announcement', the Department spent Rs.1.23 crore on implementation of 44 schemes under ARWSP (normal) in 8 districts in 2003-04 and Rs.1.17 crore on implementation of Iron Removal Plant (IRP) in Dimapur district during 2005-06 but booked the expenditure and showed utilisation under "PM's Announcement (ARWSP)". Thus, there was unauthorised diversion of funds as well as mis-reporting to the GOI.

The Department stated (November 2007) that installation of hand pumps was not fruitful, due to excess iron content and water delivered therefrom was also not consumable. It was further stated that IRP was installed by using traditional ring well water source for supplying treated water to villages including attached schools. The reply is not tenable since existence of iron in water was not reported to GOI when proposal was sent. Further, before diverting funds approval of GOI was not taken. In fact GOI was never informed.

3.1.9.4 Operation and Maintenance (O&M)

As per guidelines, 15 per cent (Rs.16.72 crore) of total release (Rs.111.49 crore) of funds on ARWSP was to be spent on O&M. However, the Department spent only 3 per cent (Rs.2.97 crore), which affected adversely the O&M of the assets created. This resulted in 325 SB habitations. Further, out of total release of Rs.10.40 crore on O&M during 2002-07, the Department diverted Rs.2.65 crore (25 per cent) for clearance of past liabilities. Reasons for non-clearance of pending bills earlier, was not stated to audit. However, during 2006-07, the Department incurred excess expenditure of Rs.42.20 lakh over the amount released by the State Government. Justification was not made available to audit.

Programme Implementation

3.1.10 Physical performance

As per survey 2003, 72 NC habitations and 1043 PC habitations were to be provided potable drinking water out of 1376 habitations in the State. The State Government however, did not prepare any perspective plan for coverage of all the habitations within a specified timeframe. The details of yearly targets for coverage of habitations and population and achievements thereagainst under ARWSP during 2002-07 were as under:

3.1.10.1 Habitations

Table 3.1.3

Year	Habitations (in number)								Percentage of achievement with reference to target			
	Target				Achievement				NC	PC	SB	Total
	NC	PC	SB	Total	NC	PC	SB	Total				
2002-03	107	31	-	138	80	14	-	94	75	45	-	68
2003-04	63	36	-	99	28	42	-	70	44	117	-	71
2004-05	30	30	-	60	7	20	-	27	23	67	-	45
2005-06	18	26	-	44	24	48	-	72	133	185	-	164
2006-07	14	14	27	55	7	16	28	51	50	114	104	93
Total	232	137	27	396	146	140	28	314	63	102	104	

Source: Information furnished by Department

Against 232 NC, 137 PC and 27 SB habitations to be covered during 2002-07, the actual coverage was 146 NC (63 per cent), 140 PC (102 per cent) and 28 SB (104 per cent) habitations. Against the GOI release of Rs.115.41 crore (including OB of Rs.3.92 crore), the State Government released Rs.106.97 crore for completion of 396 schemes during 2002-07, out of which 314 schemes were completed (79 per cent) at a total expenditure of Rs.97.24 crore (91 per cent). Thus due to non release of full Central assistance by the State Government the projected target could not be achieved and 37 per cent NC habitations were deprived of potable drinking water.

3.1.10.2 Population

As per the survey of drinking water supply status in rural habitations (January 2003), the total population of 1376 rural habitations in the State was 18.10 lakh and all of them belong to Scheduled Tribe (ST) category.

The number of rural people targeted for coverage during 2002-07 and achievement thereagainst was as under:

Table 3.1.4

Year	Target	Achievement	Percentage of total coverage with reference to target
2002-03	1,24,508	58,431	47
2003-04	1,35,711	1,25,759	93
2004-05	90,065	25,375	28
2005-06	35,762	90,726	254
2006-07	76,745	54,184	71
Total	4,62,791	3,54,475	

Source: Information furnished by Department

It would be seen from the above table that out of total population of 18.10 lakh in the rural habitations, the Department could cover only 3.54 lakh (20 per cent) under ARWSP. The target could not be achieved due to non-release of funds by the State Government in time.

3.1.10.3 Incomplete schemes

There was a delay of one to four years in completion of Pipe Water Supply Schemes under ARWSP. The year-wise position of incomplete schemes is shown below:

Table 3.1.5

Year	No. of schemes on 1 April	Amount required for completion of ongoing schemes (Rs. in crore)	Budget provision (Rs. in crore)	No. of new schemes sanctioned	Amount sanctioned for new schemes (Rs. in crore)	No. of schemes completed out of ongoing schemes	No. of schemes completed out of new schemes	No. of incomplete schemes at the end of the year
2002-03	67	12.10	7.17	115	24.62	67	27	88
2003-04	88	15.96	6.00	68	8.43	48	22	86
2004-05	86	15.73	13.36	57	7.43	24	3	116
2005-06	116	15.79	11.72	2	0.30	66	6	46
2006-07	46	6.76	5.48	88	24.62	22	29	83

Source: Information furnished by the CE, PHED

As can be seen from the above table, the Department took up new schemes before completion of the existing schemes indicating lack of planning, poor management and prioritisation in execution of works. Non-completion of schemes was further compounded by the fact that the State Government released only 15 to 62 per cent of the required scheme funds. As a result, the schemes were non starters and destined not to be completed in time. Further, the possibility of duplication of works cannot be ruled out. Consequently the provision of potable drinking water to the NC and PC habitations was adversely affected.

- **Infructuous expenditure**

Out of 83 incomplete schemes as of March 2007, the Department furnished detailed information of only 49 schemes on which Rs.29.41 crore was spent. There was a time overrun of one to five years in these schemes apart from cost overrun in eleven cases amounting to Rs.1.24 crore.

The Department stated (October 2007) that due to non-release of funds by the State Government, the schemes could not be completed in time, which resulted in cost and time overrun. The reply was silent as to why new projects were taken up when ongoing projects were incomplete for lack of funds. Nonetheless on account of bad planning NC and PC habitations were deprived of timely potable drinking water.

3.1.10.4 Non-execution of schemes

As per approved AAP, the Department targeted 232 NC, 137 PC and 27 SB habitations for coverage during 2002-07, out of which, the total habitations covered during the period was 146 NC, 140 PC and 28 SB habitations (table 3.1.3). Due to reduction of Central assistance (Rs.3.47 crore), non-release of funds (Rs.18.17 crore) and non-provision of matching funds by the State Government 83 schemes remained incomplete and 83 schemes were not taken up.

The Department admitted (October 2007) the facts and stated that due to non receipt of funds in full, schemes were not taken up.

3.1.10.5 Irregular selection and execution of work on FC villages

According to Rural Water Supply Status Report (SSR) as on 01 January 2003, out of 1376 villages/habitations (population: 18.10 lakh), 72 villages/ habitations (population: 4 per cent) were identified as not covered, 1043 villages/ habitations (population: 87 per cent) as partially covered and 261 villages/ habitations (population: 9 per cent) as fully covered.

The ARWSP guidelines envisage Central assistance to be utilised only to cover NC and PC habitations that have less than 10 lpcd water. It was, however, noticed that the Department had targeted coverage of 21 FC habitations at an estimated cost of Rs.7.80 crore against which, Rs.2.60 crore had been spent as of March 2007. The action of the Department to concentrate on FC villages, neglecting the needs of NC and PC villages was irregular and in violation of approved norms of the scheme. No physical progress report in respect of work executed was made available to audit (November 2007); hence it could not be verified if there was any duplication of work.

The Department stated (November 2007) that 21 villages were declared as FC villages during 1999 survey, but subsequently the water supply infrastructure became non-functional due to expiry of life of assets and the same villages were again included in the AAP in the interest of public. In the absence of relevant records it could not be verified whether this fact was brought to the notice of GOI while getting the DPR approved. Population covered in these FC villages was also not made available to audit.

3.1.10.6 Revision of scheme without approval

The scheme 'Providing Water Supply by Pumping to Chekiye 'B' Village' (which was declared as PC village in 2003 SSR) in Dimapur district was originally sanctioned (February 2005) for Rs.34.79 lakh. Against this Rs.45.76 lakh was incurred upto March 2006. Again in March 2006, administrative approval and expenditure sanction for Rs.68.56 lakh (revised estimate of the original work) was accorded by the State Government for the same scheme/work without the approval of

GOI and the work was completed after incurring an expenditure of Rs.74.32 lakh (March 2007). The upward revision of originally sanctioned scheme was not permissible as per guidelines of the scheme. This also indicates that estimates were not prepared with due care and works were not monitored.

The Department stated (October 2007) that though the scheme was taken up during 2004-05, it could not be completed during the year and was revised and executed during the subsequent year. The reply is not tenable since the estimates were revised upwards without obtaining approval from GOI and was also not permissible as per guidelines. The population expected to be covered by these works was also not made available to audit.

3.1.10.7 Non-deduction of beneficiaries' contribution from capital cost of the project

As per ARWSP guidelines, the programme should be based on community participation and a minimum 10 *per cent* of the capital cost should be borne by the community themselves and the balance amount (90 *per cent*) should be provided by the GOI. While conveying the administrative approval for the project, the CE instructed the divisions to deduct 10 *per cent* of the capital cost of the project from the beneficiaries.

Test check of records of seven divisions revealed that, in 82 cases, against the total approved capital cost of Rs.35.54 crore during the period 2002-2007 (including beneficiaries' contribution of Rs.3.55 crore), the divisions did not collect contribution from the beneficiaries. In the absence of physical and financial progress reports, audit could not ascertain whether these projects have been completed or not and from where the expenditure of Rs.3.55 crore being the beneficiaries' contribution was met.

While admitting the fact, the Department stated that 10 *per cent* beneficiaries' contribution was adjusted through physical labour and locally available materials from the beneficiaries and that no separate records were maintained for the works contributed by the beneficiaries. In the absence of estimates and records, audit could not ascertain the quantum of local labour and material input. Further the population expected to benefit by these works was not made available to audit.

3.1.10.8 Cost overrun of schemes

Guidelines prohibit utilisation of ARWSP funds to meet excess expenditure over approved cost of the schemes sanctioned. However, scrutiny of records of seven¹⁰ test checked divisions showed that there was cost overrun in 19¹¹ completed schemes under ARWSP during 2002-07. Out of total sanctioned estimates of Rs.6.95 crore for 19 schemes, the divisions incurred an expenditure of Rs.8.23 crore, resulting in cost overrun of Rs.1.28 crore as of March 2007. The Department stated (September 2007) that the main reason for cost overrun of these 19 schemes was non release of funds by the State Government and that these were carried over to the next year in the AAP as

¹⁰ Mon, Peren, Kohima, Mokokchung, Tuensung,, Sanitation division, Dimapur and Store division, Dimapur

¹¹ Chenmoho, S/Wamsa, Wakching, Punglwa, 5th Mile Model, Tenyephe-II, Patkoi College complex, Signal Angami (Bible College), Chekiye 'B', Shovima, Phewhenyu, Tseminyu, Kuhuboto Town, Saring, Lernien, Chuchuyimlang, Longkong, Longemdong, Maksha & Mangakhi.

spill over schemes and funds made available within the budget allocation during the year, which were reported to GOI every year through AAP. The reply is not acceptable as GOI funds were received in time but the State Government released the same after delays and without including its own share. Further, failure of the Department to complete the work in time and within the estimated cost and carrying over of the incomplete projects to the next year as spill over schemes, resulted in less availability of funds and short coverage of habitations/people for the new projects every year. In the absence of physical and financial progress reports, audit could not ascertain the time overrun of these projects.

3.1.10.9 Infructuous expenditure due to abandoning the schemes midway

Scrutiny of records of Peren division revealed that out of 23 targeted schemes (Rs.3.13 crore) and 27 ongoing schemes (Rs.3.97 crore) during 2002-07, 15 schemes (Rs.5.13 crore) were abandoned after incurring an expenditure of Rs.4.61 crore due to land and source disputes. Out of the remaining 35 schemes, 29 were completed (March 2007) and work on 6 schemes was under progress (November 2007). Thus due to failure to ensure clear title of land and source, the expenditure of Rs.4.61 crore proved infructuous.

The Department stated (November 2007) that schemes were abandoned due to law and order problems arising from time to time which is beyond its control. There was nothing on record to show whether these aspects were examined at the time of selecting the sites for these works. The Department did not also have the details of the number of habitations/people adversely affected due to abandonment of the schemes.

Sub Mission

3.1.11 Water Quality and Sustainability

Sub Mission projects are undertaken by the States for providing safe drinking water to the rural habitations facing water quality problems and for ensuring source sustainability through rain water harvesting, artificial recharge etc. Separate funds were not provided for implementation of Sub Mission projects. Upto 20 per cent of the ARWSP funds are to be earmarked and utilised for new projects under the Sub Mission activities. Scrutiny of records revealed that no funds were provided for implementation of Sub Mission projects during the period 2002-07.

3.1.11.1 Problem areas not identified

Guidelines require that a survey be conducted to identify those habitations where the quality of water was not as per norms. The Department was also required to test water sources for identifying water quality problems. However, the Department did not carry out any survey or conduct any tests to identify the problem areas. Audit was therefore unable to verify whether the Department provided the required facilities in the problem areas and the number of people who were affected due to poor quality water.

3.1.11.2 Quality test not conducted

Upto 20 per cent of ARWSP funds are earmarked for tackling water quality problems. Water quality standards are broadly classified into microbiological, chemical, physical and radiological characteristics, which are to be examined with reference to Bureau of Indian Standards. It requires a continuous surveillance and systematic programme of sanitary inspection and water quality testing, to be done at different points of the water distribution system. The sampling frequency is generally determined by the population served, size and type of water supply system. In streams and rivers, where the flow is low in summer, chances of contamination are high and in rainy season, there is a higher likelihood of pollution due to surface run off. Audit scrutiny revealed that contrary to the above provisions, testing of water quality was done at the time of commissioning (2002-07) of the scheme only in Dimapur district and no such test was conducted in the remaining districts of the State.

3.1.11.3 District Level Water Testing Laboratory (DLWTL)

Regular monitoring of water quality both at source and supply points is essential for safeguarding potable drinking water from chemical and biological contamination. According to guidelines, water samples from existing as well as newly created sources were to be tested regularly so as to prevent water borne diseases and one DLWTL was to be established in each district. For establishment of DLWTL, GOI provides necessary assistance to the State Government.

Scrutiny of records revealed that seven DLWTLs were established in the State (one in 1987-88 and 6 in 1998-99) at a total cost of Rs.12 lakh. Due to absence of proper manpower and budgetary support from the State Government, except the one at Dimapur, 6 other DLWTLs were not functioning. Based on the records made available, it could not be ascertained whether even after such substantial expenditure, the people in various districts were getting quality water. The percentage/number of population not covered was not available on record. There were also no records to show whether the State Government had made any arrangements with other State/Central laboratories for water sample testing. Incidentally, test reports, complaint registers and asset registers were not maintained.

3.1.11.4 Iron Removal Plant (IRP)

In Dimapur foothill areas, iron content in water is in excess of tolerable limit. Ground water is the only viable source of water supply for the villages of this area, but these sources have chemical contamination which requires treatment before it is delivered for consumption. The Department developed a mini water treatment package consisting of a combination of ring well and mini treatment plant for use in problem areas. For installation of 138 mini iron removal plants in 49 villages of Dimapur district, an amount of Rs.5.19 crore was sanctioned (September 2002) @ Rs.3.76 lakh per unit, under ARWSP.

Scrutiny of records revealed that the Department installed 206 units of IRP at a total cost of Rs.8.11 crore during 2002-07 resulting in excess expenditure of Rs.2.92 crore over the sanctioned estimates due to variation in unit cost ranging from Rs.32,000 to

Rs.7,73,000. Reasons for such wide variation in unit cost was not on record. Due to non availability of detailed records audit could not ascertain the genuineness of installation of IRP as per approved plan.

Further scrutiny of records revealed that the expenditure of Rs.2.92 crore was incurred through diversion of funds from the 'PM's Announcement' fund (Rs.1.17 crore) and from the normal ARWSP funds (Rs.1.75 crore), without the approval of the GOI. Considering the wide variation in the unit cost of the IRPs and the lack of details with the Department with regard to the performance of these, Audit is unable to vouchsafe the expenditure stated to have been incurred on the installation of the IRPs.

The Department stated (October 2007) that 206 IRPs were constructed for 49 villages in Dimapur district where other alternative technology/systems were not economically feasible and which do not violate rural water supply guidelines. The reply is not tenable since approval regarding installation of IRP was not obtained from GOI and also nothing was mentioned in the Utilisation Certificates regarding the same.

Material management

3.1.12 Discrepancies in receipt and issue of materials

Cross verification of records of the EE store division, Dimapur with the stock account of seven test checked divisions revealed that there were short/excess receipt of water supply materials under ARWSP by three divisions during the period from 2002-07. There was a discrepancy of GI pipes of various specifications valued at Rs.1.04 crore. No steps were taken to reconcile the discrepancy (October 2007).

The Department stated (October 2007) that a Departmental Enquiry Committee has been constituted for settlement of discrepancies for the years 2002-03 and 2003-04, but the final report is yet to be received and that the concerned officers were placed under suspension. It was further stated that necessary instructions have also been issued for reconciliation of the discrepancies for the years 2005-06 and 2006-07.

3.1.13 Non-maintenance of records of assets created

The implementing agency is required to prepare a complete inventory of assets created under the programme indicating the date of commencement and completion of projects, cost of projects and agency responsible for operation and maintenance. Test check of records of seven divisions revealed that inventory of assets created had not been prepared by any of the divisions. The divisions had not even furnished/prepared completion certificates in respect of the schemes completed so far.

The Department stated (October 2007) that inventory of assets created under various programmes, and all other related details are recorded in Water Supply Report prepared every 3-5 years interval. The reply is not tenable, since as per the guidelines, the implementing agency is required to prepare a complete inventory of assets created under the programme.

3.1.14 Swajaldhara

Upto 20 per cent of the funds under ARWSP have been earmarked for demand driven reform sector Swajaldhara project. Single village water supply schemes were implemented under this project through Village Water Supply Committees (VWSC) of the Village Councils. The minimum share of community contribution of VWSC was 10 per cent of the estimated cost of the project, which could be either in the form of cash/kind/labour/land or a combination of these. There was a provision to collect water tariff from the users fixed by the Government, with a view to making the project self sustainable and lessen the burden on the Government for O&M activities. The target for completion of the project was fixed between 12 to 18 months.

3.1.14.1 Memorandum of Understanding (MoU) not signed

Under Swajaldhara, the State had to enter into a MoU with GOI, but the MoU had not been signed as of November 2007.

3.1.14.2 Utilisation of funds

The records of the District Water and Sanitation Mission of the test checked districts revealed that no water tariff was realized by the VCs in the completed water supply schemes. The financial progress of the schemes against the fund released to respective VCs during 2003-07 was as follows:

Table-3.1.6

Year	Financial progress (Rs. in crore)					Physical progress		
	Total allocation	Total amount released	Amount of community contribution	Total funds available	Expenditure incurred on schemes	No. of schemes sanctioned	No. of schemes completed	Schemes yet to be completed
2003-04	0.17	0.17	Nil	0.17	0.17	1	1	Nil
2004-05	No scheme was sanctioned							
2005-06	2.71	2.03	0.36	2.39	2.03	17	Nil	17
2006-07	1.21	0.84	0.14	0.98	0.84	7	Nil	7
Total	4.09	3.04	0.50	3.54	3.04	25	1	24

Source: CCDU, PHED, Nagaland, Kohima

As can be seen from the above table, 96 per cent of total sanctioned schemes during 2003-07 remained incomplete. The Department stated (November 2007) that 2nd installment of 24 incomplete schemes have not yet been released by the GOI. This was mainly due to ineffective monitoring mechanism by the Department.

Human Resource Development

3.1.15 Non-functioning of HRD Cell

As per the programme guidelines, the State was required to set up Human Resource Development Cell (HRD Cell) for empowering women and local bodies and for capacity building of local communities through grass root level training. Also awareness programmes were to be undertaken on water borne diseases through Information Education and Communication (IEC) activities. However, due to non provision of adequate funds, both the HRD Cell and IEC could not be taken up effectively.

3.1.16 Monitoring

For effective monitoring and implementation of various schemes, a special Monitoring Cell and Investigation Unit/Appraisal Cell was established by PHED. Though the information regarding physical and financial progress was collected by the Cell from the executing agencies and submitted to GOI, there was no evidence that the reports received from different divisions of the Department were ever analysed and used as an input for initiating remedial measures. State Planning Department entrusted with the responsibility of monitoring time schedule and expenditure during execution of work, was not effective as in most of the cases it did not monitor the time schedules prescribed for completion of the water supply schemes. Consequently, the timeliness in most of the cases were not adhered to.

3.1.17 Evaluation

The State Government was required to take up evaluation studies on implementation of the programme. No evaluation of the impact of implementation under ARWSP had ever been carried out by the Department or any other Government agency since the inception of the programme.

3.1.18 Conclusion

The overall implementation of the scheme in the State was tardy and was characterised by poor planning and lack of prioritization. New schemes were taken up without completion of the existing schemes and meager resources were spread out thin on many fronts. Matching funds were not released by the State Government and even where the GOI released the funds, the State Government failed to pass them on to the implementing agencies on time. Water quality tests were not conducted and sustainability of water sources was not ensured leading to slip back of habitations. Monitoring of the execution of schemes was also poor.

3.1.19 Recommendations

- The State Government should draw up a comprehensive plan to provide all the NC and PC habitations with potable drinking water in a time bound manner. Bottlenecks such as land acquisition and payment for the water source should be dealt with before a project is started and realistic action plan should be prepared keeping the priorities of the scheme in mind.
- State should provide adequate resources for completion of the schemes and ensure Central funds are released on time to the implementing agencies.
- The quality of water should be tested at regular intervals and necessary infrastructure should be created for the purpose.
- Non Government Organisations and Local Bodies should be encouraged to participate in implementation to derive benefit out of the programme.
- Implementation of the programme should be evaluated at regular intervals and asset registers should be maintained.
- The programme should be monitored closely and accountability should be fixed to ensure that the schemes are completed in a time bound manner.

RURAL DEVELOPMENT DEPARTMENT

3.2 Sampoorna Grameen Rozgar Yojana

Sampoorna Grameen Rozgar Yojana (SGRY) was launched in the State in September 2001 by merging the ongoing 'Employment Assurance Scheme' (EAS) and the 'Jawahar Gram Samridhi Yojana' (JGSY) with the objective of providing additional and supplementary wage employment, infrastructural development and food security in rural areas. A review of the Programme revealed under payment of wages, lack of financial control, expenditure on inadmissible works and abandonment of works. The State's claim of employment generation could not be verified as employment registers were not maintained and the quantum of assets created could not be verified in the absence of Asset Registers. The implementation of the scheme also suffered due to lack of proper monitoring.

Highlights

Due to the failure of the State Government in releasing its matching share the Central Government deducted an amount of Rs.26.63 crore and 8112 MT of foodgrains valued at Rs10.09 crore.

(Para 3.2.7.3)

Due to lack of financial control, 9 out of 14 blocks test checked showed a short receipt of Rs.1.75 crore and 16 out of 60 VDBs test checked showed a short receipt of Rs.19 lakh during 2002-07.

(Para 3.2.7.5)

The Director, RD and Project Directors of eight DRDAs incurred unauthorised expenditure of Rs.3.44 crore on transportation of foodgrains in excess of the admissible amount.

(Para 3.2.7.6)

None of the DRDAs/blocks/VDBs test checked maintained employment registers although Rs.23.41 crore and 39.676 MT of foodgrains were released to them.

(Para 3.2.8.1)

Beneficiaries were not paid minimum wages admissible.

(Para 3.2.8.2)

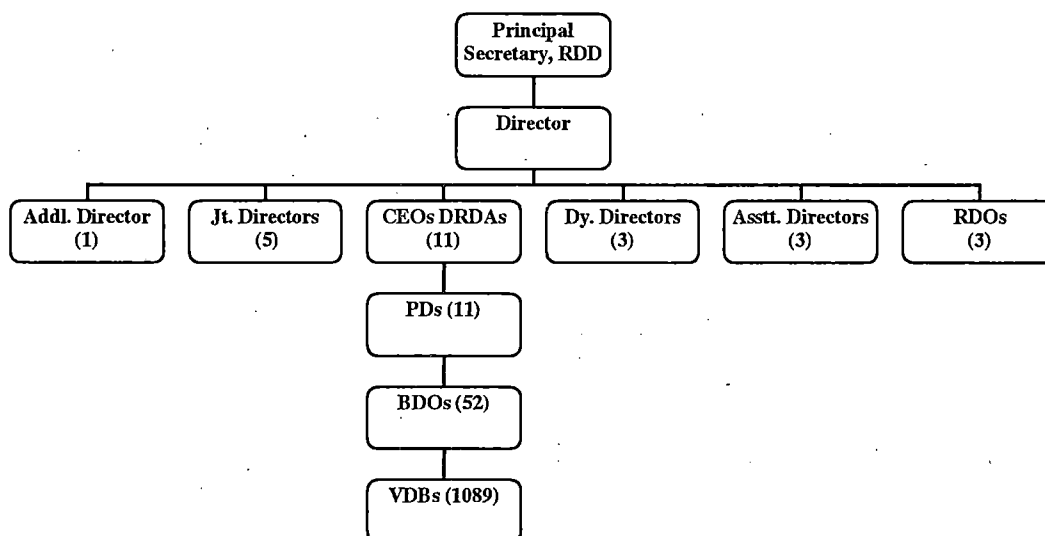
3.2.1 Introduction

Sampoorna Grameen Rozgar Yojana (SGRY) was launched (September 2001) by the GOI by merging the ongoing 'Employment Assurance Scheme' (EAS), 'Additional Wage Employment Scheme' and 'Jawahar Gram Samridhi Yojana' (JGSY). The programme was implemented in two streams. The activities under Stream –I were to be implemented by the District Rural Development Agencies (DRDA) and the Blocks, while those relating to Stream–II (activities covered under JGSY) were to be implemented by the Village Panchayats/Village Development Boards (VDBs). Both the streams were merged in 2004-05. The scheme was aimed at providing greater thrust to additional wage employment, infrastructural development and food security

in rural areas. SGRY was open to all rural poor who were in need of wage employment and desired to do manual and unskilled work. Wages under the programme were paid partly in cash and partly in foodgrains. The cash component is shared between the Centre and the State in the ratio of 75:25 and foodgrains were provided free of cost by the Centre. The cost of transportation of foodgrains was, however, to be borne by the State Government.

3.2.2 Organisational set-up

The scheme was implemented by the Rural Development Department (RDD) headed by a Principal Secretary at the State level, assisted by a Director and one Additional Director with two Joint Directors acting as programme officers. At the district level, the scheme was implemented through 11¹² DRDAs headed by the Deputy Commissioners (DCs) of the district acting as Chief Executive Officers (CEO) who is assisted by Project Director (PD), Assistant Programme Officers and other supporting staff. At the block level, the scheme is implemented through 52 Block Development Officers (BDOs) and at the village level, the scheme is implemented through VDBs headed by VDB Secretary, elected by the Village Council under the Chairmanship of the DC. The organogram of the Department relating to the implementation of the schemes is given below:



3.2.3 Scope of Audit

The implementation of the scheme in the State during the period 2002-03 to 2006-07 was reviewed in audit during April to June 2007 through a test check of the records of the Monitoring Cell in RDD. Four out of eight¹³ DRDAs, 14 out of 52 blocks and 60 out of 1089 VDBs were selected for test check on the basis of simple random sampling without replacement method.

¹² Including 3 newly created districts for which no separate allocation was provided.

¹³ Only 8 out of 11 DRDAs were considered for performance review since 3 DRDAs were created only in 2005-06.

3.2.4 Audit Objectives

Performance review was conducted to ascertain whether:

- the primary objective of providing additional wage employment was achieved as envisaged;
- preference groups were identified after survey and targets for providing wage employment were fixed after proper planning;
- durable social and economic assets were created and maintained;
- there was active participation of the rural poor in planning and execution;
- the programme was implemented efficiently, economically and effectively.

3.2.5 Audit Methodology

Performance Audit was carried out in DRDAs/blocks/VDBs through an examination and analysis of records and collection of information through questionnaires. An entry conference was held (5 March 2007) with the Director and Programme Officers wherein the audit objectives, audit coverage, criteria etc., were explained to the Department. At the conclusion of audit, an exit conference was held (23 November 2007) with the Secretary and other officers responsible for implementation of the policies of the Department. The replies of the Department have been incorporated in the report at appropriate places.

3.2.6 Audit criteria

Performance of the programme was assessed against the following criteria:

- Guidelines on SGRY issued by GOI and RDD.
- Norms for assessment of employment generation for rural poor.
- Approved plans of VDBs, Blocks and DRDAs.
- Timeframe for completion of works.
- Prescribed monitoring system.

Audit findings

Important findings of audit are discussed in the succeeding paragraphs.

3.2.7 Planning

3.2.7.1 Non-preparation of Annual Action Plan (AAP)

The programme guidelines provide that each DRDA, Intermediate and Village Panchayat (blocks and VDBs) should independently prepare and approve, before the

beginning of each financial year, an AAP equivalent in value of about 125 per cent of its share of funds allocated in the preceding year. No work can be taken up unless it forms part of the AAP. It was observed that none of the 4¹⁴ DRDAs and 14¹⁵ blocks test checked prepared AAPs during the period 2002-07 although during this period, funds amounting to Rs.11.80 crore (excluding foodgrains) were allotted to them. Further, only 16¹⁶ out of 60 VDBs test checked prepared AAPs during this period although Rs.2.66 crore (excluding foodgrains) were released to them. The State Government neither framed any targets for employment generation nor issued any directive to the DRDAs/blocks/VDBs stressing the need for preparation of AAPs. The works to be taken up were decided on receipt of funds. Taking up of works without preparation of AAPs resulted in non-prioritisation of required works and infrastructural works being taken up without any technical inputs and any method to assess the reasonableness of the estimates.

The Department stated (November 2007), that though AAPs had not been prepared, shelf of projects were prepared for each financial year and the programmes were implemented accordingly by the DRDAs/blocks. The reply is not tenable as none of the DRDAs/blocks test checked produced shelf of projects to Audit though called for.

3.2.7.2 Financial management

Allocation of funds under SGRY is shared between the Central and the State Governments in the ratio of 75:25. The Centre and the State Governments release funds directly to the DRDAs, which in turn release to the implementing agencies.

Central assistance and State's share received by DRDAs and expenditure thereagainst during 2002-07 was as under:

Table-3.2.1

(Rupees in crore)

Year	Stream	Opening Balance	Funds released to DRDAs		Misc Receipts (Interest)	Total	Expenditure	Closing Balance
			Centre*	State				
2002-03	I	0.89	6.50	0.70	0.12	8.21	7.75	0.46
	II	0.42	4.34	0.70	0.13	5.59	5.19	0.40
2003-04	I	0.46	5.16	0.70	0.04	6.36	6.10	0.26
	II	0.40	4.80	0.70	0.05	5.95	5.67	0.28
2004-05	Unified	0.54	13.33	1.00	0.31	15.18	14.89	0.29
2005-06	-do-	0.29	18.02	3.30	0.05	21.66	20.84	0.82
2006-07	-do-	0.82	14.71	1.60	0.06	17.19	17.00	0.19
Total			66.86	8.70	0.76	80.34	77.44	

Source: Departmental records

* Includes funds for previous years released in subsequent years.

¹⁴ Kohima, Dimapur, Tuensang and Mon

¹⁵ Kohima, Tseminyu, Chiphobozu, Medziphema, Dhansiripar, Nuiland, Sangsangyu, Chessore, Thonoknyu, Shamatore, Mon, Tizit, Tobu and Chen

¹⁶ Kohima Village, Khonoma, Chemukedima A Village, Nagarjan, Diphupar B, Industrial Village, Chekiye, Diphupar, Purana Bazar, Hakhizhe, Mughavi, New Shouba, Nihokhu, Kuhoxu, Huzukhe.

3.2.7.3 Short release of State Share

SGRY guidelines envisaged that in the event of failure of the State to contribute its share, the Central Government will deduct the corresponding amount from its second installment of the succeeding year. The allocation and release by the Centre and the State during 2002-07 were as shown below:

Table-3.2.2

(Rupees in crore)

Year	Stream	Centre					State		
		Actual Allocation	Additional Allocation	Total	Released	Short Release	Amount to be released (with ref. to Col.5)	Allocation made and fund released	Shortage in allocation/release
1	2	3	4	5	6	7	8	9	10
2002-03	I	5.51	-	5.51	3.30	2.21	1.84	0.70	1.14
	II	6.12	-	6.12	4.34	1.78	2.04	0.70	1.34
2003-04	I	7.65	0.73	8.38	5.89	2.49	2.80	0.70	2.10
	II	7.65	1.25	8.90	6.05	2.85	2.96	0.70	2.26
2004-05	Unified	16.69	5.19	21.88	16.74	5.14	7.30	1.00	6.30
2005-06	-do-	20.40	1.53	21.93	14.12	7.81	7.31	3.30	4.01
2006-07	-do-	17.53	2.60	20.13	15.78	4.35	6.71	1.60	5.11
Total		81.55	11.30	92.85	66.22	26.63	30.96	8.70	22.26

Source: Departmental records

The State Government had allotted/released only Rs.8.70 crore (28 per cent) against its due share of Rs.30.96 crore. As a result against Rs.92.85 crore due to be released by the Centre, the Centre reduced its assistance by Rs.26.63 crore (29 per cent) and the people of the State were deprived of employment wages to that extent. Similarly, the Centre also imposed a cut in release of foodgrains and deducted 8112¹⁷ MT of foodgrains valued at Rs.10.09 crore¹⁸ during 2004-06.

The Department stated (November 2007) that the State could not release its share due to financial constraints. Thus due to the State Government's failure to provide matching share, the people of the State were deprived of employment to the tune of Rs.36.72 crore (including Rs.10.09 crore in the form of foodgrains).

3.2.7.4 Delay in release of funds by DRDAs

As per guidelines, DRDAs should release the funds to the blocks within 15 days of receipt from the Central/State Government. Scrutiny revealed that there were delays in release of funds by DRDAs ranging from 1 month to 11 months. This delayed the implementation of the scheme and benefits did not reach the targeted population at the intended time.

The Department while accepting the fact, attributed (November 2007) the delays to observance of formalities in release of funds. The reply is not acceptable as no efforts were made to expedite release of funds despite the fact that the DRDAs received the

¹⁷ 2004-05 Rice – 1671 MT, Wheat - 1671 MT. 2005-06 Rice – 2385 MT, Wheat 2385 MT.

¹⁸ Calculated at an average rate of Rs.13,900 per MT rice and Rs.10,960 per MT wheat.

funds directly from the Centre. Further due to such delay in release of funds SGRY works could not be completed within the prescribed one year period.

3.2.7.5 Deficiencies in disbursement of fund by DRDAs and blocks

As per the programme guidelines, the DRDAs, blocks and VDBs should keep the funds in a separate bank account in a nationalized bank or post office. However, it was seen that none of the selected blocks and VDBs operated separate bank accounts for SGRY. DRDAs issued bearer cheques to BDOs instead of transferring the funds to the BDO's bank accounts and the BDOs in turn made cash payments to VDBs instead of crediting the funds directly to their bank accounts.

Audit scrutiny revealed short receipt/accounting of Rs.1.75 crore during 2002-07 by 9¹⁹ out of 14 blocks under three²⁰ out of four DRDAs test checked. Similarly, there was short receipt/accounting of Rs.19 lakh by 16 VDBs²¹ of four blocks²² out of 60 VDBs of 14 blocks test checked. This indicated poor financial control and management by DRDAs, blocks and VDBs and the possibility of misappropriation of funds cannot be ruled out.

The Department stated (November 2007) that payments to VDBs were made in cash due to lack of banking infrastructure in interior/remote places and that the short receipt of cash has been rectified. The claim of the Department that short receipt of cash has been rectified is not tenable as the blocks/VDBs had certified the amount actually received by them and there was no proof of any rectification carried out in the accounts or subsequent receipt of funds to the extent short received. Also, even where banking facilities were available, the blocks have not utilised them. The Department also did not produce any records that the funds were distributed to the targeted groups.

3.2.7.6 Diversion of funds

As mentioned in paragraph 3.2.1 the transportation cost and other handling charges of foodgrains were to be borne by the State Government from its own resources. This was relaxed by the Centre from 2003-04 and Rs.50 per quintal was allowed for the purpose from the cash component of the scheme fund.

The gunny bags in which the foodgrains are received for distribution should be disposed off and the sale proceeds utilised for making payments towards transportation cost/handling charges. During 2002-07, the test checked DRDAs lifted and distributed 29449 MT of foodgrains. Scrutiny however, revealed that empty gunny bags were not sold and no stock records were maintained. Instead the Director, RDD and PDs of 6 to 8 DRDAs²³ diverted an amount of Rs.3.44 crore towards payment of transportation and handling charges from the cash component of SGRY in

¹⁹ Kohima, Chiephoboza, Tsemenyu, Medziphema, Nuiland, Dhansiripar, Sangsangyu, Thonoknyu, Chessore

²⁰ Kohima,Dimapur,Tuensang

²¹ Chemukedima A, Nagarjan, Diphupar B, Industrial Village, Chekiye, Diphupar, Purana Bazar, Dhansiripar, Doyapur, Pimla, Zutovi, Singirijan, Khekiho, Kutur, Y/Anner, Tizit

²² Medziphema, Dhansiripar, Chessore, Tizit

²³ Kohima, Dimapur, Tuensang, Mon, Wokha, Zunheboto, Phek, Mokokchung

violation of the guidelines and Government orders in excess of the admissibility, as shown below:

Table-3.2.3

(Rupees in crore)						
Year	Expenditure incurred by	Amount of carriage and other handling charges paid	Admissible amount	Excess paid	Total scheme Expenditure	Percentage of Total expenditure diverted for transportation (%)
2002-03	Eight DRDAs ²⁴ and Directorate	0.85	Nil	0.85	12.94	6.57
2003-04 to 2006-07	Six DRDAs ²⁵	4.58	1.99 ²⁶	2.59	64.50	4.01
Total		5.43	1.99	3.44	77.44	---

Source: Departmental records

Further, the Utilisation Certificates and the Annual Progress Reports submitted to the Union Ministry of Rural Development (MoRD) and the Annual Accounts prepared by the Chartered Accountants (CA) did not disclose this violation of scheme guidelines and the amount was booked under programme implementation expenditure. The unauthorised diversion not only deviated from the objectives of the scheme but also deprived the targeted population of availing employment opportunities to that extent.

The Department admitted (November 2007) the facts and stated that the funds had to be diverted from the scheme as the State Government was not in a position to mobilise funds for transportation of foodgrains due to financial constraints.

3.2.8 Programme Implementation

3.2.8.1 Employment Generation

The SGRY guidelines require each DRDA and block to maintain an "Employment Register" for identification of the beneficiaries for works being executed within its jurisdiction, containing the details of number of persons employed including the number of SCs/STs, gender of the workers and number of mandays generated for each work. This information should be compiled from the Muster Rolls. It was however, noticed that none of the DRDAs, blocks and VDBs test checked maintained any employment register during the period 2002-07, though scheme funds amounting to Rs.23.41 crore and 39,677 MT of foodgrains were released to them. In the absence of recorded information, the details of actual employment generated and the number of beneficiaries including the number of women beneficiaries and their eligibility could not be ascertained. Audit was therefore unable to vouchsafe the genuineness of expenditure in this regard.

During 2002-07, the State Government reported generation of 504.61 lakh mandays of employment to the Centre. The reported figure appears unrealistic in view of the fact that with the available funds and foodgrains, the State Government could have

²⁴ Kohima, Dimapur, Tuensang, Mon, Wokha, Zunheboto, Phek, Mokokchung

²⁵ Tuensang, Mon, Wokha, Zunheboto, Phek, Mokokchung

²⁶ 567670 qtls. (foodgrains transported) x Rs.50/qlt. = Rs.2.84 crore (-) 567670 x Rs.15/qlt. (already incurred by Directorate). Therefore, total admissible amount = Rs.1.19 crore.

generated a maximum of only 346.30 lakh²⁷ mandays. Further, the State Government did not fix any targets for wage employment and even the reported figure of 504.61 lakh mandays over a period of 5 years is very low as compared to the rural population of Nagaland (18.10 lakh).

The Department stated (November 2007) that Employment Registers were not maintained as Muster Rolls contain the same information. The reply is not acceptable as most of the units test checked also did not maintain Muster Rolls as detailed in Paragraph 3.2.8.2.

3.2.8.2 Payment of wages

As mentioned in the previous paragraph, the blocks and VDBs were required to maintain Muster Rolls for every work, showing the details of labourers engaged, wages paid and foodgrains distributed. Scrutiny revealed that except eight blocks and 23 VDBs under Tuensang and Mon DRDAs, none of the 6 blocks and 37 VDBs under Dimapur and Kohima DRDAs test checked prepared Muster Rolls. The guidelines further provide that the labourers should be paid at the minimum wage rate fixed by the State Government. The minimum wages in the State was Rs.45 per day in 2002, which was revised to Rs.66 in 2005-06. Audit scrutiny revealed that three²⁸ out of four DRDAs test checked did not pay the minimum wages admissible to the labourers engaged for execution of works as shown in table 3.2.4.

Table-3.2.4

Name of DRDA/block	Year	Minimum wages (Rs.)	Rate of wages paid (Rs.)	Employment generated (No.)	Amount of wages paid	Amount of wages to be paid	Short payment
					(Rupees in crore)		
Blocks under Dimapur DRDA	2005-06	66	60	225000	1.35	1.49	0.14
Shamator block (DRDA Tuensang)	2004-05	45	25	19322	0.05	0.09	0.04
	2005-06	66	25	44645	0.11	0.29	0.18
Blocks under Tuensang DRDA except Shamator	2005-06	66	45	562355	2.53	3.71	1.18
Mon DRDA	2005-06	66	50	403000	2.02	2.66	0.64
Total							2.18

Source: Departmental records

Thus, the beneficiaries under the scheme were deprived of the minimum wages to the extent of Rs.2.18 crore in 2004-05 and 2005-06 in the above blocks. In the absence of Muster Rolls in blocks/VDBs under 2 out of 4 DRDAs test checked,

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Year	Funds spent (Rs.)	Minimum wage (Rs.)	Possible employment (No.)	Foodgrains distributed (kg)		Rate of distribution (kg per manday)	Possible generation of mandays with foodgrain component (No.)
				Rice	Wheat		
1	2	3	4	5	6	7	8
2002-03	129400000	45	2875556	4489000	1960000	5	1289800
2003-04	117700000	45	2615556	26855000	8627000	5	7096400
2004-05	148900000	45	3308889	7253000	7253000	5	2901200
2005-06	208400000	45	4631111	7155000	7155000	5	2862000
2006-07	170000000	45	3777778	8179000	8179000	5	3271600
Total	774400000		17208890	53931000	33174000		17421000

Grand total of employment that could have been generated (col.4+8) = 34629890 i.e., 346.30 lakh

²⁸ Dimapur, Tuensang and Mon.

the extent to which this payment resulted in gainful employment could not be ascertained. In such a situation the possibility of fraud/duplication also cannot be ruled out.

The Department stated (November 2007) that the Government orders enhancing the minimum wages from Rs.45 to Rs.66 were received late. The Department did not justify how and why payment of Rs.60, Rs.50 and Rs.25 per day was made as shown in the above table. Further as mentioned in paragraph 3.2.11 no Monitoring Committees consisting of villagers were formed certifying works against which payments of wages were released.

3.2.8.3 Uneven allocation of fund

As per SGRY guidelines effective from April 2002, 40 per cent of the funds and foodgrains earmarked under Stream-I were to be reserved for utilisation by DRDAs and the remaining 60 per cent by blocks/Intermediate Panchayats. Similarly, 100 per cent allocation under the Stream-II was to be reserved for utilisation by Village Panchayats/VDBs. Under the unified SGRY with effect from 2004-05, 20 per cent of the funds were to be allocated to DRDAs, 30 per cent to blocks and 50 per cent to VDBs.

However, three²⁹ out of four test checked DRDAs violated the guidelines while allocating the resources and allocated major share of funds to blocks or retained for themselves, as shown below:

Table-3.2.5

BRDA	Year	Stream	Funds allocated (Rs. in crore)			% of allocation to VDBs	Short fall (%)
			Total	DRDA/block	VDB		
Dimapur	2003-04	I	0.34	0.24	0.10	---	---
		II	0.37	0.26	0.11	30	70
	2004-05	Unified	0.98	0.56	0.42	43	57
	2005-06	-do-	1.44	0.91	0.53	37	63
	2006-07	-do-	1.24	0.74	0.50	40	60
		Total		4.37	2.71	1.66	
Kohima	2003-04	I	0.99	0.72	0.27	---	---
		II	0.74	0.44	0.30	41	59
	2004-05	Unified	2.80	1.58	1.22	44	56
	2005-06	-do-	1.91	1.24	0.67	35	65
	2006-07	-do-	1.36	0.76	0.60	44	56
		Total		7.80	4.74	3.06	
Tuensang	2004-05	Unified	1.74	1.00	0.74	43	57
	2005-06	-do-	3.56	1.90	1.66	47	53
	2006-07	-do-	1.24	0.74	0.50	40	60
		Total		6.54	3.64	2.90	

Source: Departmental records

The excess retention of fund by DRDAs for utilisation in DRDA/block resulted in depriving the VDBs of their due share as shown above. Similarly, though the entire allocation under Stream II was intended to be utilised by VDBs, the DRDAs retained the major share for DRDA/blocks, in violation of the guidelines. The shortfall in allocation to VDBs ranged from 53 per cent to 70 per cent.

²⁹ Dimapur, Kohima, Tuensang.

3.2.9 Lifting and distribution of foodgrains

Foodgrains under the programme are made available to the State Government free of cost by the Centre. The latter sends an advice to the Food Corporation of India (FCI), under intimation to the Secretary, RDD to release foodgrains from its designated depots to the authorised agencies of the State Government as per allocation made by the Union Ministry of Rural Development. In Nagaland, at the State level, the lifting and distribution of foodgrains is managed by the RD, Store (SGRY Cell) at Dimapur. At the district level, it is being monitored by the concerned DRDAs.

3.2.9.1 Distribution of foodgrains as part of wages

The primary objective of the scheme is to provide additional and supplementary wage employment and thereby provide food security and improve nutritional levels of rural poor. Foodgrains should be given as part of wages under the scheme to the rural poor at the rate of 5 Kg. per day. The foodgrains are to be issued to the States/DRDAs/ Village Panchayats in proportion to their cash component. However, the DRDAs resorted to allocating cash component and foodgrains separately resulting in many of the selected works/schemes being taken up either only with cash component or foodgrains in violation of the guidelines.

While accepting the fact, the Department stated (November 2007) that the DRDAs were compelled to pay only cash or distribute only foodgrains as cash and foodgrains were often released at different intervals by the State Government.

3.2.9.2 Deficiencies in distribution

Audit scrutiny revealed that two DRDAs did not maintain any records of distribution of foodgrains received by them directly from RD Store, for distribution to the implementing agencies/blocks as shown below:

Table 3.2.6

Year	Name of the DRDA	Items received	Quantity of foodgrains received (Quintals)	Rate (Rs. per quintal)	Total cost (Rupees in lakh)
2002-03	Kohima	Rice	2284.24	1180	27
		Wheat	2289.70	700	16
2006-07	Tuensang	Rice	2160.00	1597	34
Total			6733.94		77

The concerned DRDAs stated (May 2007) that they did not receive foodgrains from RD Store during this period and that they did not have godowns to store the foodgrains. In the absence of proper stock records and further distribution details, the possibility of diversion/misuse of foodgrains and the same not reaching the beneficiaries cannot be ruled out.

Similarly, scrutiny of stock records and statements furnished by the blocks and VDBs revealed short receipt of 9454 quintals of rice and 7309 quintals of wheat valued at Rs.1.98 crore during 2002-03 to 2006-07 by blocks and VDBs as shown in *Appendix-3.1* and *3.2*. There was nothing on record to show whether the matter had been investigated by the Department.

3.2.9.3 Storage and distribution of foodgrains

RD Store (SGRY Cell), Dimapur is responsible for lifting of foodgrains from FCI godown at Dimapur for further distribution to various DRDAs/blocks as per allocation as mentioned in paragraph 3.2.9. The quantities of foodgrains lifted from FCI and distributed to various DRDAs by this Store during the period 2002-07 is shown below:

Table-3.2.7

(Quantity in quintals)

Year	Stream of SGRY	Released by FCI		Lifted (As per FCI records)		Distributed (RD Store Records)		Difference	
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice (Col 5-7)	Wheat (Col 6-8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2002-03	I	13800	20700	13800	20700	13800	19600	-	1100
	II	31090	-	31090	-	31090	-	-	-
2003-04	I	87890	87890	87782	87873	86670	86270	1112	1603
	II	181880	-	181880	-	181880	0	-	-
2004-05	Unified	72530	72530	72530	72530	72530	72530	-	-
2005-06	Unified	71550	71550	71550	71550	71550	71550	-	-
2006-07	Unified	81790	81790	81790	81790	81790	81790	-	-
Total		540530	334460	540422	334443	539310	331740	1112	2703

Source:-FCI and departmental records

As shown above, the records maintained by the RD Store showed receipt of only 539310 quintals of rice and 331740 quintals of wheat from the FCI as against 540422 quintals of rice and 334443 quintals of wheat shown as issued by the FCI during the period leading to a short account of 1112 quintals of rice and 2703 quintals of wheat valued at Rs.38 lakh. There was nothing on record to show that the matter had been investigated. The possibility of diversion/misuse of the foodgrains cannot be ruled out.

No physical verification was conducted by any higher authorities till date except verification twice by the Rural Development Officer, in charge of the store, which showed loss of 369 MTs of rice and 8.63 MTs of wheat during 2002-2007 as shown below:

Table 3.2.8

Year	Shortage/Loss (in MT)		Amount involved (Rupees in lakh)
	Rice	Wheat	
2002-03	92.06	8.63	12 (11,04,720 + 60410)
2006-07	277.03	-	44
Total	369.09	8.63	56

However, records maintained in the RD store and reports submitted by the DRDAs revealed that the entire quantity of foodgrains lifted were transported/received by the respective DRDAs/blocks. This indicates that the records did not reflect the correct

position and apart from depriving 75,050 people³⁰ of wages, this also pointed to the possibility of fraud.

3.2.10 Execution of works

SGRY guidelines provide that works should be executed departmentally and wages should be paid on a fixed day in a week preferably a day before the local market day. The works executed under DRDA/block allocation were carried out by selected beneficiaries/groups and wages (including foodgrains) were paid to them by the block only on completion of works. The beneficiaries/groups in turn distributed the wages to the labourers. The same system was followed in execution of works under VDB allocation. This system of execution of works has resulted in depriving the labourers of the benefits under the scheme at the intended time.

3.2.10.1 Doubtful execution of works

(i) Scrutiny of Muster Rolls of BDO Shamator (under Tuensang DRDA) for two different works executed at a cost of Rs.12 lakh as per two different sanctions, revealed, that the same labourers were engaged for executing both the works, although these were executed during the same period. As a result it is doubtful whether the second work was actually executed and the possibility of fraudulent payment cannot be ruled out.

(ii) The Project Director, DRDA Tuensang released the following amounts to the BDO, Sansangyu for execution of various works by VDBs under the block during 2003-04.

Table 3.2.9

Sanction/Allocation Reference	Amount sanctioned	No. of VDBs	No. of works
DRDA/TSG/SGRY-I/02-03 Dtd. 2/04	1,95,300	20	23
DRDA/TSG/SGRY-II/02-03 Dtd. 2/04	1,95,300	20	23

Scrutiny of technical estimates revealed that the works executed under the above two sanctions were the same. Thus, payment was made for the same work twice resulting in fraudulent payment of Rs.1.95 lakh.

3.2.10.2 Unauthorised expenditure

SGRY guidelines provide that the works taken up under the programme should be labour intensive. The guidelines also prohibit taking up works such as purchase of furniture, black topping, etc. Scrutiny of records in selected blocks³¹ however, revealed that these blocks had incurred an expenditure of Rs.17.27 lakh on inadmissible works as shown in the table below:

³⁰ 5 Kilograms of Rice or 7 Kilograms of Wheat per manday

³¹ Kohima, Tseminyu, Chiphobozu, Medziphema, Dhansiripar, Nuiland, Sangsangyu, Chessore, Thonoknyu, Shamatore, Mon, Tizit, Tobu and Chen

Table-3.2.10

(Rupees in lakh)

Item of expenditure	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Purchase of furniture	0.83	3.20	-	1.91	0.19	6.13
Black Topping	-	0.23	-	1.50	-	1.73
Community Bus	0.13	-	-	-	-	0.13
Purchase of Grocery items	-	-	-	-	0.66	0.66
Fencing	0.25	-	-	-	-	0.25
Kitchen garden	-	-	7.55	-	-	7.55
Printing	-	0.19	-	-	-	0.19
Construction of R/Well at Ministers Residence	-	-	0.63	-	-	0.63
Total	1.21	3.62	8.18	3.41	0.85	17.27

Due to this unauthorised expenditure in contravention of guidelines the targeted group was deprived of 28,783 mandays of labour equivalent to Rs.17.27 lakh.

3.2.10.3 Doubtful implementation of the scheme

During the years 2002-07, the BDO Tobu received a total amount of Rs.1.10 crore as per the cashbook. The BDO also received 8505.52 quintals of rice and 5898.13 quintals of wheat valued at Rs.1.70 crore³² as per the records of RD store, Dimapur and allocation/sanction orders. However, except cash book, the BDO could not produce any other records such as Stock register of foodgrains, payment register/APRs signed by the payees, technical estimates, work orders, completion reports and muster rolls in support of the actual payment of cash component and distribution of foodgrains. Moreover, none of the selected VDBs from the above block produced any records to audit. Absence of supporting records showing the actual implementation of the scheme raises doubts about the actual payment and distribution of the above amount and foodgrains.

3.2.10.4 Abandoned works

As per SGRY guidelines, only those works which can be completed within a year and in exceptional cases in a maximum period of two financial years should be taken up for execution under the scheme. Guidelines further stipulate that priority should be given to complete the incomplete works instead of taking up new works.

Scrutiny of records submitted by the DRDA, Dimapur revealed that, the Agency/blocks had abandoned 160 incomplete works as shown below:

Table-3.2.11

Year	Stream of SGRY	Item of work	Nos. taken up	Nos. Completed	Nos. in progress as on 31 st March	Abandoned works
2003-04	I & II	Roads	134	Nil	134	---
	-do-	School Buildings	28	16	12	---
2004-05	Unified	Roads	51	Nil	51	83 (134-51)
	-do-	School Buildings	73	24	49	---
2005-06	-do-	Roads	18	18	Nil	33 (51-18)
	-do-	School Buildings	5	5	Nil	44 (49-5)

Moreover, the execution of the works (Roads) extended to three financial years in violation of the scheme guidelines. This indicated poor management of the

³² Calculated at an average rate of Rs.1,293 per quintal of rice and Rs.1,017 per quintal of wheat.

programme. In the absence of proper records at the DRDA/block/Village level, the amount spent on these abandoned works could not be ascertained in audit.

3.2.11 Social Audit and Vigilance

Programme guidelines provide that a 'Monitoring Committee' consisting of the villagers of the locality/area where the work is undertaken is to closely monitor the progress and quality of the works. The final payment for each work is to be released only on receipt of the report of the committee along with the completion reports. Audit observed that no such committees were formed by any of the DRDAs, blocks and VDBs test checked during the period 2002-07 although an amount of Rs.23.41 crore and 39,677 MTs of foodgrains were distributed by them. It was stated that the works were monitored by VDB monitoring committees and the final payment was released on receipt of VDB resolution and completion certificates issued by the technical staff under the block. Thus, the objective of ensuring transparency, accountability and control over the implementation of the programme was defeated.

3.2.12 Records of assets created

Every district, intermediate and village panchayats is to maintain proper inventory of the assets created under the programme giving details of the date of start and the date of completion of the project, cost involved, benefits obtained, employment generated and other relevant particulars. None of the test checked DRDAs, blocks and VDBs maintained any inventory of assets created. Hence, the actual assets created under the programme could not be assessed.

3.2.13 Maintenance of assets

Out of the total allotment, 15 per cent was to be earmarked for maintenance of assets created under the programme. It was observed that in contravention of guidelines 11 DRDAs³³ spent only 0.95 per cent (Rs.73 lakh against the total expenditure of Rs.77.45 crore) during 2002-07 on maintenance of assets. Thus 91 per cent of funds meant for maintenance were unauthorisedly used for other purposes in contravention of rules. Due to lack of maintenance, the condition of the community assets created under the programme is also likely to deteriorate.

3.2.14 Special Component under SGRY

A special component (foodgrains) is available under SGRY for augmenting food security through additional wage employment in the natural calamity affected rural areas after due notification by the State Government and its acceptance by the Union Ministry of Agriculture/Home Affairs. The foodgrains under the special component can be used in any scheme of the Central or State Government being implemented for generation of wage employment in the districts affected by natural calamity and duly notified as such. The cash component of the wages and the material cost were required to be met from the scheme under which the sub component was used.

During the year 2003-04, the Centre released 13910 MT of rice and 4640 MT of wheat as special component to all eight districts, even though no district in Nagaland

³³ Kohima, Mokokchung, Tuensang, Wokha, Zunheboto, Phek, Longleng, Kiphire, Peren, Mon and Dimapur.

was notified by the State as natural calamity affected area. Scrutiny also revealed that, no cash component (for wage and material) was provided along with the foodgrains under SGRY and no fund was provided from any other scheme for implementing the works taken up with the special component resulting in the execution of works only with foodgrains and under payment of wages.

3.2.15 Monitoring and Evaluation

3.2.15.1 Reporting

The DRDAs are to submit consolidated monthly and annual financial and physical progress reports from the reports obtained from the blocks and VDBs to the State Government for further consolidation and submission to the Central Government. Information collected from the selected DRDAs, blocks and VDBs revealed that these reports are prepared by the DRDAs on the basis of payment released by them without obtaining any monthly or annual reports from the blocks and VDBs and without assessing their fund position. Discrepancies in data were noticed in the consolidated report submitted by the State Government to the Central Government.

3.2.15.2 Inspection of works

A schedule of inspection of the works, prescribing the minimum number of field visits to be made by State, District and block level functionaries was to be prepared for proper monitoring of the implementation of SGRY. However, no such schedule was prepared and inspection conducted as prescribed in the programme guidelines.

3.2.16 Conclusion

The implementation of SGRY was beset with many problems which resulted in the benefits of the programme not reaching the intended population. The State Government did not release its matching share during 2002-07 and the DRDAs took up implementation of the programme without proper planning and assessing the requirements of the rural people. Muster rolls and employment registers were not maintained, raising doubts about the veracity of figures reported with regard to employment generation and payment of wages. In fact in many cases, the beneficiaries did not receive the prescribed minimum wages. Employment opportunities claimed to have been generated were fictitious and not based on records. Poor financial management and non maintenance of bank accounts resulted in short receipts and improper accounting and misuse of funds. Distribution of foodgrains was also not properly managed, resulting in short receipt and distribution at different levels. There was general failure in exercising proper checks at appropriate levels leading to double payments. Asset registers were not maintained. Social audit and vigilance at the grass root level was not ensured by setting up Monitoring Committees at the village level. The State Government did not also ensure proper monitoring of the programme by State, district and block level functionaries.

3.2.17 Recommendations

- The DRDAs should carry out a survey to identify the beneficiary groups and areas for employment generation.

- Annual Action Plans should be prepared timely after ascertaining and prioritizing the requirements of each village through VDBs and emphasis should be on creation of durable assets.
- Basic records like muster rolls, employment registers and asset registers should be maintained.
- Funds should be released on time at various levels and the State Government should release its matching share for successful implementation of the programme.
- There should be proper accountal of foodgrains allocated, lifted and distributed and records relating to these aspects should be reconciled at various levels at regular intervals to plug loss/pilferages.
- Proper mechanism should be instituted for monitoring the implementation of the programme.

The findings were reported to the Government in August 2007; reply had not been received (November 2007).

ELECTION DEPARTMENT

3.3 Information Technology Audit of Electoral Roll and Voter Registration System

The preparation and updation of electoral database is the responsibility of Chief Electoral Officer. The Department took up Intensive E-Roll (Electoral Roll) revision in 2004 in all the districts of Nagaland as per the instructions of the Election Commission of India (ECI) and completed it in 2005. Audit examination of the E-Roll system revealed deficiencies in security, access, input, and backup controls resulting in unreliable data.

Highlights

The Department is yet to formulate an IT Policy, even though computerisation of Electoral rolls is about a decade old.

(Paragraph 3.3.7.1)

No documentation exists for Electoral Management System; periodical modifications made to the system were not documented.

(Paragraph 3.3.7.2)

The Department spent Rs.3.10 crore for issue of Electoral Photo Identity Card (EPIC) – but the E-Roll database could not be synchronized with the EPIC database

(Paragraph 3.3.7.4)

Defective manuscripts coupled with lack of controls to detect duplications and inconsistency in details of voters at the district level (during electoral enumeration) and State level (during data entry and processing) resulted in

defective electoral data. Inadequate input and validation controls resulted in duplication of data in electoral rolls and unreliable data.

(Paragraph 3.3.7.5)

Inadequate physical and logical access controls make the system susceptible to security breach, data theft/ manipulation and induced breakdown. The System was also infected with virus.

(Paragraph 3.3.7.6)

The Department does not have a back up policy and disaster recovery procedures.

(Paragraph 3.3.7.7)

3.3.1 Introduction

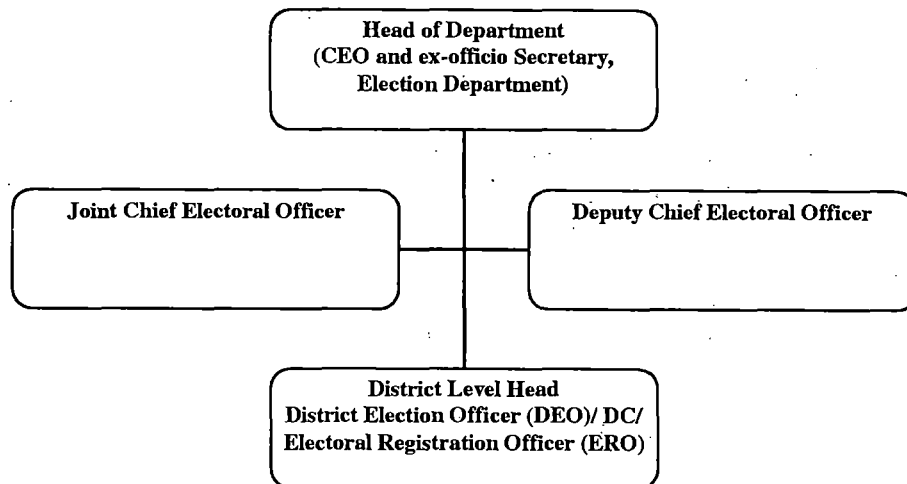
Under Article 324 of the Constitution, the superintendence, direction and control of the preparation of electoral rolls for, and the conduct of, all elections to the Parliament and to the Legislature of every State, and elections to the offices of the President and Vice-President are vested in the Election Commission of India (ECI).

At the State level, the election work is supervised, subject to the superintendence, direction and control of the ECI, by the Chief Electoral Officer (CEO) (appointed by the ECI) and the officers and staff working under him.

At the district level, the election work is supervised, under the direction and control of the CEO, by the District Election Officer (DEO), who is generally the Deputy Commissioner of the district. The Deputy Commissioner is also designated as Electoral Registration Officer (ERO) and is responsible for preparation and maintenance of Electoral Rolls.

Computerisation of Electoral Rolls in the Department began during the 1990s. Since then, the system has undergone several changes. The Department took up Intensive E-Roll (Electoral Roll) revision in 2004 in all the districts of the State under the instruction of the ECI, and completed it in 2005. The present E-Roll system is based on the Intensive Revision of 2005 and updated upto 1 January 2006.

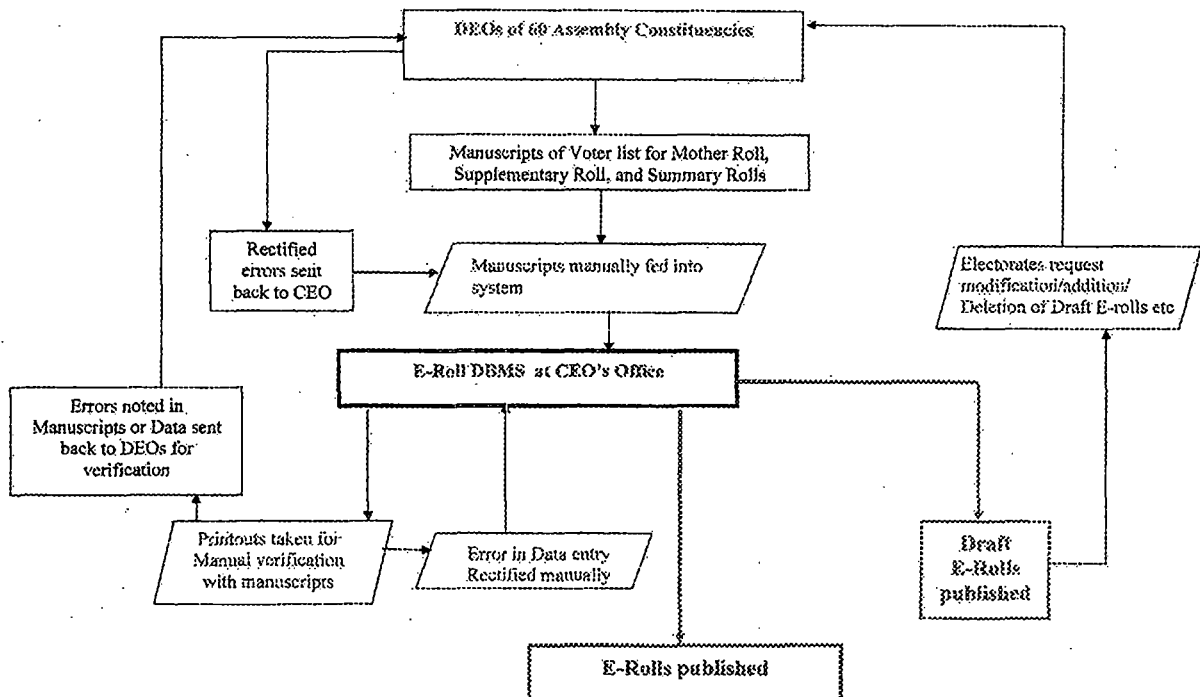
3.3.2 Organisational set-up



3.3.3 Overview of the System

The computerized E-Roll system is located primarily in the office of the CEO at Kohima. The system comprises 2 servers running on Linux, housing the E-Roll database, and 7 Windows based desktop computers. While the E-Roll database is in MS Access format, Visual Basic is the front-end tool.

The processes involved in the system and data flows are summarised below:



There are about 1243143 registered voters in Nagaland as on 1 January 2006 (as per the E-Roll System) spread over 11 districts, 16 Assembly Constituencies and 1563 polling stations.

3.3.4 Audit Objectives

The main objective of the IT audit of the E-Roll System was to see whether the primary objective of the Department to have an error-free Electoral Roll had been achieved. For this purpose, audit had to:

- Analyse the E-Roll System for the completeness, integrity, reliability and accuracy of the data, and the adequacy and effectiveness of controls.
- Evaluate the security of the system.
- Evaluate the back up and disaster recovery procedures for the system.

3.3.5 Audit Scope and Methodology

IT audit of the E-Roll system was conducted in July 2007 through an analysis of the data in the system, and the related manual records, policies and procedures. For this purpose, the data in the E-Roll system was downloaded, and analysed using SQL queries.

3.3.6 Audit Criteria

The guidelines and instruction of the ECI issued to the CEO from time to time in respect of Summary Revision 2000 and Intensive Revision 2005 were used as audit criteria.

Audit Findings

The major findings of IT audit are summarized in the succeeding paragraphs.

3.3.7 System Implementation

3.3.7.1 Lack of IT Policy

While computerization of electoral rolls started about a decade ago, and the Intensive Revision of electoral rolls was conducted in 2004, the Department is yet to formulate an IT policy for proper governance and control of its IT activities. Currently, there is just one IT-literate person in the CEO's office, who manages all aspects of the system.

3.3.7.2 Lack of Documentation

The software used for the E-Roll system viz., "Intensive Revision Version 1" is a modified version of the software originally provided by ECI for Summary Revision 2000. The ECI provided the source code with complete system documentation to the CEO for customization as appropriate, keeping in view the existing database of the Department. During Intensive Revision 2005, the Department outsourced the development of software to a private firm (M/s Nagasoft Kohima), which had been appointed as the advisor to the CEO for all IT-related activities of the Department. There was no System Requirement Specification (SRS) or System Design Document (SDD), as a result of which, development of the system was done in an ad hoc manner. The modifications made to the existing source code and database were not documented; consequently, vital controls required for data integrity and validation were not incorporated, resulting in invalid and inaccurate data, as brought out in the succeeding paragraphs. Further, the Department had made several changes to the software since its commissioning but there is no documentation relating to such changes to the system or any trail within the system to indicate the changes.

3.3.7.3 Undue advantage to SLA

As per the instructions of ECI, the Department appointed M/s Nagasoft Kohima as the State Level Agency (SLA) as professional advisor to CEO on all IT related activities of the Department initially at an amount of Rs.5000 per month, enhanced to Rs.7500 per month latter. Apart from providing advice on professional matters, the firm was also entrusted with other IT related functions like data entry and printing of E-Rolls,

supply of hardware and stationery, development of software for printing photo identity cards etc., for which an amount of Rs.52.39 lakh was paid apart from a professional fee of Rs.5.22 lakh.

However, the firm could not develop a robust system for Electoral Rolls that conforms to the guidelines issued by the ECI. Also the firm could not advise the CEO properly on the rights of the Department with regard to the Electoral Photo Identity Card (EPIC) database and software.

3.3.7.4 EPIC Database

The Department engaged M/s. Eastern Printers, Mokokchung at a cost of Rs.3.10 crore for developing the software necessary for capturing the photograph of the voters and printing and issuing laminated Photo Identity Cards with the hologram. The firm was also required to supply miniaturized identity card, pouch laminated in tin durable fine sheets of A4 size containing 100 miniature cards. A unique ID No. for every voter in the format prescribed by the ECI was to be generated and the application alongwith the manuals were to have been handed over to the CEO.

Audit scrutiny of the EPIC database revealed that the details of voters for whom EPIC was issued and database with the photographs of the voters were not made available to the Department by the firm. There was also no synchronization between the E-Roll and EPIC databases.

3.3.7.5 Control Environment

The DEOs get the manuscript of the electorate enumerated by officials like BDOs etc., which forms the basis for the data that is fed into the E-Roll system. The DEO/officials nominated by the DEO, are to personally verify the information furnished by the voters and ensure that it is correct before the manuscripts are passed on to the CEO for entering the data in the system. While the Department informed audit that 100 *per cent* verification of the print outs is carried out and reconciled with the manuscripts, audit analysis of the data revealed that the input controls and validation checks in this regard were very weak leading to numerous duplicate records, as detailed below:

- There were 5877 records in the system where the name of voter, assembly constituency, polling station and house number were identical;
- There were 3636 records where the name of voter, assembly constituency, name of father/husband and house number were identical, irrespective of the polling station;
- There were 3277 records where the assembly constituency, name, name of father/husband, sex and age were identical;
- Female voters were categorized as 'M' (Male) in the database. In fact, the system accepts Sex field as 'M' (Male) when the Father/Husband relationship field is shown as 'Husband';
- The system did not capture any records in the field 'LASTNAME'; instead, the first name and last name of the voters were clubbed together in the field 'FM_NAME', resulting in capturing of short name of electors in single field as shown below:

- There were 11,48,117 records out of 12,43,143 where only the first or the second name of the voter were captured;
- There were 28,000 records with only the short name. Examples are given below:

Examples of records where only first or second name was captured	Examples of records where only short names were captured
Dilip	A. Kalam
Asenla	P. Khathsen
Achila	T. Kiusu
Chandeshwar	T.L. Phankiu

Considering that there could be many voters with similar names, unless the full name including the first, middle and the last name of the voter is captured, there will be confusion with regard to the names and consequently, the possibility of one voter passing off in the name of another voter, who has the same first/last name.

The Department accepted (September 2007) the audit observation and agreed to take necessary corrective action.

There were also numerous instances which point to weak validation controls in the system. Some such instances are given below:

- The system accepts any number from 18 to 999 with regard to the age of the voters; there were 274 records where the age of the voter was recorded as above 100.

The Department accepted (September 2007) that only the lower age limit was specified in the system and stated that the upper age limit was not yet programmed.

The ID Number field was incomplete and did not conform to the format specified in the ECI guidelines. While the ECI guidelines stipulate 7 digit Unique ID for the electorate, audit analysis of the data revealed the following:

- Only 10814 out of the 12 lakh records were provided with 7 digit ID No. and out of this, only 3459 records conform to the format prescribed by ECI. The remaining 7355 out of the 10814 records, are appended with wrong check sum (Check sum number is a part of the 7 digit ID Number, the format prescribed by ECI).
- There were 171219 records where the ID No. was not given; 770 records with duplicate ID No; 18 records with triplicate ID No. and 2 records with quadruplicate ID No.
- There were 285 records with less than 6 digit ID No. and there were 3028 records with invalid characters like comma, asterisk, hyphens, alphabets, leading spaces, etc.).

As detailed above, despite the Department claiming that 100 per cent verification of the manuscripts and reconciliation between the manuscripts and the print outs was being done, there were numerous cases of invalid and inaccurate data due to poor input and validation controls in the system.

3.3.7.6 System security

- **Physical access controls**

Physical access controls are necessary to ensure that only those people who are authorised by the Department have access to the system. Audit scrutiny revealed that the system including the servers, network switchers, etc., were freely accessible to any user in the Department making it vulnerable to physical threats.

- **Logical access controls**

Logical access controls are important to ensure that only authorised users log in to the system and have specific access rights to the functions that are relevant to them. It was observed that the data entry operators log in to the system using common user name and password and have access to all the folders, files and menu options in the application and can add/delete/modify the records in the database. In fact, the database is not protected by passwords and any user can access it and can append/modify/delete the records or the database itself. There are no system or audit logs to identify the users who have accessed the system or made changes to the data in the system.

- **Antivirus software**

It was also noticed in audit that the system was infected with virus. Although the Department had an antivirus software, its license had expired and the Department had not taken any action to renew the license to ensure that regular updates for the antivirus software are received.

The Department accepted (September 2007) the audit observations and agreed to take necessary corrective action.

3.3.7.7 Back up and Disaster recovery procedures

The Department does not have a policy for backing up the database, which is very critical to its functioning. Although there is an external hard disc for back up purposes, the data is not backed up at regular intervals nor are the backups stored at a different location to ensure continuity of operations in case of any disaster in the server room/building/location.

The Department does not also have a disaster management policy to ensure that the system is operationalised quickly in case of any disaster. In fact, there is no fire prevention or detention facility in the computer lab.

The Department accepted (September 2007) the audit observation and agreed to take necessary corrective action.

3.3.8 Conclusion

The implementation of the E-Roll system was not systematic and did not take into account the specific requirements of such a mission critical system, which is of immense importance to the conduct of elections and exercise of franchise by the electorate of the State. Poor input and validation controls have led to duplicate and invalid data in the system and the security of the system, both physical and logical

access, is very inadequate to guarantee the confidentiality, integrity and availability of the data. Lack of back up policy and disaster recovery procedures make the system vulnerable and incapable of recovering the data in case of unforeseen disasters/contingencies. In a democratic set up, where every single vote is significant, the importance of setting up an error free E-Roll system cannot be over emphasized.

3.3.9 Recommendations

The following measures are recommended to ensure adequate security to the system and confidentiality and integrity of the data contained therein:

- The Department needs to formulate an IT policy to ensure that IT systems are developed and operated efficiently and effectively to achieve the objectives of the Department.
- The system needs to be documented and all the changes made to the system have to be carefully considered, authorised and documented.
- Adequate input controls should be built into the system to ensure that only valid data is fed into the system. The Department needs to review the data immediately and ensure that all invalid, duplicate and junk data is deleted.
- Antivirus software should be procured, installed, updated and run on a regular basis to ensure that data is free from virus.
- Only authorised personnel should have access to the computer lab which may be ensured through the use of smart cards etc.
- Password policy should be framed and enforced so that only authorised users have access to the system/folders/files on a need to know basis. Audit logs should be activated and reviewed at regular intervals to ensure that unauthorized activities do not go unnoticed.
- There should be a clear back up policy and regular backups should be taken, stored offsite and tested periodically to ensure that these can be used when required.
- Considering the criticality of the system, the Department should formulate and document a disaster recovery plan and test it to ensure that the staff is aware of their responsibilities in case of a disaster and the system is operational within a specified period after any disaster.

HOME (POLICE) DEPARTMENT

3.4 Manpower Management in Police Department

Police Department is the biggest Government Department in the State giving employment to more than twenty thousand people. The performance review of "Manpower Management in Police Department" revealed gross irregularities in recruitment, promotion, training, deployment of police personnel and their performance appraisal.

Highlights

Expenditure on manpower was 64 to 76 per cent of the total expenditure of the Department during the period 2002-03 to 2006-07.

(Paragraph 3.4.7)

Training courses were not conducted as per planned schedule in training institutes. As a result large number of recruited staff remained untrained as of March, 2007.

(Paragraph 3.4.13.1)

Due to lack of basic training as per norms, 777 Recruit Constables remained without any stipulated work and the Department incurred an idle and unfruitful expenditure of Rs.4.97 crore towards pay and allowances of these personnel from April 2006 to March 2007.

(Paragraph 3.4.13.2)

Deployment of police personnel for security guards to VVIPs/VIPs was in excess of entitlement and for longer periods of time.

(Paragraph 3.4.15)

Promotion to various posts was not done as per prescribed norm/policy.

(Paragraph 3.4.17)

There was no system of submission of monthly/quarterly returns/reports regarding manpower management to Government.

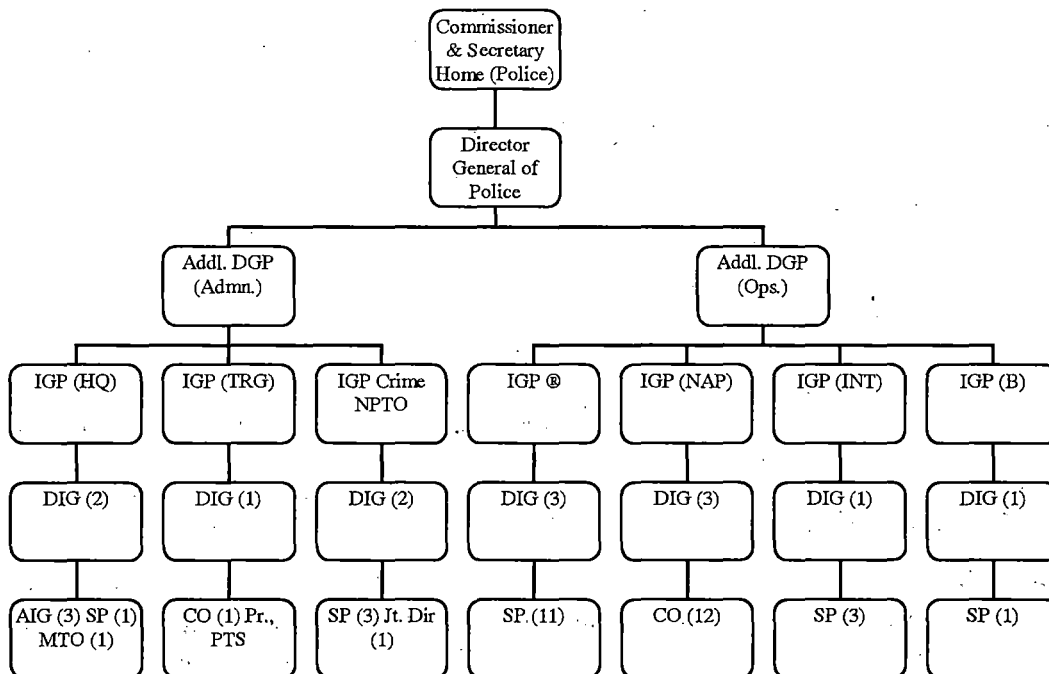
(Paragraph 3.4.18)

3.4.1 Introduction

Police Department is the biggest Government Department in the State with a staff strength of 20784 as of March 2007. It is responsible for maintaining law and order, security in the State including VIP security, control of crime, protection of life and property of the citizens and security on all the highways to ensure safe passage and movement of essential commodities and passengers. The State police is also engaged in checking and controlling drug trafficking, drug abuse and smuggling of other contraband items, illegal and unauthorised entry of outsiders to the State and checking Inner Line Permit defaulters.

3.4.2 Organisational set-up

The Department is headed by the Director General of Police (DGP) assisted by two Additional Directors General of Police (ADGP), Inspectors General of Police (IG) and Deputy Inspectors General of Police (DIG). There are 11 District Executive Force (DEF), 12 Armed Battalions and two Training Centres. An organogram of the Department is given below:



NAP: Nagaland Armed Police, NPTO: Nagaland Police Telecommunication Organisation, INT: Intelligence

The DEF is located in all the 11 districts of the State and is responsible for maintaining law and order in the respective districts. The 12 NAP Battalions are armed police field units located at various places in the districts and help the DEF in maintaining law and order of the districts as and when called for.

3.4.3 Scope of audit

Performance review of manpower management in the Department was carried out during April-July 2007 by a test check of the records relating to the period 2002-07. Out of 11 districts (three districts were formed in 2004-05), two districts i.e., Dimapur and Mokokchung in addition to capital district Kohima, were selected for field audit. Records of Police Headquarters, training centres and office of IGP (Intelligence) and DIG (Wireless) were also test checked.

3.4.4 Audit objectives

The objectives of the performance review were as follows:

- Examine whether norms/guidelines prescribed for assessment of requirement and recruitment of manpower were followed;
- Assess whether training programmes were planned and conducted based on the training requirements of police force;
- See that the manpower was deployed judiciously, keeping in view the prevalent law and order situation;

- See whether the system of performance appraisal for promotions, transfer etc., was effective and complied with the existing rules and regulations; and
- Evaluate the effectiveness of monitoring mechanism.

3.4.5 Audit criteria

Audit findings were benchmarked against the following criteria:

- Nagaland Armed Police (NAP) Act.
- Norms/policy framed by the State Government for recruitment and training of police personnel.

3.4.6 Audit methodology

An entry conference was held on 14 June 2007 with the Assistant Inspector General of Police (Administration) Headquarters, wherein the audit objectives, criteria and scope of audit were explained and the procedures followed for recruitment, promotions, deployment of manpower and performance appraisal system were discussed. The audit findings were discussed with the Department in an exit conference on 7 November 2007 and the replies of the Department have been incorporated in the review at appropriate places.

3.4.7 Financial arrangements

Budget allocation and expenditure incurred by the Department on manpower during the period 2002-07 are detailed below:

Table-3.4.1

(Rupees in crore)

Year	Budget allocation	Total expenditure	Expenditure on manpower	Percentage of expenditure on manpower	Percentage of other expenditure
2002-03	228.17	228.37	162.74	71	29
2003-04	267.00	259.33	165.67	64	36
2004-05	254.14	247.78	187.64	76	24
2005-06	297.81	286.61	218.48	76	24
2006-07	317.94	315.54	237.64	75	25

Source: Appropriation Accounts

From the above, it may be seen that the major expenditure of the Department was on salary and accounted for 64 to 76 per cent of the total expenditure during the period under review. The expenditure on other police related activities ranged between 24 to 36 per cent.

Audit findings

The major findings of audit are discussed in the succeeding paragraphs.

3.4.8 Assessment of requirement

The Department did not furnish the guidelines/norms prescribed for assessment of requirement of manpower despite several requisitions from the audit team (April, May and June 2007) and there was no evidence on record of any comprehensive exercise having been conducted by the Department to assess its manpower requirement based on population, for carrying out its assigned functions. Table below shows the sanctioned strength and men in position of the uniformed personnel of various groups of the Department.

Table-3.4.2

Group ³⁴	2002-03		2003-04		2004-05		2005-06		2006-07	
	Sanctioned strength	Men in position	Sanctioned strength	Men in position	Sanctioned strength	Men in position	Sanctioned strength	Men in position	Sanctioned strength	Men in position
A	215	189	216	186	234	176	242	199	245	220
B	184	144	184	124	191	128	191	140	198	148
C	4200	4097	4200	4078	4200	3996	4392	4185	4556	4332
D	14069	14561 *(4%)	14069	14558 *(3%)	14069	14549 *(3%)	14877	15324 *(3%)	15649	16084 *(3%)
Total	18668	18991	18669	18946	18694	18849	19702	19545	20648	20784

Source: Departmental figure * overstuffed

The above table reveals huge inter-year variations between the sanctioned strength and men-in-position in all the cadres. While the number of men-in-position in Group A, B and C cadres declined during 2002-05 (except Group B in 2004-05) and improved thereafter, the shortage of staff in these three cadres ranged from 3.67 per cent to 7.03 per cent during the period under review. The Group D cadre on the other hand was overstuffed by three to four per cent during the corresponding period.

The Department could not furnish any reasons for the fluctuation in the number of sanctioned staff and men-in-position over the years. Despite repeated requests, it could also not furnish any documentary evidence relating to creation of posts year after year in various cadres. Apart from being indicative of adhocism in the functioning of the Department, recruitment of staff in excess of approved strength is irregular.

3.4.9 Recruitment

Recruitment policy as laid down in 1999 for the Department is detailed below:

- Fifty per cent of vacancies in the rank of Deputy Superintendent of Police/ Assistant Commandants are to be filled up through Departmental promotions and the remaining fifty per cent by direct recruitment through Nagaland Public Service Commission.

³⁴ Group A: DGP, ADGP, IGP, DIGP, AIG/SP, Addl. SP, Dy .SP, Commandant, Dy. Commandant ant Asst. Commandant.
Group B: Un-armed Branch Inspector and Armed Branch Inspector.
Group C: Armed Branch Sub-Inspector/Un-armed Branch Sub-Inspector, Havildar, Thana Havildar Constable and Naik.
Group D: Lance Naik, Constable and Non-Combatant Employees.

- Out of total vacancies in the rank of Unarmed Branch Sub Inspectors (UBSI) and Armed Branch Sub Inspectors (ABSI), fifty *per cent* of the vacancies are to be filled by direct recruitment through selection tests and fifty *per cent* by promotion through Central Promotion Test (CPT) from the rank of Assistant Sub Inspector (ASI) and Havildar (HAV)/Thana Havildar (THC)s/Head Constable (HC) subject to vacancies.
- Similarly, in the rank of ASI, 50 *per cent* of the vacancies are to be filled by direct recruitment from matriculate passed candidates through selection tests and the remaining fifty *per cent* from the rank of constable to Havildar/Head Constables subject to vacancy.
- All constables are to be recruited directly based on educational qualifications laid down i.e. class-VIII pass for advanced tribes and class-VI pass for backward tribes, through written and physical tests. All the posts are reserved for Nagas only.

The Department had not complied with the recruitment procedures laid down by the Government in a number of cases as brought out in the following paragraphs.

Table-3.4.3

Year	Rank					
	UBSI/ABSI		ASI		Excess recruitment	
	Vacancies	Recruitment	Vacancies	Recruitment	UBSI/ABSI	ASI
2002-03	+12	2	32	19	14	--
2003-04	+5	6	33	42	11	9
2004-05	2	28	105	1	26	--
2005-06	12	44	68	--	32	--
2006-07	16	13	18	--	--	--

Sources: Departmental figure

From the above table it may be seen that during 2002-03 and 2003-04, there were 17 excess ABSI/UBSI, however, the Department recruited 8 more ABSI/UBSI during the above periods. Again, during 2004-05 and 2005-06, against the vacancy of 2 and 12 posts in this cadre, the Department recruited 28 and 44 personnel respectively. On the other hand, excess recruitment of nine personnel was done for the post of ASI during 2003-04. The Department incurred extra expenditure towards pay and allowances of these staff during the above period.

3.4.9.1 Irregular recruitment of ABSI

The DGP constituted (January 2005 and April 2006) a Recruitment Board to fill up the vacant posts of ABSIs. Audit scrutiny revealed that the Board, after due process of recruitment, recommended appointment of 22 candidates in 2004-05 and 13 candidates in 2006-07. The Department, however, appointed 6 in 2004-05 and 44 in 2005-06 resulting in excess as against that recommended by the Board.

3.4.9.2 Excess recruitment

As per rule 7 of Recruitment Rules, 2005 the Appointing Authority should ensure wide publicity for fresh recruitment through local newspapers and radio.

During the period September 1998 to April 2006 some unit Commanders of Battalions and SPs of DEF recruited constables for their units randomly without assessing the requirement or notifying the vacancy position through local newspapers/radio as prescribed under rules. The unit wise excess appointments, as per the DGP's records are shown below:

Table-3.4.4

Name of the unit	No of excess appointments	Period of appointment
IGP (INT)	48	12/03 to 9/05
7 NAP Bn Comdt	33	11/02 to 2/05
SP Kiphire	169	from 4/05 onwards
SP Zunhebboto	23	from 8/04 to 11/05
	14	from 4/05 onwards
SP Phek	31	from 5/03 to 9/05
Commandant 1 st NAP Bn	21	from 9/98 to 4/03
S P Peren	55	from 04/03 to 04/06

Source: Departmental figure

This resulted in irregular expenditure of Rs.4.36 crore (average emoluments) towards pay and allowances of these staff during the period. The DGP proposed (May 2006) initiation of disciplinary action against the officers involved in excess recruitment. The case was, however, yet to be finalised (November 2007).

The DGP deputed (February 2006) senior Departmental officers to visit all the battalions and SP offices to report on the excess appointments made by the respective unit Commanders. During the process, excess appointment of 105 constables was detected in various battalions. The Department did not furnish the dates of their recruitment or the details of excess pay and allowances on account of these constables despite repeated requests from Audit.

3.4.9.3 Unauthorised appointment

With a view to regularising the excess irregular appointments made earlier in the Department and to prevent further erosion of credibility, the DGP withdrew (April 2006) the appointment authority of all SPs and Commandants with immediate effect.

Test check of records of units in the selected districts revealed that the Commandants and SPs continued to recruit constables and Non-combatant employees (NCE) despite the ban, as shown in the table below:

Table No. 3.4.5

Name of the Unit	No. of personnel recruited	Period of recruitment
S P Dimapur	Constables -2 & NCE- 2	04/06 to 03/07
1 st NAP Bn.	Constables -15	02/07 to 03/07
Police Training School	Constables -7	04/06 to 03/07
Police Central Workshop	Constable -1 & NCE-1	12/06 to 03/07 02/07 to 03/07

Source: Departmental figure

Despite clear violation of the instructions, no action was initiated against the concerned Commandants and SPs nor was the irregular appointment annulled (March 2007).

3.4.9.4 Irregular recruitment of constables

It was observed that during 2006, 885 persons were recruited as constables in different units of the Department and sent (May 2007) for basic training to Nagaland Police Training Centre (NAPTC).

A central screening test carried out by a Board to scrutinise whether the constables were recruited as per norms, revealed that, out of 885 recruits, while 31 were absent, 70 were under height, 11 did not have the requisite educational qualification and 27 were medically unfit. All these 139 RCs including the 31 absent RCs were sent back to their respective units with a direction to discharge them from service. But the service of only 32 RCs have been terminated during March and August 2007.

Had the unit Commanders recruited RCs as per norms of recruitment prescribed by the Department, the recruitment of 108 RCs could have been avoided. The lapses at the initial stage resulted in excess expenditure of Rs.69 lakh³⁵ towards the pay and allowances of these personnel from April 2006 to March 2007.

3.4.10 Inspector vs Constable Ratio

Based on the information furnished (June 2007) by the Department, the Inspector vs Constable ratio of the Department was worked out in audit as follows:

Table-3.4.6

Year	Inspectors		Constables		Ratio	
	Sanctioned strength	Men-in position (NAP & DEF)	Sanctioned strength	Men-in position (NAP & DEF)	Sanctioned strength	Men-in position
1	2	3	4	5	6	7
2002-03	184	144	12,319	12,736	1:67	1:88
2003-04	184	124	12,319	12,733	1:67	1:103
2004-05	191	128	12,319	12,724	1:64	1:99
2005-06	191	140	13,057	13,430	1:68	1:96
2006-07	198	148	13,759	14,120	1:69	1:95

As per "Data on Police Organisation in India" published (June 2006) by the Bureau of Police Research and Development, Union Ministry of Home Affairs, the National average ratio of Inspectors to Constables is 1:47.

Against the ratio of sanctioned strength of Inspectors to Constables ranging from 1:64 to 1:69 during 2002-07, the Department maintained men-in-position ratio between 1:88 and 1:103 during the above period. This indicated that there was no review of cadre strength or improving the promotional prospects of constables for effective control and utilisation of the Police force at the line level. Reasons for this high ratio of Inspectors to Constables were not available on record.

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Period	No. of RCs	(Rupees in lakh)	
		Average emolument per month	Total emolument
4/06 to 3/07	108	5335x12 (m)	69

3.4.10.1 Officers vs men ratio

The Committee on Police Reforms, 2000 (Padmanabhaiah Committee) had recommended reduction in recruitment of constabulary and enhancement of Officers in Police Department. The Committee suggested that the ratio of Officers to men should be improved to 1:4. The Department did not take any action to comply with this recommendation. The position in this regard for the last five years is shown below:

Table-3.4.7

Year	Officers**		Men#		Ratio	
	Sanctioned strength	Men-in-position (NAP & DEF)	Sanctioned strength	Men-in-position (NAP & DEF)	Sanctioned strength	Men-in-position
2002-03	1450	1363	16196	16530	1:11	1:12
2003-04	1451	1333	16196	16516	1:11	1:12
2004-05	1476	1248	16196	16504	1:11	1:13
2005-06	1508	1334	17102	17348	1:11	1:13
2006-07	1540	1431	17946	18117	1:12	1:13

Source: Departmental figure

Note: **Officers comprise ASI and above rank. Men comprise Constables and Head Constables

Total number of Officers and Men in position as shown in Table: 3.4.7 differs with that in Table: 3.4.2 due to non-inclusion of Non-combatant employees.

Against the ratio of sanctioned strength of Officers to men ranging from 1:11 to 1:12 during 2002-07, the Department maintained men-in-position ratio varied between 1:12 and 1:13 during the above period which indicated that the Department failed to rationalise the ratio in regard to sanctioned strength and men-in-position as recommended by the Padmanabhaiah Committee. In spite of having constabulary in excess of the norms, the Department recruited 435 more Constables during the period 2002-07.

3.4.11 Appointment of Women Police

Due to increase in incidents of crime against women and children and greater involvement of females in criminal activities, the Union Ministry of Home Affairs (MHA) stressed the need to review the strength of Women Police (WP). The National Police Commission (NPC) recommended (November 1980) opening of Women Cell in every police station and increasing the strength of WP in the Police stations. The NPC further recommended that ten *per cent* of the force should be women.

The percentage of WP in Nagaland Police (March 2007) is negligible as may be seen from the details given below:

Table-3.4.8

Rank	No of personnel in DEP	Women Police		Percentage of Women Police to overall Police force
		Sanctioned strength	In position	
Inspector	82	4	4	5
UBSI	304	13	14	5
ABSI	94	-	-	-
ASI	423	27	28	7
Havildar/THC	1373	-	1	0.07
Naik	340	-	-	-
L/Naik/Constable	5633	47	194	3
Total	8249	91	241	

Source: Departmental figure

The above table reveals that the sanctioned strength of WP is just about one *per cent* of the total number of personnel in the Department. However, as with the recruitment of staff in various cadres, the actual WP in position is over twice their sanctioned strength. The Department had not given any reasons for either the insignificant number of WP or the excess of WP on rolls over the sanctioned strength.

It was learnt that the DGP had requested (July 2006) the Government to accord sanction for 545 posts of WP under various categories in view of the recommendation of the NPC to deal with the increased multifarious criminal activities and crimes against women in the State, but there was no further development in this regard (November 2007).

3.4.12 Adhoc/Contract appointments

The State Department of Personnel & Administrative reforms imposed (April 1993) ban on appointment of ad-hoc/casual/temporary and work charged employees. It was reiterated in February 2001 that no appointment on ad-hoc/temporary/work charged basis shall be made under any circumstances in any Department at any level.

However, the Department appointed 244 Grade IV staff (Constables and non combatant employees) on ad-hoc/contract/temporary basis, out of which, 196 were employed after April 1993 and all the employees rendered service in the Department for periods ranging from 1 to 14 years as of March 2007. The Department was extending their service from year to year in view of their good performance and utility. The unit wise number of these staff is shown in the table below:

Table-3.4.9

Unit	No. of staff			Total
	Contract	Ad hoc	Temporary	
DEF Kohima	10	17	2	29
DEF Dimapur	7	-	-	7
DEF Wokha	1	4	-	5
DEF Phek	2	5	-	7
DEF Peren	-	-	3	3
DEF Zunheboto	4	-	-	4
DEF Tuensang	2	-	-	2
DEF Mon	-	-	1	1
DEF Kiphire	-	1	-	1
PHQ	9	-	-	9
2 nd NAP Bn	1	4	-	5
4 th NAP Bn	5	2	4	11
5 th NAP Bn	4	-	-	4
6 th NAP Bn	-	19	-	19
7 th NAP Bn	13	14	-	27
8 th NAP Bn	-	2	-	2
9 th NAP Bn	-	1	-	1
11 th NAP Bn	36	12	-	48
NAPTC	5	-	-	5
OC PCS	-	-	3	3
PTS	5	-	-	5
IGP INT	-	46	-	46
Total	104	127	13	244

Source: Departmental figure

The Cabinet decided (April 2002) on the following course of action:

- Services of those contract employees who have put in more than 10 years of service be regularised. Overage may be condoned in whichever case it is applicable.
- Services of those contract employees who have put in 5 to 10 years of service be regularised after holding a suitability test subject to scrutiny of Government.
- Service of those contract employees who have put in 2 to 5 years of service be regularised after giving them opportunity to take part in the normal recruitment test subject to scrutiny of the Government.

The Department did not regularise the services of ad hoc/contract employees as of March 2007 despite the Cabinet decision though 198 of them were eligible for regularisation.

3.4.13 Training

3.4.13.1 Training Plan and Implementation of training programme

The Department has two training institutes viz., (i) Nagaland Armed Police Training Centre (NAPTC) and (ii) Nagaland Police Training School (NPTS) for imparting training to different categories of police personnel.

Scrutiny of annual training plan and training programmes conducted revealed that courses were not conducted as per the annual training plan. The variation in training courses planned and conducted during the period 2002 to 2006 are shown in the table below:

Table-3.4.10

Year	No. of training courses planned during the year		No. of training courses conducted as per planned schedule		No. of unplanned courses conducted		Total training courses conducted	
	NAPTC	PTS	NAPTC	PTS	NAPTC	PTS	NAPTC	PTS
2002	NA	1	NA	1	NA	1	NA	2
2003	12	7	1	3	5	1	6	4
2004	17	6	1	2	3	6	4	8
2005	16	6	1	1	6	3	7	4
2006	12	7	11	2	3	2	14	4
Total	57	27	14	9	17	13	31	23

Source: Departmental figures

From the table above it will be seen that during the years 2002-06, as against 57 and 27 training courses planned for by the Commandant, NAPTC and Principal, PTS, only 14 and 9 courses were conducted respectively during the period. Also, as against 23 (NAPTC: 14, PTS: 9) courses conducted as per planned schedule, 30 unscheduled courses were conducted (NAPTC: 17, PTS:13).

Further, it was noticed that during the calendar years 2002-06, the Department recruited and promoted 171 and 245 persons to the post of ABSI/UBSI and ASI respectively, but qualifying training course for ABSI/UBSI and basic training for ASI which was mandatory and planned for every year was imparted only to 80 and 101 ABSI/UBSI and ASI respectively. Thus, 91 ABSI/UBSI and 144 ASI remained untrained till date. The reason for shortfall in training was neither on record nor stated to audit. Thus, the purpose of planning and preparing the training schedule proved futile.

3.4.13.2 Basic training of Recruit Constables (RCs)

As per the orders of PHQ issued from time to time, the recruitment of constables, both DEF and NAP personnel of the Department was to be done once in a year during the month of October/November so that the new recruits could be deputed to training institutes for training to be started from February of the following year.

Audit scrutiny revealed that during the year 2006, 885 constables were recruited in different units of the Department (unit wise date of recruitment was not made available to audit) and sent (May 2007) for basic training to NAPTC. The Department claimed (May 2007) that recruitment was made in 2006 but test check of records of selected units revealed that actual recruitment of constables was made in earlier years *i.e.*, 2004 and 2005. It may be mentioned that during the calendar year 2005 and 2006, no basic training for RCs was conducted in the training institutes.

As mentioned in paragraph 3.4.9.4, during screening (May 2007), the Board rejected 108 RCs due to irregular recruitment and 746 were finally enrolled for training (31 were absent). Therefore, all 777 (746+31) RCs remained untrained in the respective units without any stipulated work since their recruitment due to lack of basic training as per norms. The Department incurred an idle and unfruitful expenditure of Rs.4.97

crore³⁶ towards pay and allowances of these personnel from April 2006 to March 2007.

3.4.14 Deployment of manpower

Deployment of personnel is handled by the DEF for prevention and detection of crime, maintenance of law and order, VIP security, static guards to various State and Central Government establishments located in the State with the support of NAP personnel deployed as an armed reserve force of the DEFs and also in areas not covered by Police Station staff of the DEFs.

The total manpower of State Police as of March 2007 was 20784. This number does not include various battalions of the Central Police Forces of the Assam Rifles and CRPF which are stationed throughout the State for maintenance of law and order.

The population of the State, area and deployment of police personnel as of March 2007 are indicated below:

Table-3.4.11

Area (sq.km)	Population (2001 census)	Total No. of police personnel posted in the State	No. of policemen per sq. km in the State	No. of policemen per 100 population
16,579	19,90,036	20,784	1.25	1.04

Source: Statistical Hand Book of Nagaland

Test check of records of units in three selected districts revealed that the deployment of police personnel in urban and rural areas was not based on population. The details of population in urban and rural areas and police personnel deployed are shown in the table below:

Table-3.4.12

District	Population		Percentage of population		Policemen posted		Percentage of posting	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Kohima	78,584	2,35,782	25	75	2726	114	96	4
Dimapur	1,23,892	1,84,490	40	60	1,021	911	53	47
Mokokchung	31,204	1,96,026	14	86	1,437	417	77	23

Source: Statistical Hand Book and Departmental figure

From the table above, it will be seen that 60 to 86 per cent population live in rural areas and 14 to 40 per cent in urban areas. On the contrary, the percentage of police personnel deployed in rural areas was only 4 to 47 per cent and in urban areas, it was 53 to 96 per cent. Thus, deployment of police personnel in rural areas was significantly low in comparison to the urban areas. Due to improper deployment, the people of the rural areas remained out of security coverage.

³⁶ @Rs.5335 per month on average x 777 x 12 months = Rs.4,97,43,540.

3.4.15 Security coverage to VVIPs

Scrutiny of deployment of police personnel showed that armed police personnel from different NAPs and DEFs have been deployed for providing security cover to VVIPs, politicians and other high ranking Government officials. During the period covered in review, a large number of policemen of various grades were deployed in providing security cover to persons identified with threat perception in the Z+, Z special, Z, Y and X categories. The details of police personnel deployed for security cover to VVIPs are shown in table below:

Table-3.4.13

Year	No. of VVIPs					Entitlement					Security deployed					Excess deployment					Total excess deployment
	Z spl	Z+	Z	Y	X	Z spl	Z+	Z	Y	X	Z spl	Z+	Z	Y	X	Z spl	Z+	Z	Y	X	
2002-03	1	1	5	14	25	--	--	8	6	3	--	--	66	91	89	-	-	26	7	14	47
2003-04	--	3	4	50	42	-	-	8	6	3	--	--	50	320	130	-	-	18	20	4	42
2004-05	--	3	7	28	46	-	-	8	6	3	--	--	75	180	140	-	-	19	12	02	33
2005-06	--	3	7	28	46	-	-	8	6	3	--	--	80	180	150	-	-	24	12	12	48
2006-07	--	3	7	28	46	-	-	8	6	3	--	--	75	185	155	-	-	19	17	17	53

Source: Departmental figure

The above table shows that during the last five years, there were 33 to 53 security personnel deployed with VVIPs in excess of the latter's entitlement. The Government's order for class wise entitlement of security guards was neither on record nor produced to audit. The Department has not reviewed the threat perception of various VVIPs/VIPs at periodical intervals to ascertain the need to deploy security guards for VVIP/VIP security for long periods of time.

3.4.16 Deployment of Static Guards

Instructions (March 1971) of the State Government as reiterated (March 1995) by the DGP, stipulate that the cost of providing police guards is to be recovered at the rate of fifty per cent of the pay and allowances of the guards deployed at banks/offices. The DGP also directed (May 1995) all unit commanders to ensure that all payments due are to be realised on time and credited to Government account.

Test check of records of the units in selected districts revealed that all the units deployed police personnel as static guards in other organisations but the cost of their deployment amounting to Rs.14.04 crore (including opening balance of Rs.2.15 crore) for the period 2002-07 was not realised as of March 2007. Details are shown in the table below:

Table-3.4.14

Name of the unit	Place of deployment	Amount outstanding (in lakh)
4 th NAP Bn	State Bank of India	19
S P Kohima	Central Bank, Co-operative Bank, Rural Bank and Vijaya Bank	93
S P Dimapur	Co-operative Urban Bank, Rural Bank, LIC and GRP	932
1 st NAP Bn	State Bank of India and Co-operative Bank	110
S P Mokochung	State Bank of India and Co-operative Bank	204
2 nd NAP Bn	State Bank of India, Allahabad Bank and Bank of Baroda	46
Total		1404

Source: Departmental figure

There was no record to show that the Department took any initiative to realise the long outstanding amount.

3.4.17 Performance appraisal

As per norm prescribed by the Department, 50 per cent of the vacant posts of different categories of staff are to be filled up through a Central Promotion Test (CPT) conducted departmentally and also as per recommendation of the Selection Board. As per Police Manual, the following norms/guidelines are required to be followed by the Department for promotion of police personnel to different ranks.

- A constable recruit should not be allowed to sit for the Departmental examination for promotion to ASI until he has put in at least one year as a constable after the completion of training. The SPs will send their recommendation to the DGP for promotion, who will make the final selection.
- A constable should not be promoted to the post of Head Constable unless he possesses a certificate of competency in drill.
- An ASI must ordinarily have served with credit for full 3 years in the Department and sufficiently well educated to make him eligible for promotion.
- Promotion to Sub Inspector will ordinarily be made by selection from amongst the confirmed Havildars and Head Constables subject to their passing of the prescribed cadre course(s). Proficiency in drill, including riot drill, a good knowledge of weapons etc. are required.
- Promotion to the rank of Inspectors will be made by the DGP from the list to be prepared by a State Selection Board constituted by him from time to time for the purpose.

It was seen that the Department maintained seniority list which was not updated regularly. In case of ABSI, UBSI, ASI and Havildar, seniority lists were prepared up to 2002, 1999, 1989 and 1998 respectively, without recording full information regarding training and other performance parameters against the individual. It was also seen that during the period from 2002-07, promotions were made to various categories of staff based on the recommendations of CPT Board but it was not clear whether the relevant norms/guidelines to be followed as per the provisions of Police Manual for promotion were followed, since the relevant records were not produced to audit. Moreover, promotions were made without observing the vacancy position in the promotional posts and the promotional criteria of 50 per cent. The details of vacancies and promotions made to certain categories of posts during the last five years are shown in the table below:

Table-3.4.15

Year	Rank							
	UBSI/ABSI		ASI		Excess promotion			
	Vacancies	Promotions	Vacancies	Promotions	UBSI/ABSI		ASI	
					No. of promotions as per 50% vacancies	Promotion in excess of 50% vacancies	No. of promotions as per 50% vacancies	Promotion in excess of 50% vacancies
2002-03	(+) 12	-	32	62	--	--	16	46
2003-04	(+) 5	30	33	32	--	30	17	15
2004-05	2	15	105	33	1	14	53	--
2005-06	12	46	68	56	6	40	34	22
2006-07	16	52	18	76	8	44	9	67
Total	43	143	256	259	15	128	129	130

Source: Departmental figure

From the table above it will be seen that the Department had neither followed the promotion criteria nor assessed the vacancy position of posts resulting in excess promotion to the particular cadre.

Also, during the period 2002-07, the Department stated to have promoted 124 personnel from Naik and constable to the rank of Havildar. But cross check of CPT recommendations and promotion orders issued in respect of Constable and Naik cadre revealed that the Department actually promoted 377 personnel from Naik and Constable to Havildar posts. Thus, there was a discrepancy in promotion of 253 Naik and Constables to the rank of Havildar during these five years which could not be explained to audit.

The DGP constituted (November 2002) a Board consisting of Chairman and seven other members to conduct CPT for promotion of Naik to Havildar at Nagaland Armed Police Training Centre. Accordingly, the Board conducted CPT and selected 151 candidates on merit-cum-seniority basis for promotion to the rank of Havildar. The Board recommended (January 2003) that promotion of Naik from Serial No. 1 to 56 of the seniority-cum-merit lists can be effected against the vacancy of 56 Havildar posts. The Board further recommended that those Naiks who secured 50 per cent total marks from Serial No. 57 to 151 may be kept in the waiting list for a period of two years.

It was seen in audit that against the Board's recommendation for promotion of 56 Naiks to the rank of Havildar, the Department within a short spell of one year exhausted the entire list of 151 candidates by giving them promotion to the post of Havildar. Thus, promotion of 95 Naiks to the rank of Havildar was against the recommendation of the Board and without observing the existing vacancies.

3.4.18 Monitoring and evaluation

There was no prescribed procedure for monitoring the activities of the Department. Monthly/quarterly reports/returns regarding manpower management by the PHQ were not being submitted to the Government. Unit Commanders are authorised to appoint Constables and NCE staff subject to vacancies but due to lack of monitoring, many Unit Commanders appointed such personnel irregularly without the knowledge of/intimation to higher authorities. The gradation/seniority list of various categories of staff was not updated.

3.4.19 Conclusion

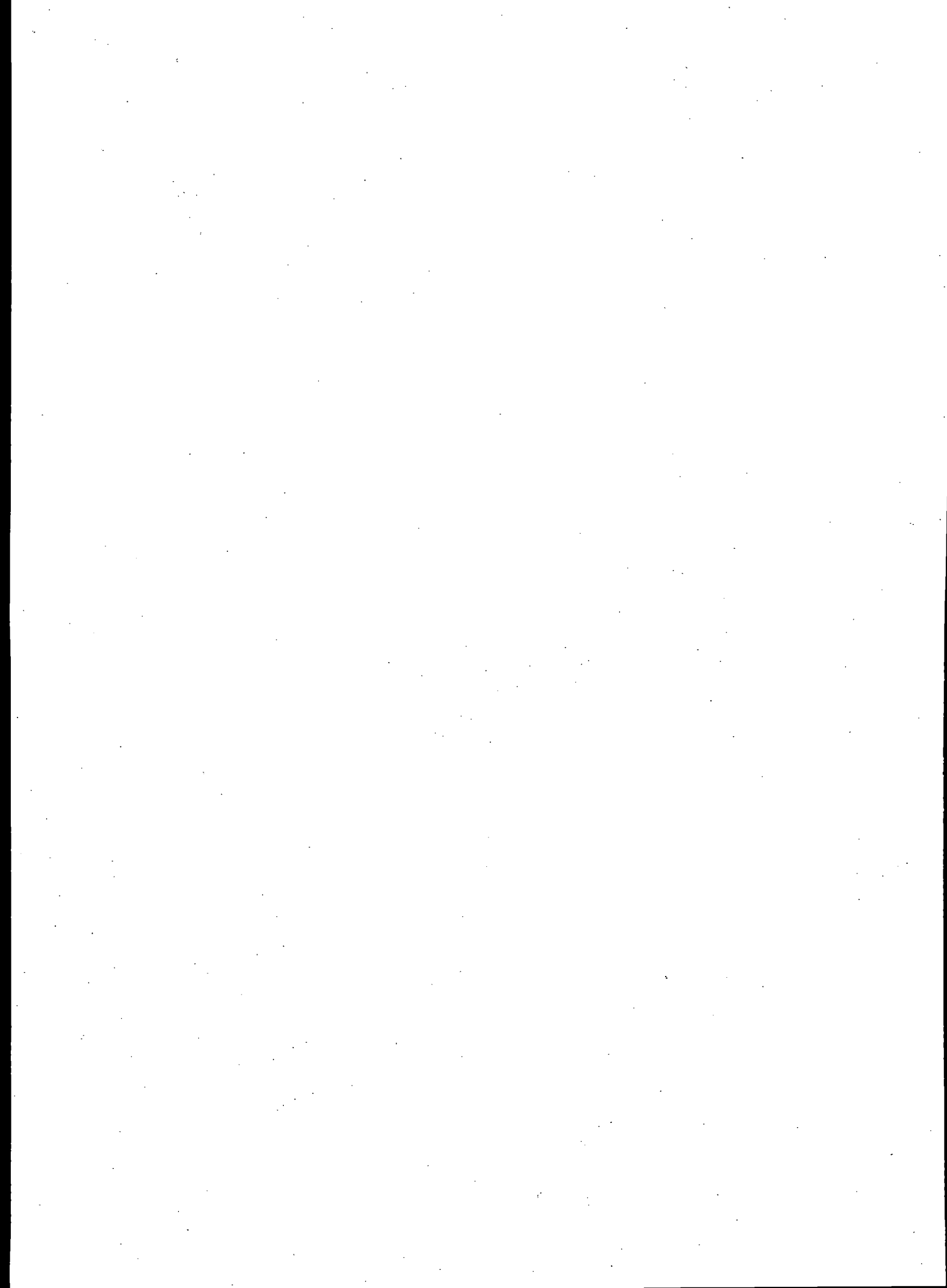
The Department had not carried out any analysis to assess its manpower requirement for carrying out its functions. Recruitment of different categories of staff was made in an adhoc manner without regard to the actual requirement/vacancies and without observing the norms/instructions laid down by the Government/Department for the purpose. The Department also failed to initiate action against erring officials. Training needs were not analysed and planned training schedules were not adhered to. It neither maintained a comprehensive database of its manpower to facilitate its effective management nor monitored the deployment vis-à-vis requirement.

3.4.20 Recommendations

The following recommendations are made:

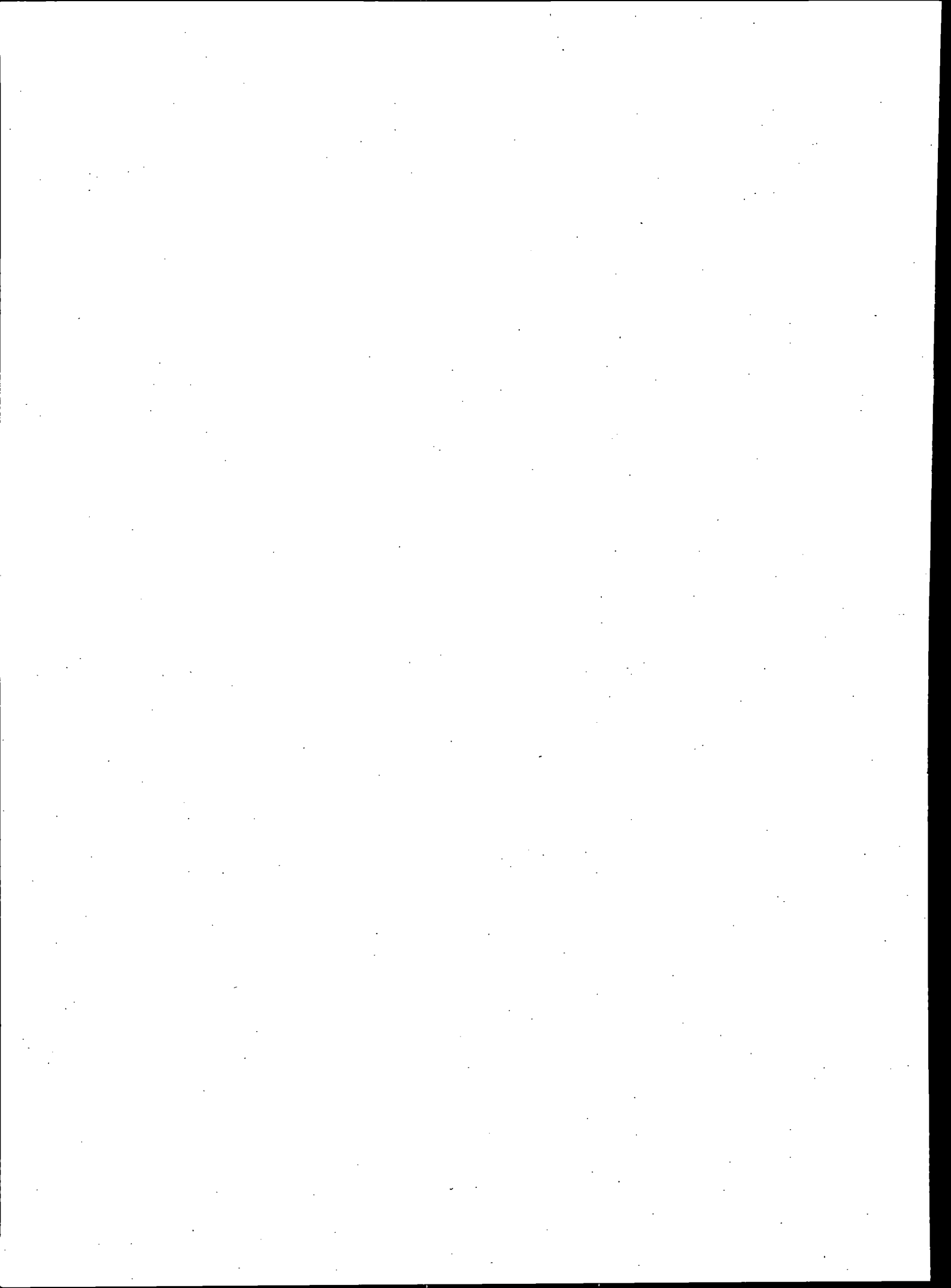
- Requirement of staff at various levels should be assessed at regular intervals and recruitment should be with reference to the requirement and policy/guidelines of the Government.
- Training to different categories of staff should be imparted as per plan based on norms.
- Deployment of staff should be need based and security coverage and deployment of security guards to VVIP/VIP should be based on identified threat perception and entitlement.
- A comprehensive database of staff should be created and maintained upto date to ensure that staff are not recruited or promoted in violation of policy/norms.
- Stringent action should be initiated against officials who violate Government orders/policy/instructions.

The matter was reported to the Government/Department in August 2007; reply had not been received (November 2007).



CHAPTER — IV

AUDIT OF TRANSACTIONS



CHAPTER-IV

AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Losses

FINANCE DEPARTMENT

4.1 Fraudulent drawal of gratuity

Rupees 47 lakh was paid by a sub-treasury by honouring Gratuity Payment Orders which were not authorised by the Accountant General.

Mention was made in Paragraphs 3.8 and 4.1 of the Audit Reports of the Comptroller & Auditor General of India, Government of Nagaland for the year ended 31 March 2001 and 2006 respectively, regarding fraudulent drawal of pension. The matter was brought to the notice of the State Government from time to time (October 2005 to July 2006).

During central audit of the vouchers for payment of pension, gratuity etc., for the month of June 2006, 17 cases of fraudulent drawal of gratuity involving Rs.47 lakh were noticed in Pftusero Sub-treasury (Appendix-4.1). The modus operandi of the fraudulent drawal involved using identical forms as are used by the Accountant General's office, forging signatures, using fictitious names and false authority numbers.

Thus, the failure on the part of the Government to take effective and timely measures to prevent fraudulent drawals despite the matter being featured in previous Audit Reports, compounded by the failure of the treasury officer to exercise statutory checks/controls prescribed by rules resulted in fraudulent drawal of gratuity amounting to Rs.47 lakh.

The Department accepted (November 2007) the facts and stated that the case has been referred to the Government for taking disciplinary action. Reply from the Government is awaited (November 2007).

SCHOOL EDUCATION DEPARTMENT

4.2 Fraudulent drawal of pay and allowances

The Head Master, Government High School, Athibung had fraudulently drawn Rs.10 lakh on pay and allowances of teachers.

The State Government declared all Head Masters (HMs) of Government High Schools in the State as drawing and disbursing officers. During audit (February 2006)

of the accounts of Government High School, Athibung in Peren district, the HM provided a list showing a total of 27 employees working under his establishment during the academic year 2005, which included one Head Master, one Assistant Head Master, four Senior Graduate Teachers, four Graduate Teachers (ad hoc), two Hindi Teachers, one Assistant Teacher and fourteen administrative staff. The enrolment of students was 220 during 2005 as stated by the HM.

Test-check (May 2006) of the vouchers in central audit in respect of the HM, GHS, Athibung, revealed that against the actual deployment of 27 employees, the HM had drawn pay and allowances for his staff in excess of actual strength ranging from 8 to 46 whose names were not found in the list provided to audit during the months of May, July, September and December 2005. This resulted in fraudulent drawal of Rs.10 lakh (Appendix-4.2) during the above months.

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

PLANNING AND CO-ORDINATION DEPARTMENT

4.3 Loss of Government money

Local Area Development Programme fund of Rs.20.35 lakh was paid to unauthorised person.

For implementation of schemes under Local Area Development Programme (LADP), Deputy Commissioner (DC) of the respective districts has been designated as the Chief District Planning and Development Officer and delegated with all administrative, executive and financial powers.

Test check of records (July 2006) of the Development Commissioner, Planning and Co-ordination Department, Kohima for the period October 2004 to June 2006 revealed that the State Government sanctioned (December 2004) Rs.1.74 crore being the first installment under LADP for execution of various development works in seven Assembly Constituencies in Kohima district during 2004-05. The sanction clearly stipulated that payment is to be made directly to the beneficiaries/agencies executing the work only after verification by the implementing committee headed by the DC.

The Development Commissioner released an amount of Rs.20.35 lakh to the District Planning Officer (DPO) from the above sanctioned amount for implementation of 64 projects under 21 Tseminyu Assembly Constituency. The DPO on authorisation by the Parliamentary Secretary, the elected member of 21 Tseminyu Assembly Constituency, handed over the cheque for Rs.20.35 lakh to his Personal Assistant (PA) who encashed it on 21 December 2004. The Parliamentary Secretary filed FIR on the same day with the police that some armed miscreants looted the entire money from his PA while returning from the bank. Subsequently, two suspects were taken into judicial custody and later

acquitted (February 2006) by the Judicial Magistrate for want of sufficient evidence. Further development of the case is awaited (November 2007). Thus, the disbursement of LADP fund to an unauthorised person instead of to the actual individual beneficiaries/agencies in contravention of the Government directive facilitated the loss of Rs.20.35 lakh.

The Department accepted (July 2007) the facts and stated that funds were released at the fag end of the financial year and that there was no time for proper identification of beneficiaries. The reply is not tenable as provision of funds in the budget of subsequent year had to be made. Also, objective of instituting the scheme was defeated since the actual beneficiaries were not identified. The payment was therefore made in violation of the scheme guidelines.

Government reply had not been received (November 2007).

4.4 Doubtful expenditure

Payment of Rs.1.29 crore to beneficiaries under Chief Minister's Special Development Programme Fund was irregular and doubtful.

The Chief Minister's Special Development Programme Fund was initiated in 2000-01 and envisaged strengthening infrastructure, generating employment and income, developing human resources and improving social and cultural life. As per the programme guidelines, individuals are eligible for funding under this programme, provided, the proposal of each individual scheme was supported by a Detailed Project Report (DPR) and technical estimate (TE) vetted by the Planning and Co-ordination Department. The Deputy Commissioner (DC) of the respective districts was to carry out spot verifications and issue completion certificate to ensure proper implementation of the scheme.

The Development Commissioner, Planning and Co-ordination Department paid (July 2005) Rs.1.29 crore in cash to 46 individuals/NGOs/social organisations approved by the Chief Minister (16 March 2005).

Audit scrutiny (July 2006) of the payment revealed the following:

- (i) 43 out of 46 applicants did not submit DPR and TEs in support of their projects as envisaged in the programme guidelines. Further, 17 applicants out of 46 did not sign their application letters.
- (ii) The Chief Minister approved the list of beneficiaries only on 16 March 2005 and the amount was drawn from the treasury on 13 July 2005. However, scrutiny of the Actual Payee Receipts revealed that 27 individual beneficiaries received the payment on 14 March 2005 i.e., before their applications were approved and the actual date of drawal of funds.
- (iii) The Planning and Co-ordination Department did not vet any of the 46 applications.

(iv) In none of the cases completion certificate and spot verification report were found on record.

On this being pointed out in audit, the Department stated (July 2006) that since the financial assistance was given to community/villages/NGOs, the DPRs, TEs and completion certificates were not insisted upon. The reply is not tenable as the action of the Department is in contravention of the programme guidelines. Payments made to the beneficiaries before finalisation of the scheme and before drawal of funds from the treasury and incomplete project documents cast doubt about the payment. Thus, the veracity of the expenditure of Rs.1.29 crore could not be vouched in audit.

The Government accepted (August 2007) the facts and stated that in future the programme would be taken up carefully by adhering to all norms and codal formalities.

AGRICULTURE DEPARTMENT

4.5 Doubtful payment

Director of Agriculture paid Rs.34.39 lakh to 81 APMCs as transport assistance, without proof of transportation of agriculture produce by them.

Test-check (April 2007) of records of the Director of Agriculture (Director) revealed that against the sanction and drawal of Rs.1.50 crore under macro management of agriculture, the Director paid Rs.37.50 lakh in March 2006 (Rs.25.50 lakh) and March 2007 (Rs.12 lakh) to 85 Agriculture Produce Marketing Committees (APMCs) as transport assistance. Out of 85 APMCs, only four had submitted claims for Rs.3.11 lakh. The mandatory certificate to be given by the APMCs regarding the transport and/or receipt of the material was not obtained by the Director before releasing the payment to the 81 APMCs. There was also no evidence that the agriculture produce was ever transported to the marketing place at any time. In spite of audit requisition (April 2007), the Department could not furnish the records such as the claims received from the APMCs, varieties and quantities of agri-produce transported, receipts obtained from the owners of the vehicles, date of transportation, registration number of the vehicles, details of the driver, delivery challans etc. In the absence of these vital documents, the veracity of the payment of Rs.34.39 lakh to 81 APMCs could not be verified in audit and can only be termed as doubtful expenditure. Moreover, the possibility of misappropriation of Rs.34.39 lakh cannot be ruled out.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Excess payment/infructuous expenditure**SCHOOL EDUCATION DEPARTMENT****4.6 Excess/irregular appointment of teachers**

Rupees 4.53 crore was incurred due to appointment of teachers in excess over approved norms and on ad-hoc basis.

(A) The Department of Education stipulated (June 1985) the teacher/student ratio at 1:20 for Government Primary Schools (GPS) and 1:25 for Government Middle Schools (GMS). Further, the Department (April 1993) fixed the maximum limit of five and 11 teachers per GPS and GMS respectively.

Test-check (May 2006) of records of the Deputy Inspector of Schools (DIS), Zunheboto revealed that the DIS entertained 124 and 87 teachers in excess of norms in 16 GMS and 104 GPS respectively, during November 2004 to April 2006 resulting in extra avoidable expenditure of atleast Rs.3.33 crore as shown below:

Category of school	Total No. of Schools	Total No. of teachers deployed	Total requirement of teachers as per norms	Total excess teachers	Average minimum pay per month (Rs.)	Period from November 2004 to April 2006	Total amount paid (Rs. in crore)
GPS	104	607	520	87	7660	18 months	1.20
GMS	16	300	176	124	9550	18 months	2.13
Total							3.33

(B) As per Government notification (June 1987) and subsequent orders in August 1988 and in terms of Para 3 of the Office Memorandum (February 2001 and March 2001) of the Department of Personnel and Administrative Reforms, all ad-hoc/casual/temporary/work charged appointments were banned. It was also reiterated that no appointment on ad-hoc/casual/temporary/work charged should be made under any circumstances in any Department at any level. The above orders are still in force.

Test-check of records of one Government Higher Secondary School, Wokha and the Headmasters of six³⁷ Government High Schools in three districts revealed that the Principal/Headmasters entertained two to nine teachers, appointed on ad-hoc basis despite the existing ban during March 1993 to February 2006. Failure of the Department to arrest appointment of teachers on ad-hoc basis despite ban orders in force resulted in unauthorised expenditure of Rs.1.20 crore towards pay and allowances during the above period (Appendix-4.3).

³⁷ Government High Schools, Marengkong, Longchem, Kubolong (Mokokchung district), Zunheboto, Suruhoto (Zunheboto district) and Kuhoboto (Dimapur district).

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

PUBLIC WORKS (ROADS AND BRIDGES) DEPARTMENT

4.7 Irregular appointment

Executive Engineer irregularly appointed 35 employees between March 2001 and December 2006 leading to extra expenditure of Rs.84.34 lakh on salary.

The Finance Department issued orders from time to time imposing a ban on appointment of workcharged staff, substitute appointment, contingency paid staff and casual workers to reduce the non-plan expenditure due to financial crunch in the State. Further, the Department of Personnel and Administrative Reforms also instructed (February and March 2001) that no appointment on adhoc/casual/temporary/workcharged basis should be made under any circumstances in any department at any level.

Test check (February 2007) of records of the EE, PWD (Roads & Bridges) Division, Pftusero revealed, that, in violation of the Government orders, the Department made provisional appointment of 35³⁸ employees without sanctioned posts between March 2001 to December 2006 and incurred an expenditure of Rs.84.34 lakh³⁹ towards their salaries during the same period. Thus, irregular provisional appointment of 35 employees in excess of sanctioned posts resulted in extra expenditure of Rs.84.34 lakh.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Undue favour to contractor/avoidable expenditure

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.8 Blocking of funds and non-achievement of objectives

The CE, Public Health Engineering Department made an irregular advance payment of Rs.3.78 crore to a contractor who failed to supply materials valued at Rs.2.65 crore resulting in blocking of funds besides loss of interest of Rs.50.79 lakh.

³⁸ Sectional Officer-II:2, Sectional Assistant:17, Lower Division Clerk:10, Driver:2 and Typist/Steno./Tracer/Fitter:1 each= 35 Nos

³⁹ Calculated on the minimum of pay scales of the employees ranging from Rs.3050.00 to Rs.6555.00 per month.

As per Nagaland Public Works Accounts code, no advance is permissible to suppliers/contractors except secured advance @ 90 per cent of the value of materials brought to site. The Government may in exceptional circumstances, allow advances as may be deemed indispensable after taking necessary precautions for securing against Government loss.

Test check (June 2007) of records of the Executive Engineer (EE), Public Health Engineering Sanitation Division revealed that the Chief Engineer (CE) placed (January 2006) a supply order on M/s H. N. Company, Dimapur for supply of 22,100 metres Ductile Iron (DI) pipes of 150 mm to 250 mm dia at a total cost of Rs.3.78 crore (excluding excise duty, inspection charges) against the work 'Pollution Abatement of rivers Diphu and Dhansiri at Dimapur'. The entire amount was paid (February 2006) as advance against security bond of Rs.5 crore executed in the Court by the supplier of his movable properties⁴⁰. This was against the condition of supply order which clearly stipulated that advance can only be given against a bank guarantee of immovable property so that in case of default by the supplier, the penalty clause can be invoked and the loss to the Department can be made good by the Bank.

Scrutiny revealed that the supplier could supply (April 2006) only 6022.50 metres pipes of 150 mm to 250 mm dia worth Rs.1.13 crore. The supplier requested (September 2006) for two months extension of time for delivery of balance materials on the ground of non-availability of railway wagons and extension was granted in the same month by the CE with the condition to complete the supply within 15 November 2006. However, the supplier failed to supply the balance quantity of 15,077.50 metres pipes valued at Rs.2.65 crore as of June 2007. Except for issuing reminders to the supplier (September and November 2006), the Department did not initiate any action to take possession of the movable property mortgaged by the supplier as per provisions of the Security Bond. Non-completion of supply even after extension of time not only resulted in blocking of Rs.2.65 crore for 20 months but also loss of interest of Rs.50.79 lakh⁴¹ at 11.50 per cent per annum on average Government borrowing rate. Further, the project also remained incomplete (November 2007).

The Department stated (July 2007) that the amount has been adjusted (October 2007) against payment of bills of civil works executed by the same contractor/supplier. However, the fact remains that the amount of Rs.2.65 crore was blocked up for 20 months resulting in loss of interest of Rs.50.79 lakh considering that the Government has been borrowing fund at 11.50 per cent interest on average per annum apart from delay in completion of the works. Reply from the Government is awaited (November 2007).

⁴⁰ Excavators, bulldozers, trucks, medium vehicles, hot mix plant etc.

⁴¹ Rs.2.65,00,000 x 11.50% interest per annum/12 x 20 months = Rs.50.79 lakh.

PUBLIC WORKS (HOUSING) DEPARTMENT

4.9 Undue benefit to contractor

Undue benefit was given to the contractor due to excess payment of Rs.33.89 lakh on account of labour charges.

The work "Construction of Indira Gandhi Stadium (Phase-I)" was awarded (August 2002) to a local contractor at an estimated cost of Rs.4.44 crore on item rate basis, for completion within eight months from the date of issue of work order i.e., by 19 May 2003. A revised estimate for Rs.10.86 crore was subsequently approved in February 2004.

The technical sanction and total number of bids received from the tenderers, comparative statement, recommendation of the Chief Engineer (Housing), agreement and approval of the Government etc., were not made available to audit.

Test-check (April 2007) of records of the EE, PWD (Housing), Education Division revealed that the contractor commenced work (September 2002) and completed (October 2003) the same after a delay of six months. The EE paid Rs.9.52 crore (between February 2003 and May 2005) against the value of works done for Rs.9.63 crore. The balance amount of Rs.11 lakh was yet to be paid (July 2007). Scrutiny of bills showed that the work was awarded to the contractor on item rate basis as mentioned in the notice inviting tender (NIT) which included cost of both labour and materials. As such, no separate provision for labour charges was made in the detailed estimates/schedule of quantities appended to the NIT. Despite this, the EE paid Rs.33.89 lakh to the contractor as labour charges against three items of work over the approved item rates (**Appendix-4.4**). The reason for allowing excess labour charges over the approved item rates was not on record. Thus, payment of labour charges on the item rates by the EE in violation of the condition of the work order led to extra avoidable expenditure of Rs.33.89 lakh and undue benefit to that extent to the contractor.

The matter was reported to the Government in July 2007; reply had not been received (November 2007).

4.10 Extra avoidable expenditure and undue financial benefit

Enhancement of rate above approved rate without rationale and applying it with retrospective effect resulted in extra avoidable expenditure of Rs.80.28 lakh and undue financial benefit to the contractor to that extent.

The work "construction of High Court (Annexe) building for Gauhati High Court, Kohima bench, Kohima" was awarded to a local joint venture firm (May 2003) at 149 per cent above Nagaland PWD schedule of rates (Building) 1995 at a total cost of Rs.1.68 crore against the estimated cost of Rs.67.42 lakh. The work commenced in May 2003 and was scheduled to be completed by May 2004. As per the terms and

conditions of the work order, no enhancement of rate was to be entertained within 18 months from the date of issue of work order. Records relating to detailed working estimates, approved drawing and design, agreement, survey report etc., and the actual date of handing over the site were not made available to audit.

Test-check (February 2007) of records of the EE, Central Division (Housing), revealed that although the EE paid Rs.1.40 crore to the contractor between May 2003 and November 2006, the work is yet to be completed (November 2007). The contractor requested (May 2005) for extension of time upto March 2006 due to non receipt of payment in time and obtained extension upto November 2005. The contractor also sought (May 2005) enhancement of tender rate from 149 *per cent* to 250 *per cent* of SOR on account of rise in price of building materials and increase in scope of works (height of 1st floor) of the proposed building. The Department of Law and Justice enhanced (July 2005) the tender rate from 149 *per cent* to 250 *per cent* of SOR without indicating the date from which such enhancement was to be effective. Audit scrutiny revealed that a similar work⁴² was awarded to a local contractor at 140 *per cent* above SOR 1995 in June 2003 and completed in March 2006 without any enhancement of rate, which indicated that there was no rise in cost of building materials during this period and that the rate 149 *per cent* above SOR was workable.

Further, although the EE recommended (July 2005) enhancement of tender rate with effect from 01 February 2004, the enhancement was allowed from the date of commencement of works i.e., 19 May 2003 in violation of the terms and conditions of the work order.

Thus, enhancement of tender rate without any rationale and allowing enhancement from the date of commencement resulted in extra avoidable expenditure of Rs.80.28 lakh⁴³ and undue financial benefit to the contractor to that extent.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

TOURISM DEPARTMENT

4.11 Undue financial aid to contractor

Payment of mobilisation advance of Rs.84.96 lakh by the Director of Tourism in violation of codal provision resulted in undue financial benefit to the contractor.

As per NPWD code, in respect of certain specialised and capital intensive works costing not less than Rs.1 crore, mobilisation advance (MA) limited to a maximum of 10 *per cent* of the estimated cost put to tender or Rs.1 crore, whichever is less, may be

⁴² Construction of four storied office building for vigilance commission at Kohima .

⁴³ Value of works done in 1st and 2nd RA bill: Rs.25.83 + Rs. 53.66 lakh = Rs. 79.49 lakh .
Enhancement of rate allowed from 149 to 250 *per cent*. Avoidable expenditure: 101 *per cent* on Rs.79.49 lakh=Rs.80.28 lakh.

granted on the security of machinery brought to site and only on the production of non-revocable bank guarantee. Further, simple interest, at the rate approved by the Ministry from time to time is to be recovered from such advance.

The Government of India accorded (October 2004) sanction for Rs.4.39 crore to the Director of Tourism for destination development of Pfutsero and released Rs.3.51 crore as first installment. The Director drew (January 2005) the entire money and deposited it in Civil Deposit in the same month. The work order for construction of tourist complex (double storey lodge building, conference hall and chowkidar's quarters, approach road, fencing and parking etc.) at Pfutsero in Phek district was awarded (February 2005) to a local contractor at an estimated cost of Rs.2.20 crore after inviting tenders with a stipulation to complete the work within 18 months from the issue of work order i.e., by 31 August 2006. The work commenced in March 2005 and was completed in August 2007 except approach road, fencing and parking etc.

Test-check (August 2006) of records of the Director, Tourism revealed that Rs.84.96 lakh (39 per cent of the total value of work) was paid (March 2005) to the contractor as interest free MA without sanction from the Government and without obtaining the bank guarantee. No records in support of precautions for securing Government interest against loss were made available to audit. Of this advance, Rs.64.96 lakh was recovered between November 2005 and August 2007, leaving a balance of Rs.20 lakh which was yet to be recovered (September 2007).

Payment of advance to the contractor was in violation of codal provisions and resulted in undue financial aid of Rs.84.96 lakh to the contractor besides loss of interest of Rs.10.20 lakh⁴⁴ to the Government calculated @ 11.50 per cent (average Government's borrowing rate) interest rate per annum for the period from 3 to 10 months.

The matter was reported to Government/Department in September 2007; reply had not been received (November 2007).

Idle establishment/diversion of funds

HOME (GENERAL ADMINISTRATION) DEPARTMENT

4.12 Diversion of funds

Additional Central Assistance of Rs.5 crore relating to 'Bamboo Flowering' was diverted for other purposes resulting in non achievement of the objective of providing relief to bamboo growers in the State.

⁴⁴ Rs.84.96 lakh @ 11.50% for	4 months =	Rs.3.25 lakh
Rs.43.00 lakh @ 11.50% for	10 months =	Rs.4.12 lakh
Rs.25.20 lakh @ 11.50% for	9 months =	Rs.2.17 lakh
Rs.20.00 lakh @ 11.50% for	3 month =	Rs. 0.58 lakh
Total:		Rs.10.12 lakh

Test-check (April 2007) of records of the Special Officer (Accounts), Nagaland Civil Secretariat revealed that the Special Officer drew Rs.9 crore on abstract contingent bill (March 2006) for implementation of scheme relating to 'Bamboo flowering' during 2005-06 and deposited it in the current bank account (Account No.CA 989 of Vijaya Bank, Kohima) of the Nagaland Bamboo Development Agency (NBDA) in the same month. Of this, the NBDA retained Rs.4 crore for the intended purpose and gave Rs.4 crore as loan to Youth Resource and Sports (YRS) Department (April 2006) in terms of a decision taken in the meeting chaired by the Chief Secretary of the State (March 2006). A further amount of Rs.1 crore was given as loan to the Director of Agriculture (DOA) (March 2006) to defray expenditure of 'NE AGRI EXPO-2006' in pursuance of a decision (March 2006) taken in the meeting chaired by the Chief Minister with the condition that the loan would be repaid by the Director during 2006-07.

The NBDA stated (May 2007) that YRS refunded the entire loan amount during 2006-07 but the actual date of refund was not intimated. The Agriculture Department had not refunded the loan to NBDA as of September 2007.

There was nothing on record to justify the sanctioning of loans to YRS and DOA considering that both YRS and NE-Expo 2006 had nothing to do with bamboo development. Also the diversion of scheme funds of Rs.5 crore not only violated the directives of the GOI but also frustrated the objective of providing relief to bamboo growers in the State.

The Government stated (July 2007) that the loans were given to Youth Resources and Sports Department and Agriculture Department for hosting NE Sports Meet and NE Agri-Expo respectively in terms of the decision of the State Government. The reply is not tenable as approval of the GOI was not obtained before granting such loans.

4.13 Irregular expenditure

Sanction and release of Rs.3.36 crore from CRF by the State Government after a delay of two years after occurrence of floods and their non-utilisation resulted in non-achievement of the objectives for which the funds were sanctioned.

The GOI had approved (November 2004) a financial assistance of Rs.3.36 crore for providing relief to the victims of floods in 2004. Out of this assistance, Rs.1.55 crore was to be met from the Calamity Relief Fund (CRF) and the remaining Rs.1.81 crore was to be given from the National Calamity Contingency Fund (NCCF). There was a delay of almost two years by the State Government in sanctioning/releasing funds from the CRF. The Special Officer (Accounts) drew (September 2006) Rs.3.36 crore against the State Government sanction/order authority of the same month and disbursed (October 2006) the entire money to eight⁴⁵ Deputy Commissioners (DCs) in the State on the recommendations of the State Level Committee (April 2006) for

⁴⁵ Deputy Commissioners, Kohima (Rs.3.41 lakh), Dimapur (Rs.31.87 lakh), Mokokchung (Rs.18.64 lakh), Phek (Rs.11.16 lakh), Tuensang (Rs.40.98 lakh), Mon (Rs.14.50 lakh), Wokha (Rs.66.52 lakh) and Peren (Rs.148.92 lakh).

providing relief to the victims and restoration of infrastructure damaged during floods in 2004.

Audit scrutiny revealed that, in violation of NCCF/CRF norms of spending the funds on providing immediate relief to the victims, the amount was earmarked for agriculture (Rs.6.60 lakh), land loss (Rs.67.09 lakh), irrigation (Rs.7.46 lakh), houses (Rs.13.48 lakh) and roads and bridges (Rs.241.37 lakh). The actual expenditure in this regard could also not be vouchsafed in audit, as only four DCs out of eight had furnished utilisation certificates for Rs.2.58 crore (77 per cent) without the associated statement of expenditure. UCs for the balance amount of Rs.78 lakh had not been received from the other four DCs.

Thus, sanction and release of funds after a delay of about two years by the State Government after occurrence of the calamity, and their non-utilisation resulted in non-achievement of the objective for which the funds were sanctioned i.e., for providing immediate relief to the victims. Besides, the expenditure could also not be vouchsafed in audit due to non-receipt of statement of expenditure/UCs.

The matter was reported to the Government/Department in June 2007; reply had not been received (November 2007).

AGRICULTURE DEPARTMENT

4.14 Delay in completion of works and diversion of funds

There was a delay of over six months in completion of road works due to non-release of matching share by the State Government and irregular diversion of Rs.18 lakh for purchase of three vehicles in contravention of the programme guidelines, resulting in denial of benefits of the programme to the rural people.

The Department of Agriculture took up construction of 50 Rural Road Projects (agricultural link roads) in the State under Rural Infrastructure Development Fund (RIDF) programme financed by the National Bank for Agriculture and Rural Development (NABARD). The estimated cost of the project was Rs.28.02 crore (NABARD share: Rs.22.42 crore @ 6.50 per cent interest per annum and State matching share: Rs.5.60 crore). The amount was sanctioned by NABARD (December 2004) to cover 405 km road to be constructed by the Village Councils (VCs) under the supervision of the Agriculture Department.

The objective of the programme was to provide programme connectivity from the villages to agricultural potential areas and with the major district roads and highways and to provide access for agricultural produce of the area to reach the market centres and also facilitate easy availability of modern inputs like high yield variety seeds, fertilizers, pesticides etc.

Test-check (April 2007) of records of the Director of Agriculture (DOA), revealed the following:

- The Director issued 50 work orders in favour of the Chairmen of different VCs in March 2005 with the stipulation to complete the works by 31 March 2007. All the works commenced in 2004-05, but only 27 roads were completed as of March 2007. The NABARD released Rs.12.97 crore between March 2005 and September 2006 to the Department against the upto date value of works done for Rs.16.31 crore during 2004-05 to 2006-07. The State Government did not provide funds for the purpose in the budget or release any matching share. Due to non-release of matching share by the State Government, the remaining 23 works could not be completed. There was thus a time overrun of six months as of September 2007 and the possibility of further time overrun and consequently cost overrun, cannot be ruled out. Also, the State is liable to pay interest on the amount loaned by the latter, in view of its own delay in releasing matching share of funds for the completion of the works.
- Of Rs.12.97 crore released by the NABARD, the DOA spent Rs.11.79 crore towards construction of roads and Rs.1.8 lakh on procurement of three vehicles between December 2005 and December 2006. The balance Rs.1 crore was retained in hand for future payments in respect of ongoing works.

As there was no specific provision in the approved programme for purchase of vehicles out of the funds provided thereunder, the purchase of three vehicles by diverting the project funds was irregular and deprived the local population of the intended benefits of the programme. Moreover, these vehicles were allotted to Departmental offices for use in works other than the programme related works.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

Regularity issues/others

PUBLIC WORKS (HOUSING) DEPARTMENT

4.15 Fictitious works

The EE made a fictitious payment of Rs.62.47 lakh to the contractor for work shown to have been executed between 16 November 2003 and 10 February 2004, while the work actually commenced on 20 February 2004.

The work "construction of four storied office building for Vigilance Commission at Kohima" was awarded to a contractor (June 2003) at Rs.2.06 crore, which was at 140 per cent above Nagaland PWD Schedule of Rates (Building) 1995. The contractor started the work on 16 November 2003 and completed it on 28 March 2006 as per the entries in the measurement book. Against the value of works done for Rs.4.01 crore (upto 6th RA and final bill), the contractor was paid Rs.3.61 crore between February 2004 and December 2006 in 5th RA bill. The administrative approval, technical sanction, expenditure sanction, detailed estimates, approved design, notice inviting

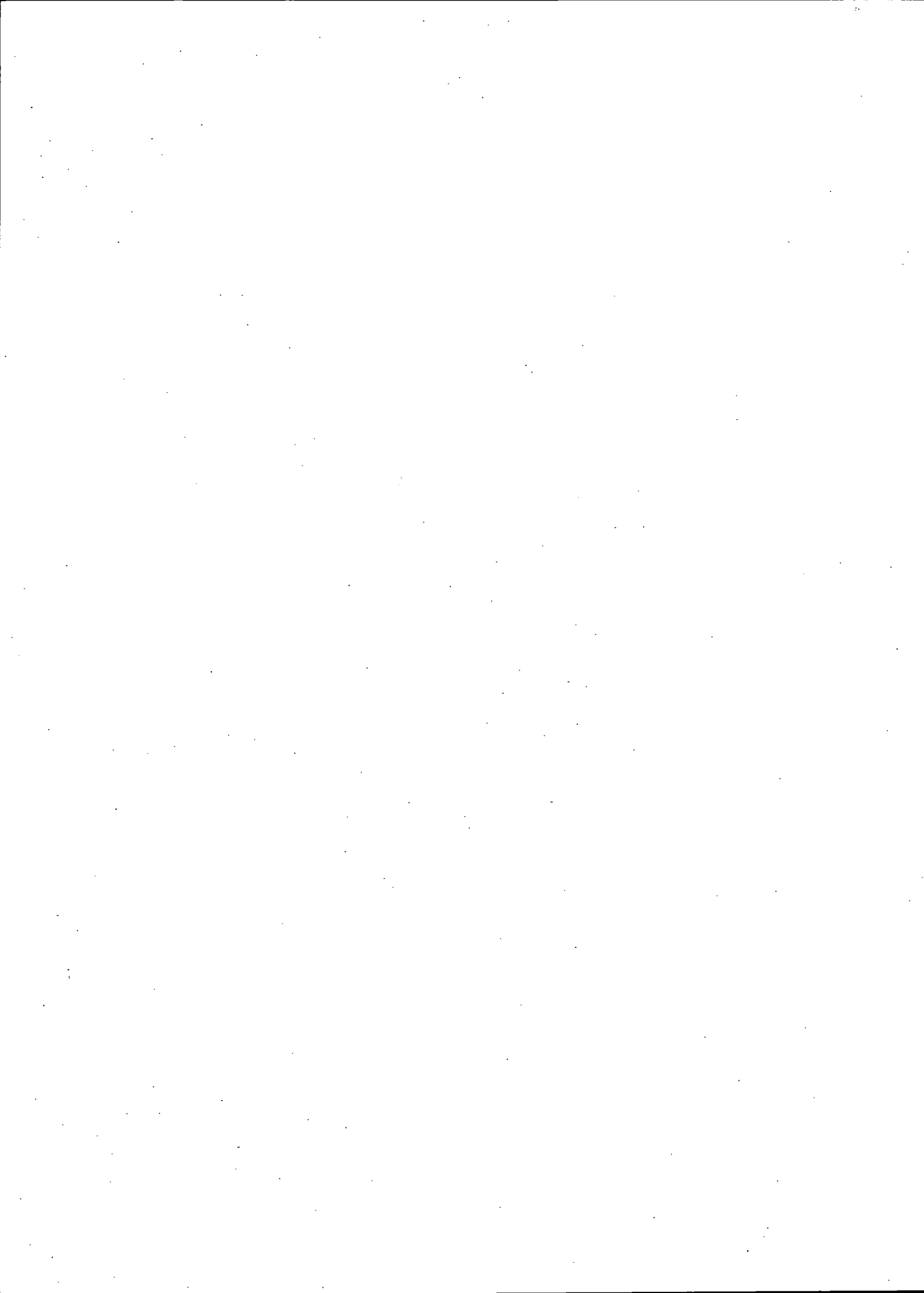
tender, tender documents, agreement etc., were not made available to audit despite requisitions.

Test-check (February 2007) of records of the EE, Central Division (Housing), Kohima revealed that the contractor actually started the work on 20 February 2004, as the proposed site was under unauthorised occupation. It was seen from the 1st RA bill (May 2004) that an amount of Rs.79.46 lakh was paid to the contractor in May 2004 out of which, Rs.62.47 lakh was paid for works executed between 16 November 2003 and 10 February 2004, although the work actually commenced only on 20 February 2004. This is indicative of the fact that an amount of Rs.62.47 lakh was paid to the contractor for fictitious works.

The matter was reported to the Department/Government in June 2007; reply had not been received (November 2007).

CHAPTER — V

**INTERNAL CONTROL SYSTEM AND
INTERNAL AUDIT**



CHAPTER - V

INDUSTRIES AND COMMERCE DEPARTMENT

5.1 Internal control system in Industries and Commerce Department

Internal control is an integrated process by which an organisation conducts its activities so as to obtain reasonable assurance that its objectives are achieved in an economical, effective and efficient manner. It comprises methods and policies designed to protect resources against loss due to waste, abuse and mismanagement. Evaluation of the internal control system in the Industries and Commerce Department disclosed that budgetary, administrative, accounting, operational and monitoring controls were not effective to ensure compliance with established procedures/practices. This was further compounded by absence of internal audit during the period covered by audit. Non-maintenance of basic records also affected the accuracy and completeness of accounts.

Highlights

Budget estimates were not prepared on the basis of actual requirement which resulted in overall savings of Rs.54.68 crore during 2002-07.

(Paragraph 5.1.7)

An amount of Rs.5.31 lakh was unauthorisedly and fraudulently drawn by the District Industrial Centre, Wokha.

(Paragraph 5.1.13)

Recovery of loans from beneficiaries were not monitored properly. During 2002-07 only Rs.2 crore (4 per cent) had been recovered out of Rs.50.84 crore due for recovery.

(Paragraph 5.1.16)

Subsidy receiving industrial units were not verified periodically resulting in payment of Rs.57.67 lakh to closed units.

(Paragraph 5.1.18)

The Department failed to monitor the execution of various schemes.

(Paragraph 5.1.21)

5.1.1 Introduction

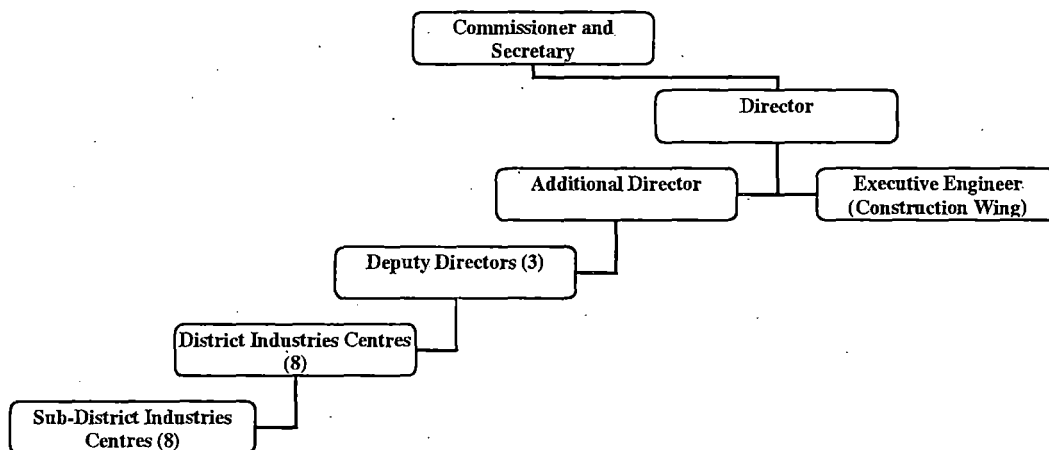
Internal control is a mechanism to govern the activities of an organisation to effectively achieve its objectives. A built-in internal control system and strict adherence to statutes, codes and manuals provide reasonable assurance to the organisation about compliance with applicable norms and rules, reliability of financial reporting and effectiveness and efficiency in operations.

The main objectives of the Industries and Commerce Department are promotion of industries, facilitate creation of infrastructure required for development of industries

and payment of assistance by way of loans, grants and subsidies to industries in both public and private sectors.

5.1.2 Organisational set-up

The Commissioner and Secretary is the administrative head of the Department. The organisational set up of the Department is given below:



5.1.3 Audit objectives

The audit objective was to ascertain the adequacy and effectiveness of various internal controls in the Department, such as:

- budgetary and financial controls
- administrative controls
- operational controls, and
- monitoring controls

5.1.4 Audit criteria

Audit findings were benchmarked against the following criteria:

- Industrial Policy Act, 2000
- Internal control system prescribed by the Department
- Central Treasury Rules
- General Financial Rules

5.1.5 Scope of Audit

Review of the internal control system including internal audit arrangements in the Department for the period 2002-07 was conducted during July 2007, by a test check of the records in the office of the Director of Industries and Commerce, three District Industries Centres (DICs) in Dimapur, Wokha and Mokokchung and the office of the

Director of Treasuries and Accounts. The results of the test check are brought out in the succeeding paragraphs.

5.1.6 Audit methodology

The review was conducted through a test check of the records in the Department and audit conclusions were arrived at on the basis of analysis of data, information and replies provided by the office of the Director of Industries and Commerce/DICs. An exit conference was held (03 August 2007) with the Director and other officers of the Department wherein audit findings were discussed and their replies have been incorporated in the review at appropriate places.

Audit findings

5.1.7 Budgetary and financial controls

The actual expenditure *vis-à-vis* budget provision of the Department during 2002-07 was as follows:

Table 5.1

(Rupees in crore)

Year	Budget Provision			Expenditure			Excess (+) Savings (-)			Percentage of excess/savings	
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan
2002-03	39.53	9.92	49.45	25.04	7.51	32.55	(-) 14.49	(-) 2.41	(-) 16.90	37	24
2003-04	53.16	3.57	56.73	32.99	7.96	40.95	(-) 20.17	(+) 4.39	(-) 15.78	38	123
2004-05	30.56	13.29	43.85	17.79	13.28	31.07	(-) 12.77	(-) 0.01	(-) 12.78	42	---
2005-06	51.34	4.92	56.26	45.15	4.92	50.07	(-) 6.19	-	(-) 6.19	12	---
2006-07	45.85	7.96	53.81	42.64	8.14	50.78	(-) 3.21	(+) 0.18	(-) 3.03	7	2
Total	220.44	39.66	260.10	163.61	41.81	205.42	(-) 56.83	(+) 2.15	(-) 54.68		

Source: Appropriation Accounts

Against a budget provision of Rs.260.10 crore (Plan and Non Plan) during 2002-07, the savings under Plan heads ranged between 7 to 42 *per cent* and the excess under Non Plan heads ranged between 2 to 123 *per cent*. Excess under Non Plan heads indicated faulty budget preparation and savings under Plan heads indicated the Department's failure to effectively and efficiently implement its mandate for development of industries in the State. Variance in non Plan provision was not available on record.

5.1.8 Failure to surrender anticipatory savings in time

Timely surrender of savings is a key budget control measure so that funds can be appropriately used by other departments. As per General Financial Rules, all anticipated savings are to be surrendered to the Government by 10 March of the financial year. Though the Department had savings every year during 2002-07, funds were not surrendered on time. As a result these savings could not be utilised by other departments where there was excess expenditure over Budget provision. Thus, the financial discipline sought to be imposed through General Financial Rules was ignored by the controlling officer of the department.

5.1.9 Irregular drawal of money to avoid lapse of funds

The Central Treasury Rules (CTR) restrict the drawal of money from the treasury unless it is required for immediate disbursement. It was observed that during 2003-04 to 2005-06, the Director of Industries and Commerce drew Rs.2.89 crore⁴⁶ and credited it to 'Civil Deposit' to avoid lapse of funds for periods ranging from 6 to 18 months, thus, defeating the purpose for which funds were sanctioned. It further resulted in exhibition of inflated expenditure figures for the Department during these years. This irregular practice resulted in erosion of accountability and legislative control over expenditure, as the drawals from civil deposits in subsequent years neither require further legislative approval nor was the expenditure incurred subject to legislative authority through the appropriation mechanism. Thus, using the facility of transfer credit from the consolidated fund to the civil deposit violated the basic principles of legislative control over State finances.

Test check of records further revealed that the Director had been retaining huge cash balances at the close of every year for the last five years as shown below:

Table-5.2

Month/Year	Closing balance as on 31 March
March 2003	3,60,57,720
March 2004	18,61,43,966
March 2005	7,05,91,188
March 2006	12,82,59,292
March 2007	12,02,17,005

Source: Departmental records

As seen from the cash book, this balance arose due to release of funds by the State Government at the fag end of the year. Although the Department withdrew the amount against different financial obligations, it could not make payments immediately and retained the amount in cash/civil deposit/bank accounts in violation of Financial Rules.

5.1.10 Rush of expenditure

Rush of expenditure at the fag end of the financial year indicates lack of proper expenditure control and risk of the Government not getting proper value for money as it indicates rush of expenditure to avoid lapse of funds. General Financial Rules require controlling officers to avoid rush of expenditure in the closing months by keeping a close watch on the progressive expenditure of the DDOs and the Department as a whole on a month-to-month basis. It was seen that the Department had incurred 11 per cent; 13 per cent; 30 per cent; 34 per cent and 21 per cent of its

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Bill No and Date	Amount	Date of deposit
401 dated 17-3-2004	1,02,43,909	Chalan No.6 dated 31-3-04
464 dated 30-3-2005	37,70,673	Challan No.21 dated 31-3-05
510 dated 31-3-2005	38,00,000	By transfer credit on 31.03.2005
Bill No.312 dated 5-12-05	1,00,00,000	By transfer credit on 05.12.2005
Bill No 275 dated 18-11-05	10,50,000	challan No. 20 dated 31-3-05
Total	2,89,64,582	

total expenditure in March during 2003 to 2007 respectively as detailed below. This together with the unspent balances at the end of the years (as detailed in Paragraph 5.1.9) would add up to 22 per cent, 58 per cent, 53 per cent, 61 per cent and 43 per cent of its total expenditure during 2002-03 to 2006-07 respectively.

Table-5.3

(Rupees in crore)

Year	Total expenditure during the year	Expenditure in March	Percentage of expenditure in March to total expenditure
2002-03	32.36	3.58	11.06
2003-04	41.44	5.25	12.67
2004-05	31.07	9.28	29.87
2005-06	48.41	16.50	34.08
2006-07	54.57	11.36	20.82

Source: departmental figure

It will be noticed from the above that 11 to 34 per cent of the expenditure was incurred in the month of March, which was against financial norms. Considering that a substantial portion of the Department spending is on account of loans and subsidies to industrial units, rush of expenditure in March will not facilitate due diligence in sanctioning the loans/subsidies.

The Department accepted (August 2007) the facts during exit conference.

Administrative controls

5.1.11 Quality of maintenance of records

Test check of records of the Director of Industries and Commerce revealed that expenditure control records like allotment register and compilation register of monthly expenditure of the entire Department, prepared on the basis of monthly expenditure statements received from lower formations, were not maintained properly. During the period under review, no expenditure control measures like physical verification/surprise check of cash balance by the Head of the Office and cash analysis at the end of each month as required under rules, was carried out in any of the offices test checked. In the absence of accurate and complete expenditure control records the transactions of the Department could not be vouchsafed in audit.

This indicated lack of administrative control in the Department.

5.1.12 Bill Register and Bill Transit Register

As per Receipt and Payment Rules, expenditure control records like Bill Register and Bill Transit Register are to be maintained by all Heads of offices who are authorised to draw money on bills signed by them. The registers should be reviewed monthly and bi-monthly respectively by a competent authority and the result of the reviews should be recorded therein to prevent presentation of fraudulent bills for payment. Scrutiny of records revealed that though these expenditure control registers had been maintained, these had never been reviewed by any competent authority as prescribed under rules. Thus, the expenditure lacked monitoring and review and the chances of overdrawal, excess and fraudulent drawal cannot be ruled out.

5.1.13 Fraudulent drawal

Test check of records in the office of the General Manager, District Industrial Centre (DIC), Wokha, revealed that an amount of Rs.5.31 lakh was drawn from the treasury in 52 bills during August 2003 to December 2006 but was not recorded in the cash book of the office. Out of 52 bills, the details of only seven bills (Rs.75,893) were recorded in the Bill Register. Actual Payee Receipts in support of the payment of Rs.5.31 lakh was also not produced to audit. Thus, on account of absence of monitoring, review and expenditure control measures, the possibility of Rs.5.31 lakh being fraudulently drawn and embezzled cannot be ruled out.

The Department accepted (August 2007) the facts during exit conference.

5.1.14 Outstanding Medical advances

As per Medical Attendance Rules, advance drawn for medical treatment should be adjusted by a corresponding medical re-imburement bill within three months from the date of drawal or immediately after completion of treatment, whichever is earlier. The rule further stipulates that the advances should be treated as final charge under the service head concerned and the primary responsibility for watching the recoveries will be that of the sanctioning authorities. The controlling officer should adjust such advances by submission of regular bills for amounts reimbursable by Government as far as possible, before the close of the financial year.

Test check of records revealed that medical advance of Rs.4.80 lakh remained unadjusted against twelve officials of the Department for periods ranging from 12 to 68 months. No action was taken to recover the advance from the delinquent officials.

The Department accepted (August 2007) the facts during exit conference.

5.1.15 Presumptive Fraud

The Director of Industries and Commerce had drawn an amount of Rs.17 crore during 2001-02 (Rs.4 crore in December 2001 and Rs.13 crore in March 2002) for payment to employees under Voluntary Retirement Scheme (VRS), consequent upon the winding up of the Nagaland Sugar Mills Corporation (NSMC) Ltd. Dimapur.

Scrutiny revealed that against the drawal of Rs.17 crore, an amount of Rs.15.24 crore was paid to 594 retired employees in two installments during December 2001 to June 2002. However, inspite of audit requisition (July 2007), payment records of the balance amount of Rs.1.76 crore such as proposal furnished to the Government, list of employees, actual payee receipts, calculation statements etc., were not produced to audit. In the absence of the above basic records, audit could not verify the veracity of the payment of Rs.1.76 crore. Thus, the possibility of the amount being fraudulently drawn and misappropriated cannot be ruled out.

The Department accepted (August 2007) the facts during exit conference.

Operational controls

Operational controls are enforced with regard to setting up of industrial estates, identifying industrial potential of various areas, implementation of programmes, trainings and revival of sick units etc. Deficiencies in operational controls are summarised below:

5.1.16 Deficiencies in system of loans and recoveries

For promoting handloom and cottage industries, small and medium scale industries and self employed persons, loan amounting to Rs.3.63 lakh was paid to four⁴⁷ industrial units during 2002-03 and 2004-05. Test check of records pertaining to margin money loan revealed, that the Department did not take any action to ensure that the amount was utilised for the purpose for which it was sanctioned. Expenditure control records like loan recovery registers were not up-dated, outstanding balances at the end of each year were not communicated to the loanees and notices on due dates were also not issued. Further, reconciliation of loan remittances with treasury figures was not conducted and the Department did not also pursue recovery of loans. Only random notices were issued to defaulters.

Out of a loan of Rs.68.90 lakh given under Project Package Scheme during the period from 1997-98 to 2004-05, only Rs.30 lakh (43.54 per cent) was recovered, leaving a balance of Rs.38.90 lakh (56.46 per cent) due for recovery. Further, an amount of Rs.50.15 crore was paid to 5000 unemployed youth under Prime Minister's Rozgar Yojana during 2001-02 to 2005-06, out of which, only an amount of Rs.1.70 crore (3.39 per cent) was recovered, leaving a balance of Rs.48.45 crore (96.61 per cent) due for recovery. This indicates the lackadaisical attitude of the Department and absence of accountability and expenditure control. The lack of serious intent on the part of the Department would adversely affect the promotion of industry and entrepreneurship in the State. Failure to recover also indicated that selection of beneficiaries was not reliable and transparent. The possibility of fraud and embezzlement cannot be ruled out.

The Department accepted (August 2007) the facts during exit conference.

5.1.17 Non verification of industrial units granted subsidy

According to the conditions of sanction of subsidies, industries availing subsidy should operate their units at least for five years. The DICs were to carry out annual inspection and take action to recover subsidy wherever the units had ceased to function before completion of the specified period of five years. Scrutiny of records revealed that none of the 1305 small scale industrial units that availed of subsidy of Rs.68.14 crore during 2002-07, was verified during the last five years. Timely action was not taken to ensure submission of utilisation certificates by the societies/industrial units/NGOs.

Thus, the Department did not follow up on the subsidies sanctioned to ensure that the purpose for which subsidy was paid was achieved and the amount recovered in case

⁴⁷ (1) M/s Sunrise Steel Fabrication, (2) M/s K. Angami Steel Company, (3) M/s Diamond Fabrication and (4) M/s Sema Steel Fabrication.

of non-functioning of the unit. The Department restricted its role only to distribution of subsidy whereas its larger role was to promote industrial growth and entrepreneurship in the State.

5.1.18 Inadmissible payment of transport subsidy to closed units

According to All India Census of Small Scale Industries conducted during November 2002 to April 2003, altogether 608 industrial units in Nagaland were reported non-functional/closed. Scrutiny of records revealed that eight non-functional industrial units were paid transport subsidy of Rs.57.67 lakh in 2004-05 and 2006-07. Further, manpower subsidy of Rs.2 lakh was also paid to one closed unit.

The Department accepted (August 2007) the facts during exit conference.

5.1.19 Unfruitful expenditure

The Nagaland Mechanised Bricks Corporation Ltd., Dimapur was commissioned (August 2004) at a cost of Rs.9.91 crore. The objective of the corporation was to produce one lakh bricks per day and to earn a revenue of Rs.42.84 crore per year. The target for production was abruptly reduced in the same month (August 2004) to 35,000 bricks per day but even the reduced target could not be achieved. As a result, production of bricks was suspended (September 2005) and the Corporation was closed due to heavy losses. During the years 2005-06 and 2006-07, an amount of Rs.1.03 crore was incurred on staff salaries and establishment charges of the corporation without bonafide activities. Against the revenue of Rs.2.68 crore that should have been earned @ Rs.1.80 per brick for 35,000 bricks (reduced target) during the period from August 2004 to September 2005, the Department could earn only Rs.78 lakh resulting in shortfall of revenue collection by Rs.1.90 crore. Thus, lack of proper planning in setting up the Corporation resulted in its closure and loss of anticipated revenue to the corporation.

The Department accepted (August 2007) the facts during exit conference.

5.1.20 Loss of Government revenue

An Industrial Growth Centre with 74 units was constructed at a cost of Rs.17.90 crore and commissioned (January 2006) with the objective of providing a compact area for promoters to set up industries. Scrutiny revealed that none of the units had been allotted (July 2007) and the project remained idle for a period of 18 months resulting in avoidable idling of assets and loss of the targeted rent to the tune of Rs.57.92 lakh. Further the purpose for which the Growth Centre was created was defeated.

The Department accepted (August 2007) the facts during exit conference.

Monitoring controls

Monitoring controls are designed and operated in a manner to ensure that the activities of the Department are being carried out as per the plan and any deviations are immediately identified and corrective action taken.

5.1.21 Lack of supervision/monitoring of schemes

The Department implements various Centrally Sponsored and State Sponsored Schemes such as Project Package Scheme, Health Package Scheme, Pradhan Mantri Rozgar Yojana, Medicinal and Aromatic Plants, Handloom Development Schemes, Deen Dayal Hathkargha Protsahan Yojana and Incentives under State Industrial Policy 2000 etc. However, during the period under review, the Department had not monitored or evaluated the performance of the projects under these schemes so as to take appropriate measures for their successful implementation.

5.1.22 Internal Audit

Internal audit, as an independent entity within the Department, is responsible for examining and evaluating the level of the Department's compliance with the rules and procedures so as to provide independent assurance to senior management on the adequacy of the risk management and internal control framework in the Department.

The Department did not have any Internal Audit wing. Director of Treasuries and Accounts (Audit wing) under Finance Department of the Government was entrusted with internal audit of all Government Departments. However, it was noticed that no internal audit of Industries and Commerce Department had been conducted during the period under review. The Director, Treasuries and Accounts stated that internal audit could not be conducted due to shortage of manpower.

5.1.23 Lack of response to Audit

Accountant General (Audit), Nagaland conducts periodic inspection of Government transactions and the audit findings are communicated through Inspection Reports (IRs) to the Head of the Offices/Departments, which are required to respond within a specified period. A half yearly report on the pending IRs is also sent to each department to facilitate monitoring of compliance with audit observations.

As of March 2007, 306 paragraphs involving an amount of Rs.124.97 crore relating to 44 IRs of the Industries and Commerce Department issued upto March 2007 were still pending. Of these, 180 paragraphs (59 per cent) relating to 25 IRs (57 per cent) were more than 10 years old. Failure to address the issues raised by Audit facilitated the continuation of serious financial irregularities and loss to the Government.

5.1.24 Conclusion

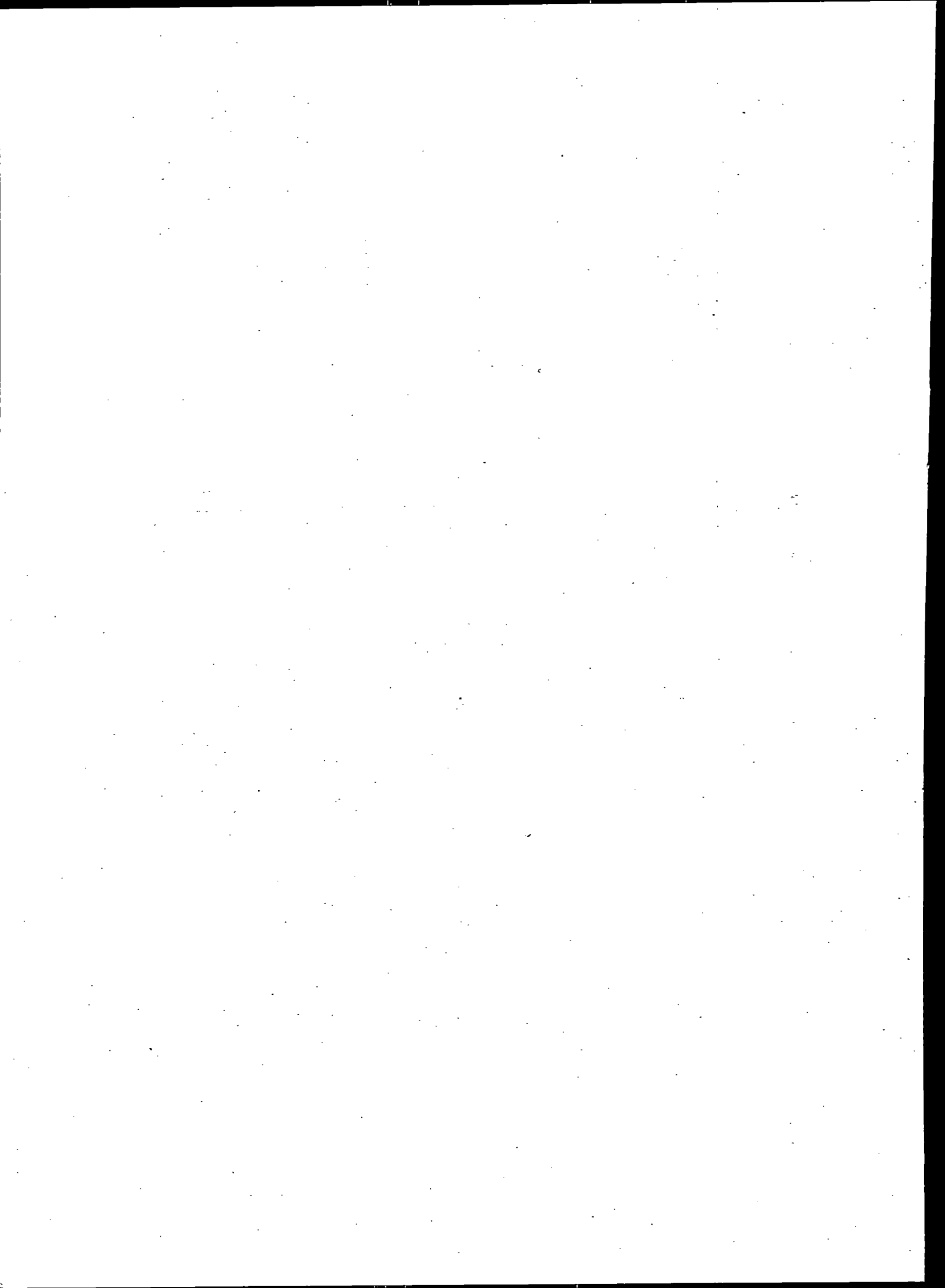
Internal controls were non-existent in the Department. Budget was not prepared on a realistic basis and basic checks such as proper maintenance of cash book, timely submission of reports and returns, loan recovery system and monitoring of the projects were disregarded. Failure to observe internal control procedures has increased the risk of misappropriation and fraud going unnoticed. There was no evidence of action against the erring officials or units that defaulted in payments. The Department failed to submit progress reports/utilisation certificates in time.

5.1.25 Recommendations

The following recommendations are made:

- Budget should be prepared on a realistic basis with inputs from lower formations and savings should be surrendered on a timely basis.
- Expenditure needs to be regularly monitored and rush of expenditure should be avoided at the fag end of the year.
- System of monitoring the loans and subsidies to units needs to be reviewed in the light of mounting dues and defaults and appropriate action should be taken.
- Payment Register of Subsidy/Loan and Recovery Register should be maintained and kept updated.
- Internal audit coverage of the auditee units should be planned in such a manner that all units are covered in a cycle of one to three years.
- Government should streamline the system of response to audit observations and ensure that the issues raised in the Inspection Reports are promptly addressed.

CHAPTER — VI
REVENUE RECEIPTS



CHAPTER-VI

REVENUE RECEIPTS

6.1 GENERAL

6.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2006-07, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

Table 6.1

(Rupees in crore)

Sl. No	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue ⁴⁸	62.00	68.55	78.31	105.53	119.02
	• Non-tax revenue	43.94	60.91	77.90	96.82	91.14
	Total: I	105.94	129.46	156.21	202.35	210.16
II.	Receipts from the Government of India					
	• State's share of divisible Union taxes	46.01	256.97 ⁴⁹	160.15	248.50	316.93
	• Grants-in-aid	1,194.95	1,973.36	1,523.16	1,816.35	2,245.42
	Total: II	1,240.96	2,230.33	1,683.31	2,064.85	2,562.35
III.	Total receipts of the State Government (I plus II)	1,346.90	2,359.79	1,839.52	2,267.20	2,772.51
IV.	Percentage of I to III	8	5	8	9	8

The above table indicates that during the year 2006-07 the revenue raised by the State Government was 8 per cent of the total revenue receipts (Rs.2,772.51 crore) against 9 per cent in the preceding year. The balance of 92 per cent of receipts during 2006-07 was from the Government of India.

6.1.2 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

⁴⁸ For details see Statement no. 11 - Detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Nagaland for the year 2006-07. Figures under Major Heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 - showing the State's share of divisible Union taxes booked in the Finance Accounts under A-Tax revenue have been excluded from revenue raised by the State and included in the State's share of divisible Union Taxes in this table.

⁴⁹ The figures for 2003-04 includes unadjusted share of Central taxes of Rs.52.15 crore and Rs.52.02 crore for the years 2001-02 and 2002-03 respectively.

Table 6.2

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/decrease (-) in 2006-07 over 2005-06
1.	Taxes on sales, trade etc.,	41.15	45.63	53.08	77.16	85.02	(+) 10
2.	Taxes on vehicles	4.74	6.00	7.30	8.71	12.26	(+) 41
3.	Other taxes on income and expenditure	12.23	12.63	13.56	14.89	16.35	(+) 10
4.	State excise	1.98	1.99	2.07	1.96	2.13	(+) 9
5.	Stamps and registration fees	0.57	0.66	0.73	0.89	1.05	(+) 18
6.	Other taxes and duties	0.10	0.06	0.03	0.01	0.00	0
7.	Land revenue	0.41	0.54	0.43	0.55	0.50	(-) 9
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.02	(+) 100
9.	Taxes on goods and passengers	0.81	1.03	1.10	1.35	1.69	(+) 25
Total:		62.00	68.55	78.31	105.53	119.02	(+) 13

The concerned departments did not inform (November 2007) the reasons for variation, despite being requested (July 2007).

6.1.3 The following table presents the details of the major non-tax revenue raised during the period from 2002-03 to 2006-07:

Table 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	1.72	5.61	3.27	5.60	5.22	(-) 07
2.	Public service commission	0.13	0.23	0.13	0.01	0.00	00
3.	Police	0.56	0.17	0.41	1.56	2.15	(+) 38
4.	Stationery and printing	0.01	0.01	0.01	0.05	0.08	(+) 60
5.	Public works	0.62	0.75	0.22	0.17	0.31	(+) 82
6.	Other administrative services	3.14	3.96	5.54	7.10	1.46	(-) 79
7.	Contribution and recoveries towards pension & other retirement benefits	0.11	0.12	0.10	0.40	0.23	(-) 43
8.	Miscellaneous general services	2.11	2.10	11.70	15.64	14.59	(-) 07
9.	Education, sports, art and culture	0.15	0.19	0.19	0.22	1.64	(+) 645
10.	Medical and public health	0.15	0.06	0.06	0.07	0.13	(+) 86
11.	Water supply and sanitation	0.63	0.80	0.97	1.06	2.26	(+) 113
12.	Housing	2.25	2.19	2.18	2.23	2.21	(-) 01
13.	Social security and welfare	0.13	0.56	0.03	0.31	0.16	(-) 48
14.	Crop husbandry	0.10	0.06	0.09	0.06	0.15	(+) 150
15.	Animal husbandry	0.20	0.22	0.33	0.37	0.35	(-) 05
16.	Forestry and wildlife	3.54	3.43	3.88	6.21	5.95	(-) 04
17.	Food storage and warehousing	0.01	0.05	0.02	0.02	0.03	(+) 50
18.	Co-operation	0.97	0.42	0.84	0.89	0.92	(+) 03

Sl. No.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease (-) in 2006-07 over 2005-06
19.	Other agricultural programmes	0.02	0.04	0.05	0.04	0.05	(+) 25
20.	Minor irrigation	---	0.01	0.03	0.01	0.00	00
21.	Power	19.59	29.30	39.66	42.71	41.63	(-) 03
22.	Village and small industries	0.62	0.25	0.46	1.30	0.21	(-) 84
23.	Non-ferrous mining and metallurgical industries	0.01	0.05	0.10	0.05	1.91	(+) 3720
24.	Road transport	5.52	5.75	6.79	7.34	8.03	(+) 09
25.	Tourism	0.16	0.20	0.17	0.26	0.30	(+) 15
26.	Other general economic Services	0.06	0.07	0.06	2.57	0.07	(-) 97
27.	Miscellaneous	1.43	4.31	0.61	0.57	1.10	(+) 93
	Total	43.94	60.91	77.90	96.82	91.14	(-) 06

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (July 2007).

6.1.4 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are mentioned below:

Table 6.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations excess (+) shortfall (-)	Percentage of variation
1.	Other taxes on income and expenditure	14.04	16.35	(-) 2.31	16
2.	State excise	2.70	2.13	(-) 0.57	21
3.	Taxes on sales, trade etc.	91.80	85.02	(-) 6.78	07
4.	Taxes on vehicles	7.60	12.26	(+) 4.66	61
5.	Interest receipts	3.78	5.22	(+) 1.44	38
6.	Police	0.51	2.15	(+) 1.64	322
7.	Stationery and printing	0.24	0.08	(-) 0.16	67
8.	Public works	1.19	0.31	(-) 0.88	74
9.	Other administrative services	4.32	1.46	(-) 2.86	66
10.	Contribution and recoveries and other retirement benefits	0.19	0.23	(+) 0.04	21
11.	Miscellaneous general services	10.80	14.59	(-) 3.79	35
12.	Social security and welfare	0.18	0.16	(-) 0.02	11
13.	Forestry & wildlife	4.26	5.95	(+) 1.69	40
14.	Co-operation	0.05	0.92	(+) 0.87	1740
15.	Power	48.00	41.63	(-) 6.37	13
16.	Village and small industries	0.19	0.21	(-) 0.02	11
17.	Road transport	11.15	8.03	(-) 3.12	28
18.	Other general economic services	0.08	0.07	(-) 0.01	13
19.	Land revenue	0.59	0.50	(-) 0.09	15
20.	Stamps & registration fee	0.86	1.05	(+)0.19	22
21.	Taxes and duties on electricity	0.01	0.02	(+)0.01	100
22.	Public service commission	0.18	0.00	(-) 0.18	100
23.	Education, sports, art & culture	0.24	1.64	(+)1.40	583
24.	Medical & public health	0.15	0.13	(-)0.02	13
	Total	203.11	200.11	(-) 3.00	1.48

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested.

6.1.5 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure of collection to gross collection for the year 2005-06, are mentioned below:

Table 6.5

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	(Rupees in crore)	
					Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Taxes on sales, trade etc.	2004-05	53.08	3.57	6.72	0.91
		2005-06	77.16	4.58	5.93	
		2006-07	85.02	4.37	5.13	
2.	State excise	2004-05	2.07	4.70	227.05	3.40
		2005-06	1.96	5.78	294.89	
		2006-07	2.13	5.82	273.23	
3.	Taxes on vehicles	2004-05	7.30	2.00	27.39	2.67
		2005-06	8.71	2.36	27.09	
		2006-07	12.26	2.45	19.98	
4.	Stamps and registration fees	2004-05	0.73	0.17	23.28	2.87
		2005-06	0.89	0.07	7.86	
		2006-07	1.05	0.26	24.76	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the corresponding all India average percentage of expenditure of collection for 2005-06 was substantially high in the cases of taxes on sales and trade etc., state excise, taxes on vehicles and stamps and registration fees. The expenditure on collection of state excise was more than twice the revenue collected. The Government needs to look into these aspects.

6.1.6 Analysis of arrears of revenue

The arrear of revenue as on 31 March 2007 in respect of two departments was Rs.12.07 crore of which Rs.4.99 crore had been outstanding for more than five years as mentioned below:

Table 6.6

(Rupees in crore)

Sl. No	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	11.03	4.81	Our of Rs. 11.03 crore, an amount of Rs.5.70 crore was covered by revenue recovery process and Rs.2 lakh was under appeal. Balance amount of Rs.5.31 crore was pending due to other reasons.
2.	Taxes on vehicles	1.04	0.18	--
Total		12.07	4.99	

6.1.7 Write-off and waiver of revenue

The departments did not inform (November 2007) the details of amount written off, despite being requested (July 2007).

6.1.8 Results of audit

Test check of the records of sales tax, motor vehicle tax, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2006-07, revealed underassessments/short levy/non-levy/loss of revenue amounting to Rs.1.78 crore in 31 cases. The concerned departments did not inform (November 2007) the amount recovered despite being requested.

This report contains four paragraphs involving financial effect of Rs.1.17 crore. No reply has been received (November 2007) from the concerned departments.

6.1.9 Outstanding inspection reports and audit observations

The Accountant General (Audit) (AG), Nagaland, Kohima conducts periodical inspection of various offices of the Government departments to test check the correctness of assessments, levy and collection of taxes/duties/fees etc., and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by inspection reports (IRs) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed during audit are also brought to the notice of Government/head of the department by the AG. A half yearly report regarding pending IRs is sent to the secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through intervention of the Government.

IRs issued upto September 2007 pertaining to the offices under sales tax, state excise, motor vehicles tax, etc. disclosed that 432 observations involving money value of Rs.287.91 crore were pending at the end of November 2007 as mentioned below:

Table 6.7

(Rupees in crore)

Sl. No.	Nature of Irregularities	Number of paragraphs	Amount
1.	Loss of revenue	111	29.52
2.	Misappropriation of Government money	19	7.44
3.	Non-realisation of sales tax	25	5.44
4.	Evasion of tax	59	83.71
5.	Revenue outstanding for collection	14	7.13
6.	Others	204	154.67
Total		432	287.91

6.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2005-06, 17 cases of underassessments, non/short levy of tax, loss of revenue, failure to raise demands, etc. were included involving Rs.8.54 crore. The concerned departments have not conveyed their acceptance of the cases reported or the position of recovery of this amount (November 2007). Audit Report wise details of the number of cases reported are mentioned below:

Table 6.8

(Rupees in crore)

Audit Report	Included in the Audit Report	
	No. of cases	Amount
2001-02	3	2.68
2002-03	1	1.12
2003-04	6	2.78
2004-05	4	1.47
2005-06	3	0.49
Total	17	8.54

PARAGRAPHS**FINANCE DEPARTMENT****6.2 Evasion of tax**

Failure of the department to detect misuse of invalid C forms by two dealers led to non-levy of tax of Rs.58.79 lakh including interest and maximum penalty.

Under the provisions of the Nagaland Sales Tax (NST) Act, Rules made thereunder and the Central Sales Tax (CST) Act, 1956, no dealer who is liable to pay tax, shall carry on business in taxable goods unless he has been registered and possesses a certificate of registration. Rule 22 (1) (d) of the NST Rules stipulates that if a dealer evades in any way the liability to pay tax, the authority may direct that such dealer shall pay by way of penalty, in addition to the tax payable by the dealer, a sum not exceeding three times that amount.

6.2.1 Test check of the records of the Assistant Commissioner of Taxes (ACT), Dimapur in May 2007 revealed that registration certificate (RC) of a dealer dealing in soft drinks was cancelled with effect from 01 April 2005. All the assessments due upto the date of cancellation of RC were completed and tax paid by the dealer accordingly. Cross verification of the records of the Superintendent of Taxes (ST), Jorhat (Assam), however, revealed that the dealer purchased soft drinks valued as Rs.90.88 lakh during the year 2001-02 from a Jorhat (Assam) based dealer by utilising one declaration form which was declared invalid in June 2001 by the Government of Nagaland. The dealer neither disclosed the aforesaid purchase in the returns nor was it detected by the Assessing Officer (AO) while completing assessment for the year in 2002-03. The dealer, therefore, concealed minimum turnover of Rs.90.88 lakh and evaded tax of Rs.7.27 lakh⁵⁰. Besides, interest of Rs.6.83 lakh and penalty of Rs.21.81 lakh were also leviable for deliberate evasion of tax.

6.2.2 Cross verification of the records of the ACT Dimapur, Nagaland with those of the ST, Unit 'C', Guwahati in May 2007 revealed that an unregistered cement dealer of Nagaland imported cement valuing Rs. 71.53 lakh from a Guwahati based dealer in January 2003. However, the dealer neither paid any tax nor was any action taken by the AO to register the dealer under the NST Act and levy tax. Thus, failure of the AO to get the dealer registered and irregularly allowing import of taxable goods resulted in the loss of revenue of Rs.5.72 lakh calculated at the rate of eight *per cent*. Besides, maximum penalty of Rs.17.16 lakh was also leviable.

The cases were reported to the department/Government in June 2007; their reply has not been received (September 2007).

WORKS AND HOUSING DEPARTMENT

6.3 Non-realisation of revenue

Non-realisation of hire charge of bulldozers/road rollers/JCB excavators resulted in non-realisation of Government revenue of Rs. 68.41 lakh.

Under the provisions of the Nagaland Public Works Department Code and the agreements executed thereunder, if the plant and machinery of a division are hired out to the local bodies, contractors and private parties, the Executive Engineer (EE) of that division should recover the monthly hire charge from the concerned users in advance at prescribed rates.

Test check of the records of the EE, Mechanical Division No.II Kohima in January 2007 revealed that during April 2002 to December 2006, the division provided departmental bulldozers, road rollers and excavators to 12 private contractors and seven works divisions without realising monthly hire charges in advance. The total hire charges realisable from the 19 users were Rs.68.41 lakh. The EE, however, raised

⁵⁰ Calculated at 8 *per cent* on purchase value of soft drinks.

demand of Rs.35.04 lakh between November 2005 and May 2006 against nine users and the balance demand of Rs.33.37 lakh from 10 users was not raised. The hire charges have not been recovered from the users till the date of audit (January 2007). Thus, failure of the EE to realise hire charges from the concerned private contractors/works divisions for the use of departmental plant and machinery in advance resulted in non-realisation of revenue of Rs.68.41 lakh.

After the cases were pointed out, the Government stated (June 2007) that one work had been completed in March 2007 and Rs.24.30 lakh was realised. Report on recovery of the balance of Rs.44.11 lakh has not been received.

POWER DEPARTMENT

6.4 Unauthorised retention of departmental receipts

Departmental receipts of Rs.12.67 lakh were not accounted for by the EE, Generation Division, Kohima resulting in unauthorised retention of Government revenue.

As per provisions of the Receipts and Payments Rules, 1983, revenue received on behalf of the Government should be deposited/credited in full into the Government account without undue delay.

Test check of the records of the EE, Generation Division, Kohima in March 2007 revealed that the EE collected Rs.12.67 lakh being work contract tax from a contractor under the NST Act in March 2006. The EE neither accounted for the amount so collected in the cash book nor deposited it into the Government account as per rules till March 2007. This resulted in unauthorised retention of Government revenue of Rs.12.67 lakh.

After the case was pointed out, the EE deposited the above amount into the Government account in June 2007.

The matter was reported to the department/Government in May 2007; their reply has not been received (September 2007).

INFORMATION TECHNOLOGY DEPARTMENT

6.5 Unauthorised retention of Government revenue

Admission/examination fees of Rs.16.58 lakh collected by the officer incharge, Institute of Communication and Information Technology, Mokokchung were unauthorisedly retained by the State Project Implementation Unit.

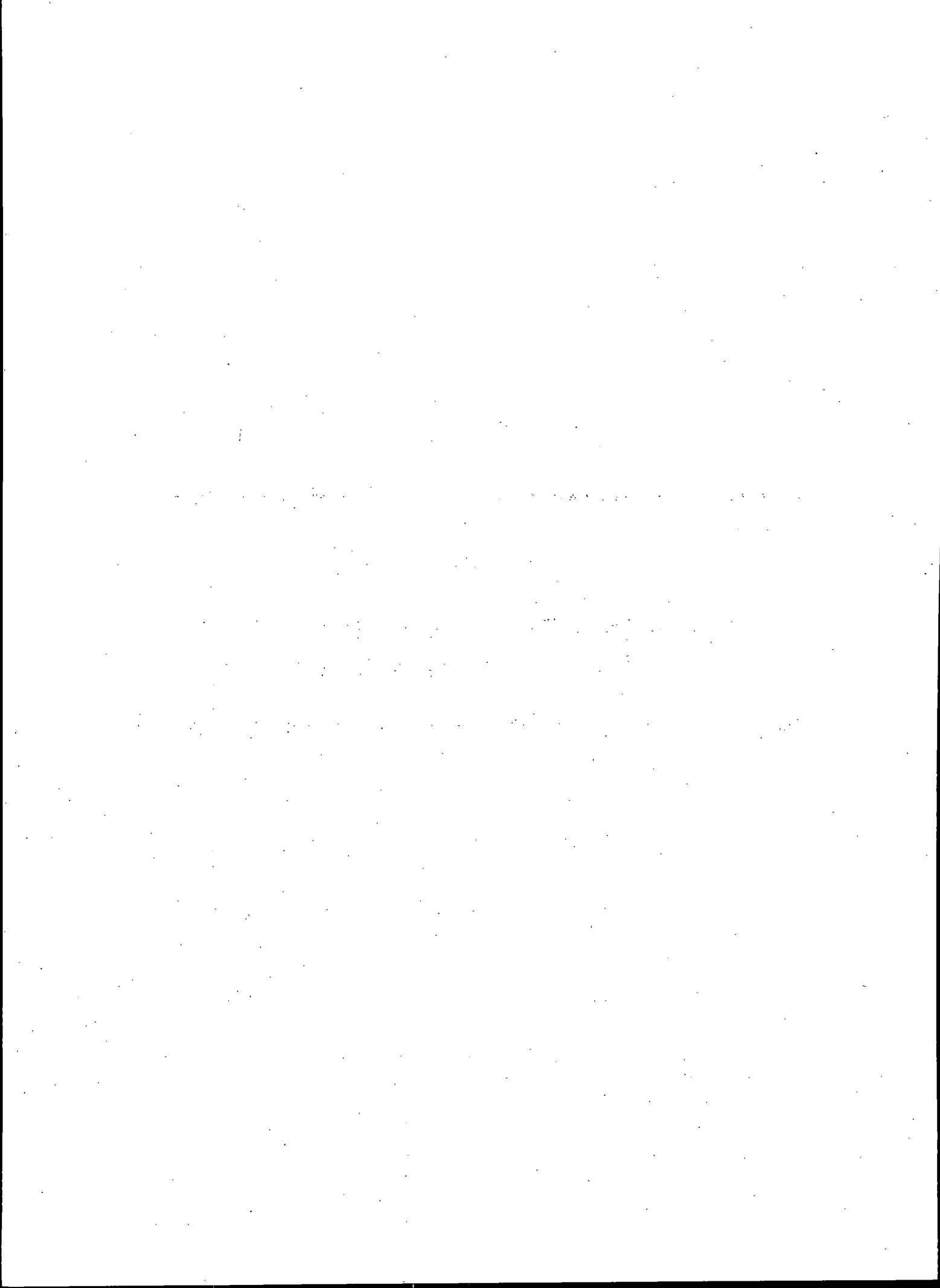
As per provisions of the Receipts and Payments Rules, 1983, revenue received on behalf of the Government should be deposited/credited in full into the Government Account without undue delay.

Test check of the records of the Director, Information Technology and Technical Education, Nagaland, Kohima in November 2006 revealed that the Institute of Communication and Information Technology, Mokokchung received Rs.16.58 lakh as admission/examination fees from the students during the period from July 2004 to July 2006 but did not remit the amount into the treasury till June 2007. Despite repeated reminders between December 2004, March and May 2006 by the department, the Institute neither deposited the money into the Government account nor furnished any reply. Thus non-remittance of Rs.16.58 lakh into the Government account by the officer incharge resulted in unauthorised retention of revenue in hand.

After the cases were pointed out, the Government stated (July 2007) that the above amount was retained by the State Project Implementation Unit, Kohima with the intention that the Government would declare the institute as autonomous body. The reply is not tenable as before finalisation of the status of the Institute, retention of the Government revenue in contravention of the provision of the Receipts and Payment rules, 1983 was irregular.

CHAPTER — VII

**GOVERNMENT COMMERCIAL AND
TRADING ACTIVITIES**



CHAPTER-VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7.1 *Overview of Government companies*

7.1.1 *Introduction*

As on 31 March 2007, there were six Government companies (five working companies and one non working company⁵¹) and nine departmentally managed Government commercial and Quasi-commercial undertakings with no change in position from that as on 31 March 2006 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 (4) of the Companies Act, 1956. The accounts of departmentally managed Government commercial and quasi-commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Working Public Sector Undertakings (PSUs)

7.1.2 *Investment in working PSUs*

As on 31 March 2007, the total investment in five working PSUs (all Government companies) was Rs.59.74⁵² crore (equity:Rs.21.05 crore, share application money:Rs.2.34 crore and long term loans⁵³: Rs.36.35 crore) as against five working PSUs with a total investment of Rs.61.49 crore (equity Rs.20.90 crore, share application money Rs.2.05 crore and long term loans: Rs.38.54 crore) as on 31 March 2006. The analysis of investment in working PSUs is given in the following paragraphs:

⁵¹ Non-working companies are those that are in the process of liquidation/closure/ merger, etc.

⁵² State Government investment was Rs.28.26 crore (others: Rs. 31.48 crore) whereas the figure as per finance account 2006-07 was Rs.54.63 crore. The difference is under reconciliation.

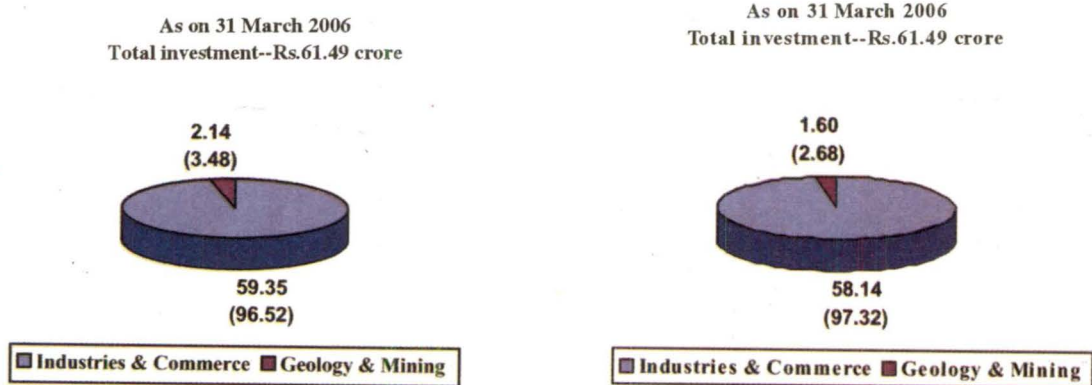
⁵³ Long-term loans mentioned in paras 7.1.2 and 7.1.3 are excluding interest accrued and due on such loans.

7.1.3 Sector-wise investment in working Government companies

The investment (equity and long term loans) in working PSUs in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2007 are indicated in the pie charts as below:

Sector-wise investment in working Government companies

(Figures in bracket indicate percentage of investment)



The total investment in working Government companies at the end of March 2006 and 2007 was as follows:

Table 7.1

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2005-06	5	20.90	2.05	38.54	61.49
2006-07	5	21.05	2.34	36.35	59.74

Investment in the current year has decreased over the previous year mainly due to decrease in loans in PSUs in the Industries and Commerce sector.

As on 31 March 2007, the total investment in working Government companies comprised 39.15 per cent of equity capital and 60.85 per cent of loans as compared to 37.32 per cent and 62.68 per cent respectively as on 31 March 2006.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in *Appendix-7.1*.

7.1.4 Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies are given in *Appendix-7.1* and *7.3*.

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies for the three years upto 2006-07 are given below:

Table-7.2

(Rupees in crore)

	2004-2005		2005-06		2006-07	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	2	0.60	2	0.50	2	0.45
Loans given from budget	---	---	1	4.34	--	--
Grants/Subsidy towards						
(i)Projects/Programmes/Schemes	---	---	3	3.34	3	5.34
(ii)Other subsidy	---	---	1	2.00	---	---
(iii) Total subsidy	4	6.22	3	5.34	3	5.34
Total outgo	4	6.82	3	10.18	3	5.79

During the year 2006-07, the State Government guaranteed loans aggregating Rs.5.28 crore obtained by one working Government company (viz., Nagaland Industrial Development Corporation Limited). At the end of the year, no guarantees were outstanding against any PSU.

7.1.5 Finalisation of accounts by working Government companies

The accounts of the Government companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year.

However, as can be seen from *Appendix-7.2*, none of the five working Government companies had finalised their accounts for the year 2006-07 within the stipulated period.

The accounts of all five working Government companies were in arrears for periods ranging from nine to 26 years as on 30 September 2007, as detailed in *Table 7.3*.

Table 7.3

Sl. No.	Name of Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of Appendix-7.2
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	1998-99 to 2006-07	9	A1
2.	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	1981-82 to 2006-07	26	A3
3.	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	1984-85 to 2006-07	23	A2
4.	Nagaland Hotel Ltd	1988-89 to 2006-07	19	A4
5	Nagaland State Mineral Development Corporation Ltd., Kohima	1996-97 to 2006-07	11	A5

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had been taken by the Government, and as a result, the net worth of these companies could not be assessed in audit.

7.1.6 Financial position and working results of working PSUs

The summarised financial results of working PSUs (all Government companies) as per their latest finalised accounts are given in *Appendix-7.2*.

According to the latest finalised accounts of five Government companies, three companies had incurred an aggregate loss of Rs.1.63 crore.

7.1.7 Loss incurring companies

Despite poor performance, the State Government continued to provide financial support to three⁵⁴ loss making companies in the form of grants and subsidy. According to available information, the total financial support so provided by the State Government by way of grants and subsidy during 2006-07 to these companies amounted to Rs.5.34 crore (*Appendix-7.3*).

⁵⁴ Nagaland Industrial Development Corporation Ltd., Nagaland Industrial Raw Materials and Supply Corporation Ltd. and Nagaland Handloom and Handicrafts Corporation Ltd.

7.1.8 Return on capital employed

As per the latest finalised accounts, the capital employed⁵⁵ worked out to Rs.19.79 crore in four companies and total return⁵⁶ thereon amounted to Rs.0.95 crore⁵⁷. The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix-7.2*.

Non working Public Sector Undertakings (PSUs)

7.1.9 Investment in non-working PSU

As on 31 March 1996⁵⁸ the paid-up capital in one non-working PSU (Government company) was Rs.4.96 crore. The company was closed on 30 September 2001 and its accounts are in arrears since 1978-79.

Results of audit by the Comptroller and Auditor General of India

7.1.10 Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in financial matters of the companies had been repeatedly pointed out during the course of the audit of their accounts but no corrective action had been taken by these companies so far:

- The accounts are not finalised in time.
- Most of the companies did not hold the Meetings of its Board of Directors' regularly as required under Section 285 of the Companies Act, 1956. Major decisions are often taken without the approval of the Board of Directors.
- The returns required to be submitted under the Companies Act, 1956 are not submitted in time.

7.1.11 Internal Audit/Internal Control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the internal audit/internal control system followed by Government companies and to identify areas which need improvement in the companies audited by them in accordance with the directions issued by the CAG to them under section 619(3) (a) of the Companies Act, 1956.

⁵⁵ Capital employed represents net fixed assets (including capital work in progress) plus working capital except in finance Companies where it represents a mean of aggregate of opening and closing balances of paid up capital, free reserves, bonds deposit and borrowings (including re-finance).

⁵⁶ For calculating total return on capital employed interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

⁵⁷ Two companies viz., NHHDC Ltd. and NIRMISC Ltd. did not furnish the information.

⁵⁸ The company (Nagaland Sugar Mills Company Ltd., Dimapur) did not furnish any information since 1996-97 onwards.

The Statutory Auditors observed deficiencies in respect of internal audit system in case of five companies during the period upto 1995-96⁵⁹. The major recommendations/comments made by the Statutory Auditors were of the following nature:

- No internal control and internal audit system exists in PSUs.
- Maintenance of cost records are not satisfactory wherever necessary.

7.1.12 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and departments concerned of the State Government through inspection reports. The Heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued upto September 2007 pertaining to six PSUs disclosed that 323 paragraphs relating to 34 inspection reports remained outstanding at the end of October 2007. Of these, six inspection reports containing 81 paragraphs had not been replied to for more than five years. Department wise break up of inspection reports and paras outstanding as on 30 October 2007, is given **Table 7.4**.

Table 7.4

Sl. No.	Name of the Department	Number of PSUs	Number of outstanding Inspection Reports	Number of outstanding paragraphs	Year from which paragraphs outstanding
1	Industries and Commerce	5	26	239	1988-89
2	Geology and Mining	1	8	84	1987-88
Total		6	34	323	

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports and Action Taken Notes for recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayment in a time bound schedule, and (c) the system of responding to audit observations is revamped.

7.1.13 Position of discussion of Commercial chapters of Audit Report by the Committee on Public Undertakings (COPU)

The following table indicates the details regarding number of reviews/paragraphs of commercial chapters of audit reports discussed by COPU at the end of 31 March 2007.

⁵⁹ Accounts were not submitted from 1994-95 onwards.

Table 7.5

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1	2	3	4	5
1994-1995	---	1 ⁶⁰	---	1
1995-1996	1	2 ⁶¹	---	2
1996-1997	1 ⁶¹	Nil	1	---
1997-1998	1 ⁶¹	1 ⁶¹	1	1
1998-1999	1 ⁶²	1 ⁶²	1	1
1999-2000	---	1 ⁶³	---	1
2000-2001	---	1 ⁶⁴	---	1
2001-2002	1	3 ⁶⁵	---	3
2002-2003	1	1	---	---
2003-2004	1	1	---	---
2004-2005	---	2	---	---
2005-2006	--	--	--	--
Total	7	14	3	10

Departmentally managed Government commercial/quasi-commercial undertakings

7.1.14 Proforma accounts of departmentally managed commercial/quasi-commercial undertakings

As on 31 March 2007, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

A mention was made in paragraph 6.1.19 of the Report of the Comptroller and Auditor General of India for the year 2004-05 about delay in preparation of proforma accounts of these undertakings. Despite this, accounts were in arrears for periods ranging from three to 36 years as on 30 September 2007 as detailed in **Table 7.6**.

⁶⁰ Discussed in September 2000 but recommendation of COPU is awaited.

⁶¹ Discussed in June 2001 but recommendation of COPU is awaited.

⁶² Discussed in February 2002 but recommendation of COPU is awaited.

⁶³ Introductory para only.

⁶⁴ Introductory para only.

⁶⁵ Draft paragraphs except reviews discussed in October 2004 but recommendation of COPU is awaited.

Table 7.6

Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 2006-07
2.	Nagaland State Transport Department	2004-05 to 2006-07
3.	Nagaland Power Department	2006-07
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1999-2000 to 2006-07
	(ii) Medium size Seed farm, Merapani	2001-02 to 2006-07
	(iii) Seed Farm, Tizit	2000-01 to 2006-07
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2006-07
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2006-07
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2006-07
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2006-07
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2006-07
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2006-07
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2006-07
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2006-07
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2006-07
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2006-07
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2005-06
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2006-07
	(x) Pig Breeding Centre, Tizit	1997-98 to 2006-07
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2006-07
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2006-07
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2006-07
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2006-07
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2006-07
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2006-07
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2006-07
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2006-07
	(xix) Sheep Farm, Poilwa	1998-99 to 2006-07
	(xx) Buffalo Farm, Jalukie	1998-99 to 2006-07
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2006-07
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2006-07

The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently corrective measures, if any, required could not be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.



Kohima
The

11 MAR 2008

(ARINDAM N. SARKAR)
Accountant General (Audit), Nagaland

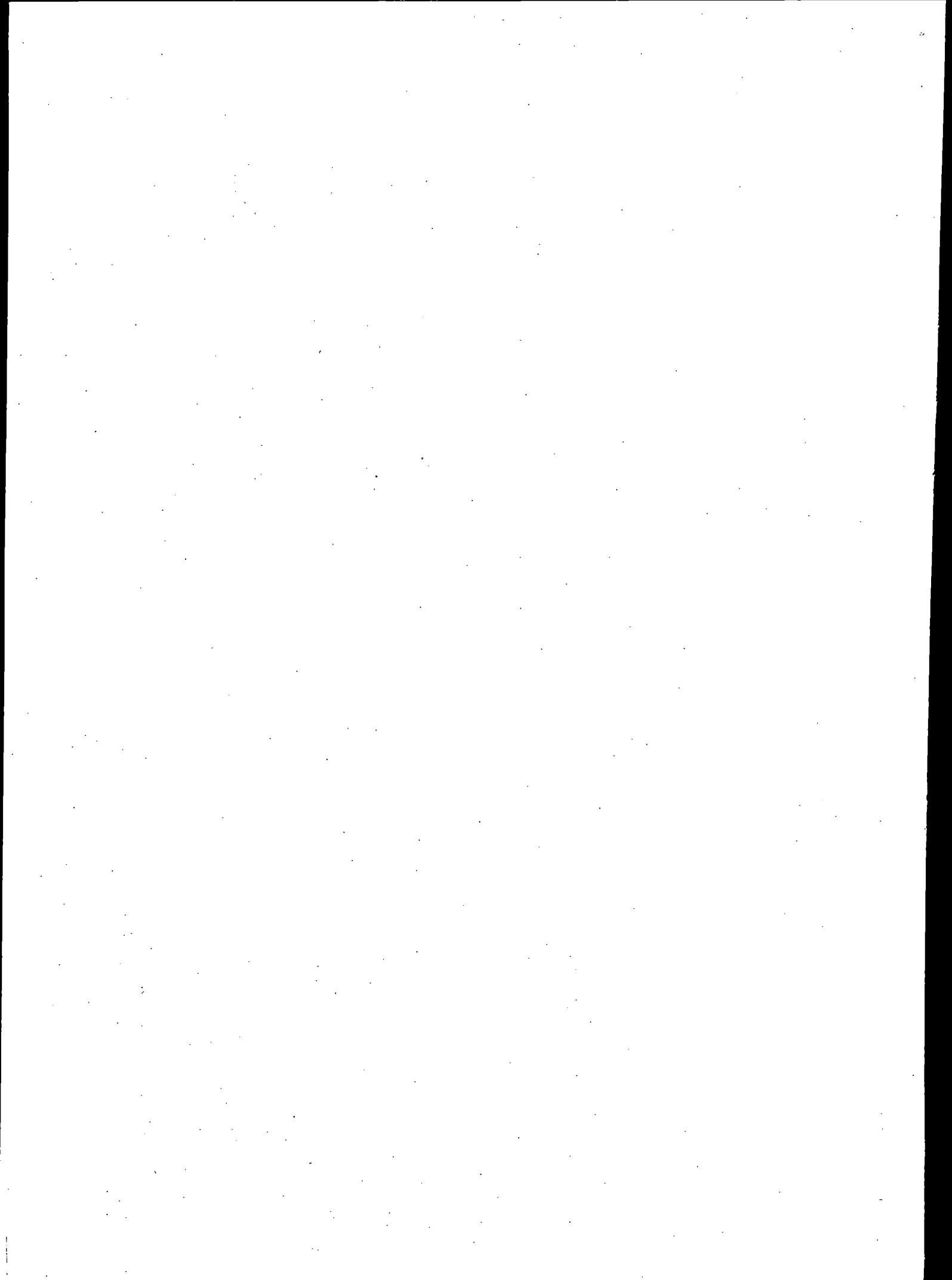
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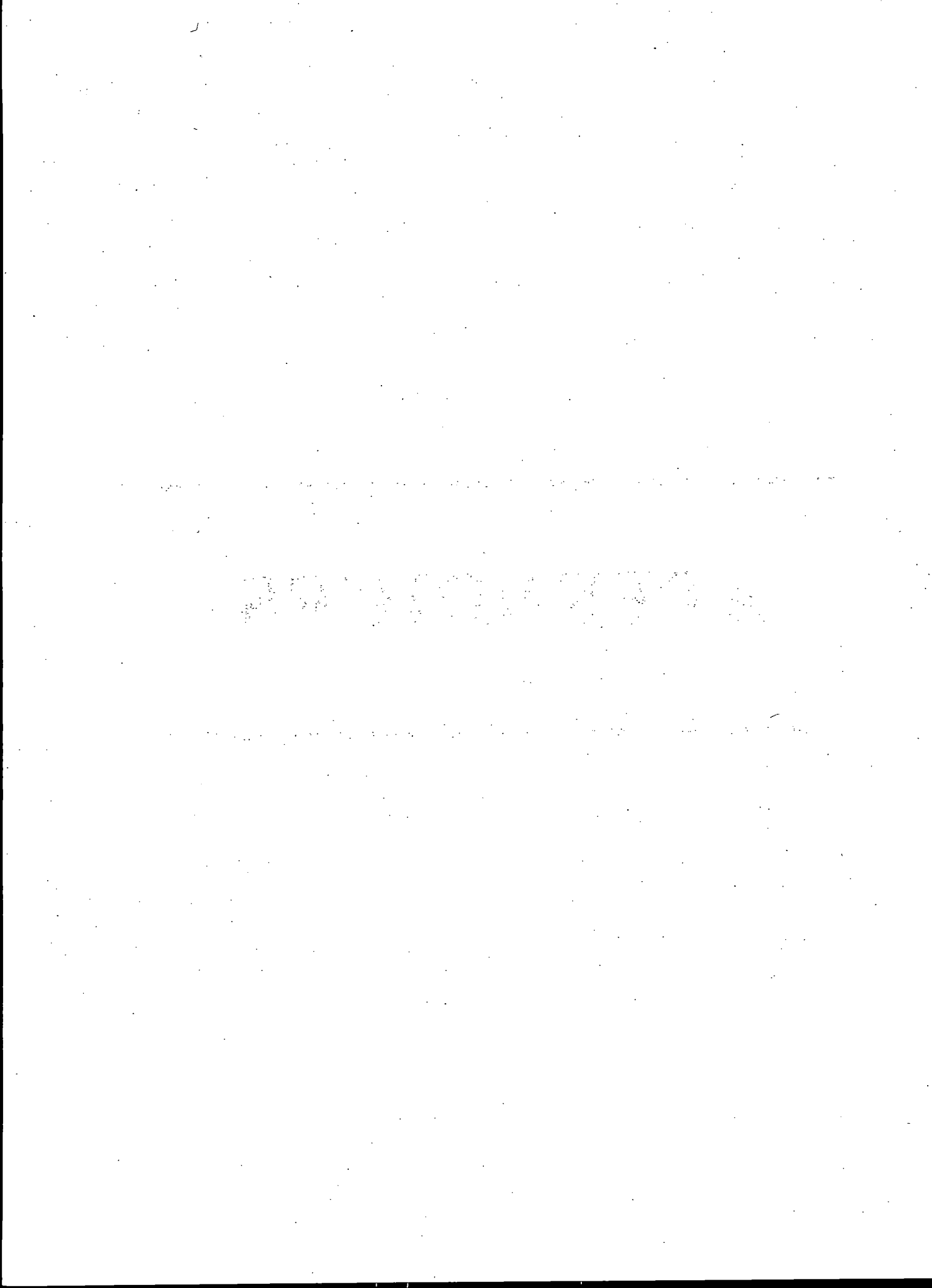
New Delhi
The

24 MAR 2008

(VINOD RAI)
Comptroller and Auditor General of India



APPENDICES



Appendix-1.1

(Reference: Paragraph 1.1; Page 1)

Part-A: Structure and Form of Government Accounts

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

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and Disbursement in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, and remittances etc which do not form part of the Consolidated Fund are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State Legislature.

Appendix-1.1

(Reference: Paragraph 1.1; Page 1)

PART-B: Layout of Finance Accounts

Statement	Lay Out
Statement No. 1	Presents the summary of transaction of the State Government-receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the Consolidated Fund, Contingency Fund and Public Account of the State
Statement No. 2	Contains the summarised statement of capital outlay showing progressive expenditure to the end of current year.
Statement No. 3	Gives financial results of Irrigation works for the current year.
Statement No. 4	Indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.
Statement No. 5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.
Statement No. 6	Gives the summary of guarantees given by the Government for repayment of loans etc., raised by the statutory corporations, local bodies and other institutions.
Statement No. 7	Gives the summary of cash balances and investments made out of such balances.
Statement No. 8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2007.
Statement No. 9	Shows the revenue and expenditure under different heads for the current year as a percentage of total revenue/total expenditure.
Statement No. 10	Indicates the distribution between the charged and voted expenditure incurred during the year.
Statement No. 11	Indicates the detailed account of revenue receipts by minor heads.
Statement No. 12	Provides detailed account of revenue expenditure by minor heads under non-plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.
Statement No. 13	Depicts the detailed statement of capital expenditure incurred during and to the end of the current year and statement of commitment list of incomplete capital works as Annexure to statement No.13.
Statement No. 14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc., up to the end of the current year.
Statement No. 15	Depicts the capital and other expenditure to the end of the current year and the principal sources from which the funds were provided for that expenditure.
Statement No. 16	Gives the detailed statement of receipts, disbursements and balances under heads of accounts relating to Debt, Deposit, Contingency Fund and Public Account.
Statement No. 17	Presents the detailed statement of debt and other interest bearing obligations of the Government.
Statement No. 18	Provides the detailed statement of loans and advances made by the Government of Nagaland, the amount of loans repaid during the year, the balances at the end of the year and amount of interest received during the year.
Statement No. 19	Gives the details of earmarked balances.

Appendix-1.1

(Reference: Paragraph 1.2; Page 4)

Part-C: List of terms used in Chapter I and basis of their calculation

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X)/Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1] * 100$
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2] * 100$
Interest spread	GSDP growth – Weighted Interest rate
Quantum spread	Outstanding Debt stock * Interest spread
Interest received as <i>per cent</i> to Loans Outstanding	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2] * 100$
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Receipts + Miscellaneous Capital Receipts - Revenue Expenditure + Capital Expenditure + Net Loans and Advances
Primary Deficit	Fiscal Deficit – Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts <u>minus</u> all Plan grants and Non-Plan Revenue Expenditure excluding expenditure recorded under the major head 2048-Appropriation for Reduction or Avoidance of debt

Appendix-1.1

(Reference: Paragraph 1.2.2; Page 5)

Part-D: Outcome Indicators of the States' Own Fiscal Correction Path

(Rupees in crore)

	Base year estimate	2004-05 Actual	2005-06 (R.E)	2006-07 (B.E)	2006-07 (R.E)	2007-08	2008-09	2009-10
A. STATE REVENUE ACCOUNT								
1. Own Tax Revenue.	58.53	78.21	111.31	118.74	118.91	128.24	133.50	149.58
2. Own Non-Tax Revenue.	49.42	77.90	79.46	90.70	84.46	98.47	107.03	116.49
3. Own Tax + Non-Tax Revenue (1+2)	107.95	156.11	190.77	209.44	203.37	226.71	245.53	266.07
4. Share in Central Taxes & Duties.	97.11	160.25	248.50	275.32	298.67	328.54	363.29	418.68
5. Plan Grants.	622.80	723.42	912.10	1120.62	1049.02	1127.52	1172.73	1224.72
6. Non-Plan Grants.	779.06	799.74	1032.16	1108.83	1191.84	1198.19	1244.76	1292.30
7. Total Central Transfer (4 to 6)	1498.97	1683.41	2192.76	2504.77	2539.53	2654.25	2780.78	2935.70
8. Total Revenue Receipts (3+7)	1606.92	1839.52	2383.53	2714.21	2742.90	2880.96	3026.31	3201.77
9. Plan Expenditure.	279.65	294.81	361.72	504.69	543.49	506.67	529.81	555.78
10. Non-Plan Expenditure.	1302.47	1389.82	1647.64	1684.90	1792.70	1879.45	1988.15	2117.61
11. Salary Expenditure.	745.30	824.78	946.88	984.18	1003.04	1041.27	1124.56	1211.97
12. Pension.	128.82	133.80	202.92	233.00	223.70	256.30	281.93	310.12
13. Interest Payments.	216.60	249.62	231.24	280.91	272.61	313.36	338.46	359.90
14. Subsidies-General.								
15. Subsidies-Power.								
16. Total Revenue Expenditure (9+10)	1582.13	1684.63	2009.36	2189.59	2336.19	2386.12	2517.96	2673.39
17. Salary+Interest+Pensions (11+12+13)	1090.71	1208.20	1431.04	1498.09	1499.35	1615.93	1744.95	1881.99
18. As % of Revenue Receipts (17/8)	70.14	65.68	60.04	55.19	54.66	56.09	57.66	58.78
19. Revenue Surplus/Deficit (8-16)	24.79	154.89	374.17	524.62	406.71	494.84	508.35	528.38
B. Consolidated Revenue Account:								
1. Power Sector loss/profit net of actual subsidy transfer.								
2. Increase in debtors during the year in power utility accounts [Increase (-)]								
3. Interest payment on off budget borrowings & SPV borrowings made by PSU/SPUs outside budget.								
4. Total (1 to 3)								
5. Consolidated Revenue Deficit (A.19+B.4)	24.79	154.89	374.17	524.62	406.71	494.84	508.35	528.38
C. CONSOLIDATED DEBT:								
1. Outstanding debt and liability.	2487.14	2813.40	3614.50	3335.75	3544.93	3614.94	3893.09	4171.13
2. Total outstanding guarantee of which (a) guarantee on account of off budgeted borrowing and SPV borrowing.	57.93	47.03	52.25	53.50	54.00	51.00	50.00	49.00
D. CAPITAL ACCOUNT:								
1. Capital Outlay.	323.52	379.44	610.37	689.86	798.48	669.23	693.68	722.49
2. Disbursement of Loans and Advances.	3.61	0.34	4.66	5.90	5.90	5.99	6.29	6.65
3. Recovery of Loans and Advances.	7.34	6.50	6.71	5.74	5.74	5.16	4.64	4.18
4. Other capital receipts.	5.99	0.00	0.00	0.00				
E. GROSS FISCAL DEFICIT (GFD)	295.00	218.39	234.15	165.40	391.93	175.22	186.98	196.58
F. PRIMARY SURPLUS(+)/DEFICIT(-)	78.40	-31.23	-47.09	-115.51	119.32	-143.14	-151.48	-163.32
GSDP (Rs. crore) at current prices.	4708	5894	6631	7460	6957.97	8392	9441	10622
Actual/Assumed Nominal Growth Rate (%)	12.52		12.50	12.50	(-) 6.73	12.50	12.50	12.50

¹ Includes CSS: Rs.214.50 crore.

Appendix-1.2

(Reference: Paragraphs 1.2 and 1.6; Pages 4 and 18)

Summarised Financial Position of the Government of Nagaland as on 31 March 2007

As on 31 March 2006		Liabilities		As on 31 March 2007	
2066.46		Internal Debt			2518.35
	1540.57	Market Loans bearing interest		1782.63	
	0.10	Market Loans not bearing interest		0.03	
	74.57	Loans from LIC		98.50	
	398.21	Loans from other Institutions		541.87	
	53.01	Ways and Means Advances		95.32	
65.00		Overdrafts from Reserve Bank of India			0.00
420.80		Loans & Advances from Central Government			403.66
	8.34	Pre 1984-85 Loans		7.26	
	23.95	Non-Plan Loans		22.73	
	357.58	Loans for State Plan Schemes		340.36	
	1.55	Loans for Central Plan Schemes		1.22	
	17.89	Loans for Centrally Sponsored Plan Schemes		21.06	
	0.00	Ways and Means Advances		0.00	
	11.49	Loans for Special Schemes		11.03	
0.35		Contingency Fund		0.00	0.35
515.30		Small Savings, Provident Funds, etc.			419.13
121.39		Deposits			212.81
1.83		Reserve Funds			2.96
0.00		Suspense and Miscellaneous Balances			0.00
(-) 137.34		Remittance Balances			(-) 215.09
780.70		Accumulated surplus on Government Account			1332.04
	574.03	Revenue surplus brought forward from previous year		206.67	
	206.67	Add Revenue surplus (+)/deficit (-)		550.37	
3834.49		Total			4674.21
As on 31 March 2006		Assets		As on 31 March 2007	
3857.68		Gross Capital Outlay on Fixed Assets			4568.16
	29.71	Investments in shares of Companies, Corporations etc.		16.73	
	3827.97	Other Capital Outlay		4551.43	
30.27		Loans and Advances			26.19
	29.18	Other Development loans		24.68	
	1.07	Loans to Government Servants etc.		1.51	
2.20		Advances			2.74
87.42		Suspense and Miscellaneous Balances			139.08
(-) 143.08		Cash Balances			(-) 61.96
	0.16	Cash in Treasuries and local remittances		0.18	
	(-) 332.33	Deposit with Reserve Bank of India		(-) 281.64	
	172.51	Departmental cash balance including permanent advances		181.10	
	16.58	Investment on earmarked funds		38.39	
	0.00	Cash balance investments		0.00	
3834.49		Total			4674.21

Appendix-1.3

(Reference: Paragraph 1.2; Page 4)

Abstract of Receipts and Disbursements for the year 2006-2007

(Rupees in crore)

Receipts				Disbursements			
2005-06		2006-07	2005-06	Non-Plan	Plan	Total	2006-07
SECTION-A: REVENUE							
2267.20	I-Revenue receipts	2772.51		I- Revenue expenditure			2222.15
105.53	Tax revenue	119.02		General services	1009.17	11.15	1020.32
96.82	Non-tax revenue	91.14		Social Services	419.26	169.59	588.85
248.50	State's share of Union Excise Duties	316.93		Education, Sports and Art and Culture	260.47	74.47	334.94
1128.82	Non-Plan Grants	1072.10		Health and Family Welfare	96.16	20.25	116.41
436.13	Grants for State Plan Schemes	896.86		Water Supply, Sanitation, Housing and Urban Development	26.75	5.12	31.87
49.12	Grants for Central Plan Schemes	27.39		Information and Broadcasting	7.64	2.23	9.87
173.65	Grants for Centrally Sponsored Plan Schemes	209.70		Welfare of Scheduled Caste, Scheduled Tribes & other Backward Classes.	0.00	14.78	14.78
28.63	Grants for Special Plan Schemes	39.37	9.75	Labour and Labour Welfare	6.16	3.65	9.81
			57.23	Social Welfare and Nutrition	17.12	49.08	66.20
			5.36	Others	4.97	0.00	4.97
			568.40	Economic Services			612.98
			163.06	Agriculture and Allied Activities	90.46	92.07	182.53
			87.23	Rural Development	15.47	54.42	69.89
			16.44	Special Areas Programme	20.04	22.45	24.49
			25.07	Irrigation and Flood Control	7.12	26.17	33.29
			97.21	Energy	113.18	0.50	113.68
			43.37	Industry and Minerals	17.95	25.24	43.19
			76.10	Transport	75.69	0.35	76.04
			2.25	Science Technology & Environment	0.61	5.89	6.50
			57.67	General Economic Services	17.52	45.85	63.37
	II-Revenue deficit carried over to Section-B		206.67	II-Revenue surplus carried over to Section-B			
2267.20	Total: Section A- Revenue	2772.51	2267.20	Total: Section A- Revenue			2772.51
SECTION-B							
(-) 227.39	III. Opening cash balance including Permanent Advances and Cash Balance Investment	(-) 143.08		III. Opening Overdraft from RBI			
	IV. Miscellaneous Capital Receipts		517.87	IV: Capital Outlay			710.48
			61.84	General Services		67.16	67.16
			155.09	Social Services		240.95	240.95
			18.97	Education, Sports and Art & Culture		44.19	44.19
			11.63	Health and Family Welfare		12.12	12.12
			112.80	Water Supply, Sanitation, Housing and Urban Development		158.37	158.37
			1.71	Information and Broadcasting		1.67	1.67
			7.31	Social Welfare and Nutrition		22.77	22.77
			2.67	Others		1.83	1.83
			300.94	Economic Services		402.37	402.37
			41.45	Agriculture and Allied Activities	12.30	27.17	39.47
			0.50	Rural Development		0.00	0.00
			57.59	Special Areas Programme		113.50	113.50
			76.20	Energy		46.46	46.46
			33.35	Industry and Minerals		26.83	26.83
			5.72	Transport	2.87	164.67	167.54
			4.17	General Economic Services	-	7.11	7.11
			80.64	Roads and Bridges	---	---	---
			0.82	Irrigation & Flood Control	---	0.96	0.96
			0.50	Science, Technology & Environment	---	0.50	0.50

Receipts				Disbursements				
2005-06		2006-07	2005-06		Non-Plan	Plan	Total	2006-07
5.40	V. Recoveries of Loans and Advances	4.33	0.61	V. Loans & Advance disbursed	0.20	0.04	0.24	0.24
0.50	From Government Servants	2.19	0.26	To Government servants	0.20	---	0.20	
4.90	From others	2.14	0.35	To others	---	0.04	0.04	
206.67	VI. Revenue Surplus brought down	550.36	220.90	VI. Revenue deficit brought down	---	---	---	---
626.88	VII. Public Debt receipts:	432.79	102.36	VII. Repayment of Public Debt				152.13
413.50	Internal debt other than Ways & Means Advance and Overdrafts	454.33	---	Internal debt other than Ways & Means Advance and Overdrafts			133.84	
108.67	Net transactions under Ways & Means Advances including Overdrafts	(-) 22.69	118.54	Net transactions under Ways & Means Advances including Overdrafts			---	
104.77	Loans and Advances from Central Government	1.15	---	Repayment of Loans and Advances to Central Government			18.29	
---	VIII. Appropriation to Contingency Fund	---	---	VIII. Appropriation to Contingency Fund			---	---
---	IX. Amount transferred to Contingency Fund	---	---	IX. Expenditure from Contingency Fund			---	---
1025.68	X. Public Account receipts	1131.63	1040.94	X. Public Account disbursement:				1175.14
156.55	Small Savings and Provident Funds	95.22	140.64	Small Savings and Provident Funds			102.32	
4.62	Reserve Funds	5.64	3.20	Reserve Funds			4.53	
39.89	Suspense and Miscellaneous	39.73	(-) 5.08	Suspense and Miscellaneous			91.37	
755.85	Remittances	863.49	787.36	Remittances			941.24	
68.77	Deposits and Advances	127.55	114.82	Deposits and Advances			35.68	
	XI. Closing Overdrafts from Reserve Bank of India	(-) 143.08	(-) 143.08	XI. Cash Balance at hand:				(-) 61.96
			0.16	Cash in Treasuries and Local Remittances			0.18	
			(-) 332.33	Deposits with Reserve Bank			(-) 281.64	
			172.51	Departmental Cash balance including Permanent Advances			181.11	
			0.00	Cash Balance Investments			0.00	
			16.58	Investment in earmarked funds			38.39	
1637.24	Total	1976.03	1637.24	Total				1976.03

Appendix-1.4
(Reference: Paragraph 1.2; Page 4)
Sources and Application of Funds

(Rupees in crore)

2005-06	Sources		2006-07
2267.20	1	Revenue receipts	2772.51
5.40	2	Recoveries of Loans and Advances	4.33
343.30	3	Increase in Public debt other than Overdraft	345.67
(-) 15.26	4	Net receipts from Public account	(-) 205.76
15.91		Increase (+)/decrease (-) in Small Savings, Provident Funds, etc.	(-) 7.09
(-) 46.05		Increase (+)/decrease (-) in Deposits and Advances	91.86
1.42		Increase (+)/decrease (-) in Reserve Funds	1.11
44.37		Net effect of suspense and Miscellaneous transactions	(-) 214.49
(-) 31.51		Net effect of Remittance transactions	(-) 77.15
62.68	5	Overdraft from Reserve Bank India (Net)	(-) 65.00
2663.32	Total		2851.75
Applications			
2060.53	1	Revenue expenditure	2222.15
0.61	2	Lending for development and other purposes	0.24
517.87	3	Capital expenditure	710.48
84.31	4	Increase (+)/ decrease (-) in closing Cash balance	(-) 81.12
0.00	5	Reduction of overdraft payable to Reserve Bank of India	0.00
2663.32	Total		2851.75

Explanatory Notes to Appendix 1.2, 1.3 and 1.4

1. The abridged accounts in the forgoing statements are based on the Finance Accounts for the year 2006-07-Government of Nagaland and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has 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. 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 1983 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 2007 was Rs.1331.06 crore after accounting for the revenue surplus of Rs.550.36 crore during 2006-07.
5. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements.
6. The closing cash balance as reported by the Reserve Bank of India was Rs.66.41 crore (debit) against the general cash balance of Rs.281.46 crore (credit) shown in the accounts. The difference of Rs.215.04 crore (credit) as on 31 March 2007 is under reconciliation (November 2007).

APPENDIX-1.5

(Reference: Paragraphs 1.2 and 1.6; Pages 4 and 18)

Time series data on State Government finances

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. Receipts					
I. Revenue Receipts	1346.90	2359.79	1839.52	2267.20	2772.51
(i) Tax Revenue	62.00 (5)	68.55(3)	78.31(4)	105.53 (5)	119.02 (4)
Taxes on Sales, Trade etc.	41.16 (66)	45.63(67)	53.08(68)	77.16 (73)	85.029 (71)
State Excise	1.98 (3)	1.99(3)	2.07(3)	1.96 (2)	2.13 (2)
Taxes on vehicles	4.74 (8)	6.00(9)	7.30(9)	8.71 (8)	12.26 (10)
Stamps and Registration fees	0.57 (1)	0.66(1)	0.73(1)	0.89 (1)	1.05 (1)
Land Revenue	0.41 (1)	0.54(1)	0.43 ⁽²⁾	0.55 (1)	0.50 (1)
Other taxes	13.14 (21)	13.73(21)	14.70(19)	16.26 (15)	18.06 (15)
(ii) Non Tax Revenue	43.94 (3)	60.91(3)	77.90(4)	96.82 (4)	91.14 (3)
(iii) State's share in Union taxes and duties	46.01 (3)	256.97(11)	160.15(9)	248.50 (11)	316.93 (11)
(iv) Grants-in-aid from Government of India	1194.94 (89)	1973.36(83)	1523.16(83)	1816.35 (80)	2245.42 (82)
2. Misc. Capital Receipts	---	---	---	---	---
3. Total revenue and Non-debt capital receipts (1+2)	1346.90	2359.79	1839.52	2267.20	2272.51
4. Recoveries of Loans and Advances	7.42	6.81	6.50	5.40	4.33
5. Public Debt Receipts	473.85	(-)3.22	424.30	626.88	432.79
Internal Debt (excluding Ways & Means Advances and Overdrafts)	238.58	393.93	256.22	413.50	454.33
Net transactions under Ways and Means Advances and Overdraft	(-) 212.40	--	4.16	108.61	(-) 22.69
Loans and Advances from Government of India ³	447.67	(-) 397.15	163.92	104.77	1.15
6. Total receipts in the Consolidated Fund (3+4+5)	1828.17	2363.38	2270.32	2899.48	2709.63
7. Contingency Fund Receipts	---	---	---	---	---
8. Public account receipts	990.10	658.48	776.73	1025.68	1131.63
9. Total receipts of the State (6+7+8)	2818.27	3021.86	3047.05	3925.16	3841.26
Part B. Expenditure/Disbursement-					
10. Revenue Expenditure	1506.27	1812.99	1684.63	2060.53	2222.15
Plan	242.91 (16)	363.40(20)	294.81(17)	422.85 (21)	453.69 (20)
Non-plan	1263.36 (84)	1449.59(80)	1389.82(83)	1637.68 (79)	1768.46 (80)
General Services(including Interest payments)	798.67 (53)	874.91(48)	857.95(51)	939.90 (46)	1020.32 (46)
Social Services	385.57 (26)	422.32(23)	420.95(25)	552.23 (27)	588.85 (27)
Economic Services	322.09 (21)	515.76(28)	405.73(24)	568.40 (27)	612.98 (27)
Grants-in-aid contribution	---	---	---	---	---
11. Capital Expenditure	340.69	391.13	379.44	517.87	710.48
Plan	339.90 (100)	380.15(97)	376.86(99)	504.40 (97)	695.31 (98)
Non-plan	0.79	10.98(3)	2.58(1)	13.47 (3)	15.17 (2)
General Services	24.78 (7)	50.05(13)	42.80(11)	61.84 (12)	67.16 (19)
Social Services	148.91 (44)	138.15(35)	148.97(39)	155.09 (30)	240.95 (34)
Economic Services	167.00 (49)	202.93(52)	187.67(50)	300.94 (58)	402.37 (57)
12. Disbursement of Loans and Advances	2.33	5.08	0.34	0.61	0.24
13. Total (10+11+12)	1849.29	2209.20	2064.41	2579.01	2932.87
14. Repayments of Public Debt	67.57	174.59	202.42	220.90	152.13
Internal Debt (excluding Ways and Means Advances and Overdrafts)	42.66	62.93	77.98	102.36	133.83

² Indicates negligible percentage.

³ Includes Ways & Means Advances from Government of India.

	2002-03	2003-04	2004-05	2005-06	2006-07
Net transactions under Ways and Means Advances and Overdraft	---	--	--	--	--
Loans and Advances from Government of India	24.91	111.66	124.44	118.54	18.30
15. Appropriation to Contingency Fund	---	---	---	--	---
16. Total disbursement out of Consolidated Fund (13+14+15)	1916.86	2383.79	2266.83	2799.91	3085.00
17. Contingency Fund disbursements	---	---	--	--	---
18. Public account disbursements	789.77	971.27	795.29	1040.94	1175.14
19. Total disbursement by the State (16+17+18)	2706.63	3355.06	3062.12	3840.85	4260.14
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-)159.37	546.80	154.89	206.67	550.36
21. Fiscal Deficit (3+4-13)(-)/Surplus(+)	(-)494.97	157.40	(-)218.39	(-) 306.41	(-) 156.03
22. Primary Deficit (21-23)	(-) 280.39	392.14	31.23	(-) 52.52	(-) 123.66
23. Interest payments (included in revenue expenditure)	214.58	234.74	249.62	253.89	279.69
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	NA	22.63 (17)	1.16(1)	25.88	5.76
25. Financial assistance to local bodies etc.	11.91	30.66	34.33	33.43	34.04
26. Ways and Means Advances/Overdrafts availed (days)	1006.35(469)	44.55(6)	354.37(56)	274.92 (16)	266.71 (12)
27. Interest on WMA/Overdraft	2.48	0.76	0.81	0.64	0.51
28. Gross State Domestic Product (GSDP)⁴	4748.60	5238.66	5778.77	6374.56	6957.97
29. Outstanding Debt (year end)	2102.22	1924.41	2146.29	2552.27	2922.01
30. Outstanding guarantees (year end)	--	--	--	--	---
31. Maximum amount guaranteed (year end)	7.24	7.24	7.24	7.24	7.24
32. Number of incomplete projects	--	--	--	--	--
33. Capital blocked in incomplete projects	--	--	--	--	--

⁴ The final figures of GSDP for 2002-03 to 2004-05 and provisional figures for 2005-06 and 2006-07 furnished by the Director of Economics and Statistics in August 2007.

APPENDIX—2.1

Statement showing areas in which major savings occurred
(Reference: Paragraph 2.3.1; Page 32)

Sl. No.	Grant No./ Major Head	Areas in which major saving occurred	Savings (Rupees in crore)
1.	18	Pension and Other Retirement Benefits	
	2071	Superannuation and Retirement Allowances	21.96
2.	37	Assistance to Municipalities and Development Works	
	2217	Urban Development	0.61
	2515	Other Rural Development	4.00
3.	50	Animal Husbandry and Dairy Development	
	2403	Animal Husbandry	3.13
	2404	Dairy Development	0.35
	2415	Agricultural Research and Education	0.27
4.	55	Power Projects	
	2801	Power	1.06
5	59	Irrigation & Flood Control	
	2702	Minor Irrigation	1.62
6	Capital Section (Voted)		
	5	Election	
	2015	Elections	0.24
7	31	School Education	
	4202	Capital Outlay on Education, Sports, Art and Culture	4.89
8	39	Tourism	
	5452	Capital Outlay on Tourism	4.57
9	43	Social Security and Welfare	
	4235	Capital Outlay on Social Security and Welfare	5.91
10	50	Animal Husbandry and Dairy Development	
	4403	Capital Outlay on Animal Husbandry	0.44
11	55	Power Projects	
	4801	Capital Outlay on Power Projects	6.26
12	72	Land Resource Development	
	4552	Capital Outlay on North Eastern Areas	0.50
	Revenue Section (Charged)		
13	75	Servicing of Debt	
	2048	Sinking Fund	16.07
	2049	Interest Payment	16.26
14	Capital Section (Charged)		
	75	Servicing of Debt	
	6003	Internal Debt of the State Government	60.80
	6004	Loans and Advances from the Central Government	3.79

Source: Appropriation Accounts 2006-07

APPENDIX—2.2
Statement showing savings exceeding Rs.50 lakh and also by more than
10 per cent of total provision
(Reference: Paragraph 2.3.1; Page 32)

<i>(Rupees in crore)</i>			
Sl. No.	Number and name of the grant/appropriation	Total provision	Amount of savings (Percentage of savings)
Revenue Section (Voted)			
1.	18- Pension and Other Retirement Benefits	233.00	31.26 (13)
2.	32- Higher Education	51.03	14.48 (28)
3.	34- Art and Culture and Gazetteers Unit	14.73	6.45 (44)
4.	37- Assistance to Municipalities and Development Works	14.19	4.60 (32)
5.	45- Co-Operation	11.11	2.68 (24)
6.	51- Fisheries	11.39	1.91 (17)
7.	52- Forest	46.97	15.03 (32)
8.	58- Roads and Bridges	77.77	14.33 (18)
9.	59- Irrigation and Flood Control	45.04	11.75 (26)
10.	66- Sericulture	11.71	5.61 (48)
11.	67- Home Guards	8.06	1.00 (12)
12.	72- Land Resource Development	45.53	26.03 (57)
13.	73- State Institute of Rural Development	3.86	1.16 (30)
14.	78- Information Technology & Technical Education	17.74	5.65 (32)
Capital Section (Voted)			
15.	4- Administration of Justice	10.51	2.39 (23)
16.	7- State Excise	1.61	0.87 (54)
17.	14- Jails	6.97	2.37 (34)
18.	27- Planning Machinery	61.48	49.67 (81)
19.	31- School Education	11.97	5.04 (42)
20.	33- Youth Resources & Sports	34.42	3.84 (11)
21.	35- Medical, Public Health and Family Welfare	27.73	9.90 (36)
22.	36- Urban Development	71.71	14.97 (21)
23.	39- Tourism	10.08	3.88 (38)
24.	43- Social Security and Welfare	26.83	5.91 (22)
25.	45- Co-Operation	17.27	8.76 (51)
26.	51- Fisheries	2.93	1.42 (48)
27.	55- Power Projects	99.46	52.99 (53)
28.	56- Road Transport	15.75	5.92 (38)
29.	65- SCERT	3.11	1.53 (49)
30.	70- Horticulture	3.12	2.20 (71)
31.	72- Land Resource Development	8.50	1.50 (18)
32.	78- Information Technology and Technical Education	3.64	1.47 (40)
Capital Section (Charged)			
33.	75- Servicing of Debt	588.48	146.96 (25)

Source: Appropriation Accounts 2006-07

APPENDIX—2.3

Statement showing excess expenditure over budget provision which requires regularisation under Article 205 of the Constitution of India
(Reference: Paragraph 2.3.2 (i); Page 32)

Sl No	Number and name of the grant/appropriation	Total grant/ appropriation	Total expenditure	Excess
(1)	(2)	(3)	(4)	(5)
Revenue Section (Voted)		(Rs.)	(Rs.)	(Rs.)
1.	7- State Excise	57462000	58237836	775836
2.	8- Sales Tax	43205000	43701124	496124
3.	9- Taxes on Vehicles	24558000	24713390	155390
4.	11- District Administration & Special Welfare Schemes	373196000	410157552	36961552
5.	12- Treasury and Accounts Administration	85289000	85509038	220038
6.	14- Jails	86776000	86777564	1564
7.	21- Relief of Distress Caused by Natural Calamities	47500000	56425000	8925000
8.	22- Civil Supplies	69105000	69651571	546571
9.	26- Civil Secretariat	442058000	442612345	554345
10.	31- School Education	2728783000	2758164537	29381537
11.	35- Medical, Public Health and Family Welfare	1099741000	1179078258	79337258
12.	36- Urban Development	35092000	42258500	7166500
13.	43- Social Security and Welfare	490517000	493653253	3136253
14.	47- Weights and Measures	29788000	31730927	1942927
15.	49- Soil and Water Conservation	343682000	348292134	4610134
16.	60- Water Supply Schemes	230448000	272771354	42323354
17.	64- Housing	220548000	232675253	12127253
18.	68- Police Engineering Project	35612000	40877856	5265856
19.	70- Horticulture	100790000	102793000	2003000
Total Revenue Section (Voted)		6544150000	6780080492	235930492
Capital Section (Voted)				
20.	22- Civil Supplies	59630000	62460185	2830185
21.	32- Higher Education	50500000	51510000	1010000
22.	41- Labour	2200000	7200000	5000000
23.	54- Mineral Development	61500000	62053025	553025
24.	58- Roads and Bridges	1610190000	1723167793	112977793
25.	60- Water Supply Schemes	458368000	487584307	29216307
26.	62- Civil Administration Works	205500000	230321521	24821521
27.	64- Housing	353203000	356870557	3667557
28.	68- Police Engineering Project	110800000	154261110	43461110
Total:- Capital (Voted)		2911891000	3135428498	223537498
Revenue Section (Charged)				
29.	4- Administration of Justice	15394000	16232421	838421
30.	80- State Information Commission	5657000	5661000	4000
Total Revenue Section (Charged)		21051000	21893421	842421
Grand Total		9477092000	9937402411	460310411

Source: Appropriation Accounts and Detailed Appropriation Accounts 2006-07

(a) Revenue Section Voted – Rs.23,59,30,492

Charged- Rs. 8,42,421

Total: Rs.23,67,72,913 i.e. Rs.23.68 crore

(b) Capital Section Voted – Rs.22,35,37,498

Charged- NIL

Total: Rs.22,35,37,498 i.e. Rs.22.35 crore

Total Rs.46.03 crore

APPENDIX – 2.4

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.3.4(a); Page 33)

(Rupees in lakh)

Sl.No.	Number and name of the grant/appropriation	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)			
1.	42- Rural Development	18.34	65.00
2.	45- Co-operation	67.92	267.79
3.	51- Fisheries	125.69	190.77
4.	58- Roads and Bridges	147.58	1433.28
5.	59- Irrigation and Flood Control	373.97	1174.96
6.	67- Home Guards	14.73	99.69
7.	72- Land Resources Development	188.39	2602.68
8.	75- Servicing of Debt	776.98	899.67
9.	78- Information Technology & Technical Education	404.79	564.79
Total Revenue Section (Voted)		2118.39	7298.63
Capital Section (Voted)			
10.	14- Jails	237.00	237.00
11.	31- School Education	428.09	503.62
12.	35- Medical, Public Health and Family Welfare	424.51	989.80
13.	45- Co-operation	700.00	876.49
14.	50- Animal Husbandry and Dairy Development	20.00	41.68
15.	51- Fisheries	100.00	142.38
16.	53- Industries	92.77	170.32
17.	72- Land Resource Development	99.92	149.92
Total Capital Section (Voted)		2102.29	3111.21
Grand Total		4220.68	10409.84

Source: Appropriation Accounts 2006-07

APPENDIX – 2.5

**Statement showing cases where the supplementary grants were made in excess of actual requirement exceeding Rs.10 lakh
(Reference: Paragraph 2.3.4(b); Page 33)**

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
Revenue section (Voted)						
1.	3- Council of Ministers	4.45	0.88	5.33	5.21	0.12
2.	4- Administration of Justice	5.82	0.64	6.46	6.01	0.45
3.	5- Election	2.69	0.39	3.08	2.95	0.13
4.	16- State Guest House	4.69	0.36	5.05	4.88	0.17
5.	25- Land Records and Survey	7.88	1.88	9.76	9.45	0.31
6.	28- Civil Police	283.61	34.33	317.94	315.54	2.40
7.	30- Administrative Training Institute	1.87	0.20	2.07	1.95	0.12
8.	32- Higher Education	35.26	15.77	51.03	36.55	14.48
9.	37- Assistance to Municipalities and Development Works	9.46	4.73	14.19	9.59	4.60
10.	39- Tourism	5.20	0.21	5.41	5.24	0.17
11.	42- Rural Development	44.45	0.19	44.64	43.99	0.65
12.	45- Co-operation	10.43	0.68	11.11	8.43	2.68
13.	46- Statistics	7.02	0.66	7.68	7.56	0.12
14.	48- Agriculture	44.17	6.69	50.86	48.50	2.36
15.	51- Fisheries	10.13	1.26	11.39	9.48	1.91
16.	53- Industries	29.49	2.52	32.01	30.68	1.33
17.	55- Power Projects	100.08	17.08	117.16	113.67	3.49
18.	56- Road Transport	18.79	1.08	19.87	19.73	0.14
19.	58- Roads and Bridges	76.29	1.48	77.77	63.44	14.33
20.	59- Irrigation and Flood Control	41.30	3.74	45.04	33.29	11.75
21.	67- Home Guards	7.91	0.15	8.06	7.06	1.00
22.	72- Land Resource Development	43.65	1.88	45.53	19.50	26.03
23.	75- Servicing of Debt	280.91	7.77	288.68	279.69	8.99
24.	76- Women Welfare	8.26	1.96	10.22	9.57	0.65

Sl. No.	Number and name of the grant/appropriation	Original	Supplementa ry	Total	Expenditure	Savings
25.	78- Information Technology & Technical Education	13.69	4.05	17.74	12.09	5.65
26.	79- Border Affairs	1.31	0.45	1.76	1.63	0.13
	Total Revenue (Voted)	1098.81	111.03	1209.84	1105.68	104.16
Capital Section (Voted)						
27.	4- Administration of Justice	2.61	7.90	10.51	8.12	2.39
28.	7- State Excise	0.00	1.61	1.61	0.74	0.87
29.	14- Jails	4.60	2.37	6.97	4.60	2.37
30.	31- School Education	7.69	4.28	11.97	6.93	5.04
31.	35- Medical, Public Health and Family Welfare	23.48	4.25	27.73	17.83	9.90
32.	36- Urban Development	49.71	22.00	71.71	56.74	14.97
33.	38- Information and Public Relations	1.80	0.05	1.85	1.67	0.18
34.	43- Social Security and Welfare	7.83	19.00	26.83	20.92	5.91
35.	45- Co-operation	10.26	7.00	17.26	8.50	8.76
36.	50- Animal Husbandry and Dairy Development	3.50	0.20	3.70	3.28	0.42
37.	51- Fisheries	1.93	1.00	2.93	1.51	1.42
38.	53- Industries	20.87	0.92	21.79	20.09	1.70
39.	69- Fire Service	0.30	0.50	0.80	0.43	0.37
40.	72- Land Resource Development	7.50	1.00	8.50	7.00	1.50
41.	77- Development of Under Developed Areas	43.35	30.23	73.58	72.58	1.00
	Total Capital (Voted)	185.43	102.31	287.74	230.94	56.80
	Grand Total	1284.24	213.34	1497.58	1336.62	160.96

Source: Appropriation Accounts 2006-07.

APPENDIX – 2.6

Statement showing cases where supplementary provision was insufficient by more than Rs.10 lakh in each case
(Reference: Paragraph 2.3.4(c); Page 33)

(Rupees in crore)

Sl. No	Number & Name of Grant/Appropriation	Original	Supplementary	Total	Expenditure	Excess
Revenue Section (Voted)						
1.	11- District Administration and Special Welfare Schemes	36.11	1.21	37.32	41.02	3.70
2.	21- Relief of Distress Caused by Natural Calamities	3.94	0.81	4.75	5.64	0.89
3.	31- School Education	244.88	28.00	272.88	275.82	2.94
4.	35- Medical, Public Health and Family Welfare	104.64	5.34	109.98	117.91	7.93
5.	36- Urban Development	3.33	0.18	3.51	4.23	0.72
6.	43- Social Security and Welfare	44.44	4.62	49.06	49.37	0.31
7.	47- Weights and Measures	2.75	0.23	2.98	3.17	0.19
8.	49- Soil and Water Conservation	30.33	4.04	34.37	34.83	0.46
9.	60- Water Supply Schemes	21.77	1.27	23.04	27.27	4.23
10.	64- Housing	19.78	2.27	22.05	23.26	1.21
11.	68- Police Engineering	3.33	0.23	3.56	4.09	0.53
12.	70- Women Welfare	8.41	1.67	10.08	10.28	0.20
Total Revenue Section (Voted)		523.71	49.87	573.58	596.89	23.31
Capital Section (Voted)						
13.	22- Civil Supplies	1.04	4.93	5.97	6.25	0.28
14.	58- Roads & Bridges	115.21	45.81	161.02	172.32	11.30
15.	62- Civil Administration Works	19.93	0.62	20.55	23.03	2.48
16.	64- Housing	26.82	8.50	35.32	35.69	0.37
Total Capital Section (Voted)		163.00	59.86	222.86	237.29	14.43
Grand Total		686.71	109.73	796.44	834.18	37.74

Source: Appropriation Accounts 2006-07

APPENDIX—2.7

Statement showing persistent savings in excess of Rs.10 lakh in each case and 10 per cent or more of the provision during 2004-05 to 2006-07
(Reference: Paragraph 2.3.5; Page 34)

(Rupees in crore)

Sl No	Number and name of the grant/appropriation	Amount of savings (percentage of savings)		
		2004-05	2005-06	2006-07
Revenue Section (Voted)				
1.	18- Pensions and Other Retirement Benefits	45.62 (25)	23.50 (12)	31.26 (13)
2.	34- Art and Culture and Gazetteers Unit	5.18 (60)	2.30 (26)	6.45 (44)
3.	37- Assistance to Municipalities and Development Works in Towns	7.33 (89)	4.60 (49)	4.60 (32)
4.	66- Sericulture	5.57 (51)	5.14 (46)	5.61 (48)
5.	72- Land Resource Development	13.55 (43)	6.62 (13)	26.03 (57)
6.	73- State Institute of Rural Development	1.39 (47)	1.40 (43)	1.16 (30)
7.	78- Information Technology and Technical Education	2.14 (19)	5.50 (23)	5.65 (32)
Capital Section (Voted)				
8.	4- Administration of Justice	1.27 (55)	0.70 (30)	2.39 (23)
9.	7- State Excise	1.06 (53)	1.33 (45)	0.87 (54)
10.	14- Jails	0.62 (16)	2.39 (52)	2.37 (34)
11.	27- Planning Machinery	12.15 (52)	32.32 (72)	49.67 (81)
12.	31- School Education	2.46 (92)	1.23 (27)	5.04 (42)
13.	33- Youth Resources and Sports	14.32 (64)	10.79 (41)	3.84 (11)
14.	35- Medical, Public Health and Family Welfare	12.73 (23)	28.38 (67)	9.90 (36)
15.	36- Urban Development	10.20 (42)	40.21 (61)	14.97 (21)
16.	39- Tourism	9.56 (57)	10.43 (76)	3.88 (38)
17.	45- Co-operation	3.21 (96)	3.02 (14)	8.76 (51)
18.	51- Fisheries	1.07 (58)	0.43 (19)	1.42 (48)
19.	55- Power Projects	36.48 (45)	22.66 (23)	52.99 (53)
20.	56- Road Transport	6.30 (46)	3.90 (37)	5.92 (38)
21.	65- State Council of Educational Research and Training	0.57 (15)	1.31 (54)	1.53 (49)
22.	70- Horticulture	2.00 (67)	0.92 (51)	2.20 (71)
Capital Section (Charged)				
23.	75- Servicing of Debt	148.98 (21)	342.04 (47)	146.96 (25)

Source: Appropriation Accounts 2004-05, 2005-06 and 2006-07

APPENDIX- 2.8

Statement showing significant cases of excess expenditure by more than Rs.50 lakh and 10 per cent or more of the total provision during 2006-07
(Reference: Paragraph 2.3.6; Page 34)

(Rupees in crore)

Sl. No. (1)	Number and name of the grant/appropriation (2)	Total provision	Actual expenditure	Amount of excess (percentage of excess) (3)
Revenue section (voted)				
1.	21- Relief of Distress Caused by Natural Calamities	4.75	5.64	0.89 (19)
2.	36- Urban Development	3.51	4.23	0.72 (21)
3.	60- Water Supply Schemes	23.04	27.28	4.23 (18)
4.	68- Police Engineering Project	3.56	4.09	0.53 (15)
Capital section (voted)				
5.	62- Civil Administration Works	20.55	23.03	2.48 (12)
6.	68- Police Engineering Project	11.08	15.43	4.35 (39)

Source: Appropriation Accounts 2006-07

APPENDIX-2.9

Statement showing the grant-wise details where expenditure was incurred without budget provision

(Reference: Paragraph 2.3.7; Page 34)

(Rupees in lakh)

Sl. No	Grant/ Appropriation Number	Head of Account	Budget Provison	Re- appropriation	Expenditure
1.	4	2014-800-02- Upgradation of Judicial Administration under Award of 11 th Finance Commission	0.00	0.00	13.04
2.	21	2245-02-101- Gratuitous Relief	0.00	0.00	453.00
3.	36	2217-800-06-Slum Improvement	0.00	0.00	85.04
4.	36	4217-051-19-Special Development Fund for Nagaland and Schemes under NLCPR (CSS)	0.00	0.00	1806.17
5.	39	5452-800-11- Development of Tourist Circuits	0.00	0.00	70.80
6.	48	2401-001-103-03- Tizit Seed Farm	0.00	0.00	3.49
7.	48	2401-001-119-01- Baghty Fruit Nursery	0.00	0.00	11.91
8.	48	2401-001-119-02- Naginimora Garden	0.00	0.00	3.85
9.	48	2415-271-03- Namsa Demonstration Garden	0.00	0.00	0.52
10.	50	2415-277-04- Bull Calf Rearing Centres	0.00	0.00	1.92
11.	50	2415-277-103-05- Poultry Farm, Wokha	0.00	0.00	8.29
12.	51	2405-101-01-Jorpukhuri Fish Farm Dimapur	4.90	-4.90	4.90
13.	51	2405-101-02 Thimlak Fish Farm	2.18	-2.18	2.18
14.	51	2405-101-03- Wokha Demonstration Farm	1.36	-1.36	1.36
15.	51	2405-101-05-Tizit Demonstration Farm cum Experimental Tank	5.34	-5.34	5.34
16.	51	2405-101-08-Asukhomi Fish Farm	1.53	-1.53	1.52
17.	51	2405-101-10-Brooder Farm, Dimapur	8.39	-8.39	8.39
18.	53	2851-800-04-Grants in-aid/contribution/subsidies	0.00	0.00	241.14
19.	58	3054-799-01- Suspense Stock	0.00	0.00	10.81
20.	59	2702-800-05- Medium Irrigation Project	5.00	-5.00	46.74

Sl. No	Grant/ Appropriation Number	Head of Account	Budget Provision	Re- appropriation	Expenditure
21.	60	2215-799—02-Suspense Stock	0.00	0.00	11598.03
22.	60	2215-799—04-Suspense MPWA	0.00	0.00	26.35
23.	65	4202-800-14- Buildings (CSS)	50.00	-50.00	97.50
24.	70	2552-119-04- Development/Rejuvenation of plantation Corps	0.00	0.00	20.00
25.	75	2049-01-123- Interest on Internal Debt	0.00	0.00	1010.55
26.	75	2409-104- Interest on Loans for Non Plan Schemes	0.00	0.00	210.17
27.	75	6004-111- Special Securities issued to National Small Savings Fund of the Central Government	0.00	0.00	96.67
28.	75	6004-800-105-Small Saving Loans	0.00	0.00	2.40
Total			78.70	-78.70	15842.08

Source: Appropriation Accounts 2006-07

APPENDIX-2.10

Statement showing anticipated savings of Rs.1 crore and above not surrendered during 2006-07

(Reference: Paragraph 2.3.8; Page 34)

<i>(Rupees in crore)</i>				
Sl.No.	Number and name of Grant/ Appropriation	Total savings	Amount surrendered	Unsurrendered savings
Revenue Section (Voted)				
1.	18- Pensions and Other Retirement Benefits	31.26	9.30	21.96
2.	37- Assistance to Municipalities and Development Works	4.60	0.00	4.60
3.	55- Power Projects	3.49	2.39	1.10
4.	58- Roads & Bridges	14.33	0.00	14.33
Total Revenue Section (Voted)		53.68	11.69	41.99
Capital Section (Voted)				
5.	31- School Education	5.04	1.28	3.76
6.	39- Tourism	3.88	0.02	3.86
7.	43- Social Security & Welfare	5.91	0.00	5.91
8.	55- Power Projects	52.99	46.74	6.25
9.	58- Roads & Bridges	11.30	0.10	11.20
Total Capital Section (Voted)		79.12	48.14	30.98
Revenue Section (Charged)				
10.	75- Servicing of Debt	9.00	0.00	9.00
Total Revenue Section (Charged)		9.00	0.00	9.00
Capital Section (Charged)				
11.	75- Servicing of Debt	146.96	89.53	57.43
Total Capital Section (Charged)		146.96	89.53	57.43
Grand Total		288.76	149.36	139.40

Source: Appropriation Accounts 2006-07

APPENDIX—2.11

Statement showing surrender of amounts in excess of savings
(Reference: Paragraph 2.3.9; Page 34)

(Rupees in lakh)

Sl.No.	Number and name of grant/appropriation	Amount of savings	Amount Surrendered	Amount surrendered in excess
1	2	3	4	5
Revenue Section (Voted)				
1.	4- Administration of Justice	45.08	51.52	6.44
2.	6- Land Revenue	0.28	1.16	0.88
3.	20-Relief, Rehabilitation	1.58	1.81	0.23
4.	27- Planning Machinery	1.27	18.65	17.38
5.	28- Civil Police	240.53	388.63	148.10
6.	34- Art and Culture and Gazetteers Unit	644.82	650.00	5.18
7.	41- Labour	0.34	1.08	0.74
8.	45- Co-operation	267.79	298.26	30.47
9.	48- Agriculture	236.22	278.75	42.53
10.	51- Fisheries	190.77	229.21	38.44
11.	52- Forest	1503.27	1557.84	54.57
12.	53- Industries	133.02	152.31	19.29
13.	54- Mineral Development	1.67	2.53	0.86
14.	72- Land Resource Development	2602.68	2927.68	325.00
15.	78- Information Technology & Technical Education	564.79	567.47	2.68
Total Revenue Section (Voted)		6434.11	7126.90	692.79
Capital Section (Voted)				
16.	4- Administration of Justice	239.25	240.00	0.75
17.	35- Medical, Public Health and Family Welfare	989.80	1299.20	309.40
18.	36- Urban Development	1496.91	4354.99	2858.08
19.	65- SCERT	152.65	250.15	97.50
Total Capital Section (Voted)		2878.61	6144.34	3265.73
Revenue Section (Charged)				
20	10- Public Service Commission	0.97	1.15	0.18
Total Revenue Section (Charged)		0.97	1.15	0.18
Grand Total:-		9313.69	13272.39	3958.70

Source: Appropriation Accounts 2006-07

APPENDIX—2.12
Statement showing grant-wise details of recoveries adjusted in reduction of
expenditure during the year 2006-07
(Reference: Paragraph 2.3.10; Page 34)

Number and name of grant	Budget Estimates	Actuals	Actuals compared with estimates	
			Excess (+)	Less (-)
31- School Education	8844000	0	0	8844000
35- Medical, Public Health and Family Welfare	27015000	14982000	0	12033000
36- Urban Development	31838000	55714000	23876000	0
53- Industries	4389000	0	0	4389000
55- Power Projects	23058000	3145000	0	19913000
56- Road Transport	3164000	0	0	3164000
58- Roads and Bridges	45528000	71284000	25756000	0
60- Water Supply Schemes	11230000	858000	0	10372000
62- Civil Administration Works	22928000	30191000	7263000	0
64- Housing	26227000	12727000	0	13500000
68- Police Engineering Project	12747000	8068000	0	4679000
Total	216968000	196969000	56895000	76894000

Source: Appendix of Appropriation Accounts 2006-07

APPENDIX-3.1

Statement showing short receipt of foodgrains by blocks

(Reference: paragraph 3.2.9.2; page 64)

(In quintals)

Name of District	Name of block	Year	Food grains issued by the DRDA		Food grains received by the Block		Short receipt of foodgrains by the Block	
			Rice	Wheat	Rice	Wheat	Rice	Wheat
Dimapur	Medziphema (VDB allocation)	2003-04	4016.78	1331.90	2374.33	793.45	1642.45	538.45
Tuensang	Sangsangyu	2002-03	0.00	2757.75	0.00	83.70	0.00	2674.05
		2004-05	1047.35	0.00	518.95	0.00	528.40	0.00
	Thonoknyu	2003-04	500.30	500.31	195.65	195.65	304.65	304.66
	Shamatore	2002-03 (SGRY-II)	1667.10	0.00	167.10	0.00	1500.00	0.00
		2003-04 (SGRY-I)	895.50	895.47	352.10	352.10	543.40	543.37
Mon	Mon	2003-04	5299.69	1826.43	3076.00	1434.00	2223.69	392.43
Total			13426.72	7311.86	6684.13	2858.9	6742.59	4452.96

APPENDIX-3.2
Statement showing short receipt of foodgrains by VDBs
(Ref: paragraph 3.2.9.2; page 64)

(Quantity in quintals)

Name of VDBs	R/W	2002-03			2003-04			2004-05			2005-06			2006-07		
		Issued by Block	Recd by VDB	Diff	Issued by Block	Recd. by VDB	Diff	Issued by Block	Recd by VDB	Diff	Issued by Block	Recd. by VDB	Diff	Issued by Block	Recd by VDB	Difference
Kohima Block	R	79.05	74	5.05	289.39	110	179.39	122.10	77	45.10	77.52	77	0.52	192.80	90	102.80
	W	Nil	-	-	133.32	-	133.32	77.52	-	77.52	77.52	-	77.52	-	-	-
Khonoma	R	68.34	68	0.34	324.84	95	229.84	111.52	71	40.52	71.40	71	0.40	177.70	71	106.70
	W	-	-	-	68.50	-	68.50	71.40	-	71.40	71.40	-	71.40	-	-	-
Kohima Vill.	R	242.50	242	0.50	888.78	337	551.78	451.08	294	157.08	294.48	294	0.48	728.60	360	368.60
	W	-	-	-	410.20	-	410.20	294.48	-	294.48	294.48	-	294.48	-	-	-
Chedima	R	44.86	44	0.86	165	62	103.00	69.36	44	25.36	44.04	44	.04	110	50	60
	W	-	-	-	44.90	-	44.90	44.04	-	44.04	44.04	-	44.04	-	-	-
Mezoma	R	54.08	54	0.08	122.97	75	47.97	67.50	41	26.50	407.15	41	366.15	51.30	50	1.30
	W	-	-	-	91.52	-	91.52	41.04	-	41.04	407.15	-	407.15	-	-	-
Thekre-zuma	R	4.70	4.00	0.70	136	25	111.00	135	12	123	68.50	13	55.50	14.85	14	0.85
	W	-	-	-	359	-	359.00	130	-	130	81.50	-	81.50	-	-	-
Sub-Total	R	493.53	486	7.53	1926.98	704	1222.98	956.56	539	417.56	963.09	540	423.09	1275.25	635	640.25
	W			Nil	1107.44	-	1107.44	658.48	-	658.48	976.09	-	976.09	-	-	-
Tizit Block Tizit VDB	W	132.59	18.59	114	No discrepancy											
Grand Total	R	493.53	486	7.53	1926.98	704	1222.98	956.56	539	417.56	963.09	540	423.09	1275.25	635	640.25
	W	132.59	18.59	114	1107.44	-	1107.44	658.48	-	658.48	976.09	-	976.09	-	-	-

Total Difference: Rice – 2711.41 qtls , Wheat – 2856.01 qtls (2742.01+114)

APPENDIX-4.1

Statement showing details of fraudulent drawal of Gratuity in June 2006

(Reference: Paragraph 4.1; Page 97)

Sl. No.	T.V. No.	Date	STV No.	Date	Gratuity Authority No.	Date	Name of recipient	Amount (Rs.)
1	186	30/06/2006	156	26/06/2006	NL/34933	24/01/2002	T. Kezo	172000.00
2	185	30/06/2006	155	26/06/2006	NL/34932	16/03/2002	Veroyi	167000.00
3	184	30/06/2006	154	26/06/2006	NL/34935	07/04/2001	Vetha Vero	158000.00
4	183	30/06/2006	153	26/06/2006	NL/34934	19/02/2001	Bishnu Singh	196000.00
5	182	30/06/2006	152	26/06/2006	NL/20391	06/04/2001	T. Mero	385000.00
6	181	30/06/2006	151	26/06/2006	NL/20392	09/03/2001	Niengulo	264000.00
7	180	30/06/2006	150	26/06/2006	NL/34935	18/02/2002	P. Kedunyi	187300.00
8	179	30/06/2006	149	26/06/2006	NL/30269	01/06/2002	Puthayi	328000.00
9	178	30/06/2006	148	26/06/2006	NL/34931	24/06/2001	Ngulo Koza	296000.00
10	177	30/06/2006	147	26/06/2006	NL/34930	09/08/2002	K. Chakraborty	392000.00
11	176	30/06/2006	146	26/06/2006	NL/34929	04/09/2001	Vetsoyi Vero	289000.00
12	175	30/06/2006	145	26/06/2006	NL/34928	16/01/2002	L. Kikon	285000.00
13	174	30/06/2006	144	26/06/2006	NL/34926	10/11/2001	Pungoi Tetsoi	339000.00
14	173	30/06/2006	143	26/06/2006	NL/20389	07/02/2002	Losu Mao	185000.00
15	172	30/06/2006	142	26/06/2006	NL/20399	12/01/2001	John Rengma	362000.00
16	171	30/06/2006	141	26/06/2006	NL/34926	03/03/2002	Mohan Rai	285600.00
17	170	30/06/2006	140	26/06/2006	NL/34925	08/01/2002	Velato Shijoh	393000.00
Total								46,83,900

APPENDIX-4.2

Statement showing the fraudulent drawal of pay and allowances in respect of 8 to 46 employees by the Head Master, Government High School, Athibung during May, July, September and December 2005

(Reference: Paragraph 4.2; Page 98)

Month of drawal	TV No& Date	Sub vr. No.	No. of employees against whom pay was drawn	Amount drawn	No. of employees whose name does not appear in the staff list	Amount drawn against employees mentioned in the previous column
12/2005	83/8 of 07/12/2005	1	06	37164.00	No excess	No excess
		2	06	53837.00	02	17953.00
		3	17	197220.00	10	123879.00
	83/8 of 07/12/2005	51	16	202599.00	14	170929.00
		52	20	203860.00	20	203860.00
					46	
07/2005	581/8 of 01/07/2005	33	08	90880.00	08	90880.00
		32	09	90139.00	No excess	No excess
		31	05	42177.00	No excess	No excess
		30	06	36933.00	No excess	No excess
		89	06	64227.00	No excess	No excess
					08	
05/05	75/6 of 02/05/2005	17	06	36933.00	No excess	No excess
	11/8 of 02/05/2005	18	05	42177.00	No excess	No excess
		19	09	96974.00	No excess	No excess
		20	08	96759.00	08	96759.00
		21	03	24708.00	No excess	No excess
					08	
09/05	540/10 of 01/09/2005	13	06	6478.00	No excess	No excess
		72	07	66471.00	07	66471.00
		20	09	97201.00	No excess	No excess
		19	08	99254.00	08	99254.00
		18	06	37181.00	No excess	No excess
		17	05	42637.00	No excess	No excess
		71	10	94468.00	10	94468.00
		21	04	36244.00	04	36244.00
					29	
					Total	10,00,697.00

APPENDIX-4.3

Statement showing the unauthorised expenditure on appointment of ad-hoc teachers for the period from March 1993 to February 2006

(Reference: Paragraph 4.6 (B); Page 101)

(Rupees in lakh)

Sl. No.	Name of the School	Period of entertainment	No. of Ad-hoc appointees	Expenditure incurred on salary
1.	Government Higher Secondary School, Wokha	March 2001 to February 2006	7	24.89
2.	Government High School, Marengkong, Mokokchung	April 2002 to December 2005	5 to 9 (average=7)	22.48
3.	Government High School, Longchem, Mokokchung	July 2001 to December 2005	7	17.53
4.	Government High School, Kubolong, Mokokchung	March 1993 to December 2005	4	17.80
5.	Government High School, Zunheboto	March 2001 to December 2005	7	16.44
6.	Government High School, Suruhoto, Zunhaboto	August 2001 to December 2005	4	12.13
7.	Government High School, Kuhuboto, Dimapur	March 2001 to January 2006	2	8.91
			Total	120.18 Say Rs.1.20 crore

APPENDIX-4.4

Statement showing the extra payment made to the contractor

(Reference: Paragraph 4.9; Page 104)

Name of works	As per MB No.435 page Nos. 159-161		Qty. executed for which item rate paid and rate	Qty. for which labour charges paid and rate	Amount paid as labour charges as extra (Rs.)
	Sl. No. of item of work	Name of item of work			
G-Filter Media	228	Labour charges for spreading and laying first layer	2843.30 m ³ @Rs.1400 per m ³ =Rs.39,80,620 (vide Sl. 226 (a) of MB)	2843.30 m ³ @ Rs.460 per m ³	13,07,918
-DO-	229	Labour charges for spreading and laying second layer	1348.75 m ³ @Rs.1800 per m ³ =Rs.24,27,750 (vide Sl. 226 (b) of MB)	1348.75 m ³ @Rs.436 per m ³	5,88,055
H-Top Soil	230 (e)	Labour charges for spreading top soil	4089.86 m ³ (2044.89 m ³ -coarse silt and fine sand @ Rs.1440 per m ³ =Rs.29,44,641) (817.99 m ³ -humus @Rs.2000 per m ³ =Rs.16,35,980) (408.99 m ³ -coarse sand @Rs.1800 per m ³ =Rs.7,36,182) (817.99 m ³ - natural soil @Rs.200 per m ³ =Rs.1,63,598)	4089.97 m ³ @ Rs.365 per m ³	14,92,839
				Total	33,88,812

APPENDIX-7.1

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2007 in respect of Government companies

(Reference: Paragraph 7.1.3 and 7.1.4; Page 139)

(Figures in Col. 3 (a) to 4 (f) are rupees in crore)⁵

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of the current year					Equity/loans received out of the Budget during the year 2005-06		Other loans received during the year ⁶	Loans ⁷ outstanding at the close of the year			Debt equity ratio for 2006-07 4 (f)/3 (e) (previous year)
		State Govt.	Central Govt.	Holding companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	4 (a)	4 (b)	4 (c)	4 (d)	4 (e)	4 (f)	5
(A) Working Government Companies													
Industries and Commerce													
1	Nagaland Industrial Development Corporation Ltd., Dimapur	8.86 ⁸	--	--	4.73	13.59	0.30	--	5.28	--	24.74	24.74	1.82:1 (1.98:1)
2	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	5.27	1.22	--	--	6.49	0.15	--	--	0.73	--	0.73	0.11:1 (0.12:1)
3	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	1.24	--	--	--	1.24	--	--	--	--	0.39	0.39	0.32:1 (0.32:1)
4	Nagaland Hotels Ltd. Dimapur ⁹	0.07	--	0.40	--	0.47	--	--	--	10.49	--	10.49	22.32:1 (22.32:1)
Total of the sector		15.44	1.22	0.40	4.73	21.79	0.45	--	5.28	11.22	25.13	36.35	
Geology and Mining													
5	Nagaland State Mineral Development Corporation Ltd., Kohima	1.60	--	--	--	1.60	--	--	--	--	--	--	-- (0.34:1)
Total of the sector		1.60	--	--	--	1.60	--	--	--	--	--	--	
Total (A)		17.04	1.22	0.40	4.73	23.39	0.45	--	5.28	11.22	25.13	36.35	
(B) Non-working Government companies													
1	Nagaland Sugar Mills ¹⁰ Company Ltd., Dimapur ¹¹	4.96	--	--	--	4.96	--	--	--	--	--	--	--
Total (B)		4.96	--	--	--	4.96	--	--	--	--	--	--	
Grand total: (A+B)		22.00	1.22	0.40	4.73	28.35	0.45	--	5.28	11.22	25.13	36.35	

⁵ All figures are provisional as given by the companies.

⁶ Includes bonds, debentures, inter-corporate deposits etc.

⁷ Represents long term loans.

⁸ Includes share application money of Rs.2.34 crore.

⁹ Previous year's figures adopted since current year's figures not furnished

¹⁰ Figure of 1995-96 have been adopted as Company has not furnished information from 1996-97.

¹¹ Company closed down on 30.9.2001.

APPENDIX-7.2

Statement showing summarised financial results of Government companies for the latest year for which accounts were finalised
(Reference: Paragraphs 7.1.5, 7.1.6 and 7.1.8; Pages 139, 140 and 141)

(Figures in column 7 to 12 and 16 are Rupees in crore)

Sl No.	Name of the company	Name of the Department	Date of incorporation	Period for which accounts finalised	Year in which accounts finalised	Net Profit(+) / Loss(-)	Net impact of audit comments	Paid up capital	Accumulated Profit(+) / Loss(-)	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the company/corporation	Turnover	Manpower (No. of employees)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
A. Working Government Companies																
(i) Industries and Commerce																
1	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26/03/70	1997-98	2005-06	(-) 0.84	Remedial measures taken	11.25	(-) 10.60	14.06	0.95	6.76	9	Working	0.65	92
2	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	--do--	27/02/79	1983-84	2005-06	(-) 0.30	--do--	1.46	(-) 1.17	0.28	--	--	23	--do--	0.39	NA
3	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	- do -	28/03/73	1980-81	1999-00	(-) 0.49	--do--	1.10	(-) 0.49	0.26	--	--	26	--do--	0.85	32
4	Nagaland Hotels Ltd. ¹²	- do -	17/03/82	1987-88	2001-02	--	--	0.00002	--	--	--	--	19	--do--	--	--
Total of the Sector A(i)						(-) 1.63		13.81	(-) 12.26	14.60	0.95	6.51				
A (ii) Geology and Mining																
5	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1995-96	2007-08	--	--	0.00004	--	5.19	--	--	11	--do--	--	123
Total of the Sector A (ii)								0.00004	--	5.19	--	--				
Total: A						(-) 1.63		13.81	(-) 12.26	19.79	0.95	4.50				
B. Non-Working Government Companies																
1	Nagaland Sugar Mills Company Ltd., Dimapur ¹³	Industries and Commerce	22/03/73	1977-78	--	--	--	4.96	(-) 14.70	(-) 0.69	(-) 0.09	--	29	Non working	--	--
Total: B								4.96	(-) 14.70	(-) 0.69	(-) 0.09					
Grand total: (A+B)						(-) 1.63		18.77	(-) 26.96	19.10	0.86	4.50				

¹² Previous year's figures adopted as current year's figures not furnished by the Company.

¹³ Nagaland Sugar Mills Co. Ltd., Dimapur was closed down with effect from 30.9.2001. Figures of 1995-96 have been adopted as Company has not furnished information from 1996-97.

APPENDIX-7.3

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2007
(Reference: Paragraph 7.1.4, 7.1.5 and 7.1.7; Pages 139 & 140)

(Figures in column 3(a) to 7 are in Rupees in crore)

Sl. No.	Name of the company	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year 2007					Waiver of dues during the year 2006-07				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contractors	Total	Loan repayment written off	Interest waived	Penal interest	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
Government companies Sector																
A. Industries and Commerce																
1	Nagaland Industrial Development Corporation Ltd., Dimapur	--	3.44	--	3.44	--	5.28	--	--	5.28	--	--	--	--	--	--
2	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	--	0.60	--	0.60	--	--	--	--	--	--	--	--	--	--	--
3	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	--	1.30	--	1.30	--	--	--	--	--	--	--	--	--	--	--
Total - A		--	5.34	--	5.34	--	5.28	--	--	5.28	--	--	--	--	--	--
B. Geology and Mining																
1	Nagaland State Mineral Development Corporation Ltd., Kohima	--	--	--	--	--	--	--	--	--	0.54	--	--	0.54	--	--
Total - B		--	--	--	--	--	--	--	--	--	0.54	--	--	0.54	--	--
Grand total		--	5.34	--	5.34	--	5.28	--	--	5.28	0.54	--	--	0.54	--	--