

15/15/09

00500



सत्यमेव जयते

1308

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

**FOR THE YEAR ENDED
31 MARCH 2006**

GOVERNMENT OF NAGALAND

REPORT OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA
FOR THE YEAR ENDED
31 MARCH 2006
GOVERNMENT OF NAGALAND



COMPTROLLER AND AUDITOR GENERAL OF INDIA
2007

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

Presented before
the State Legislature
on

200307.

**FOR THE YEAR ENDED
31 MARCH 2006**

GOVERNMENT OF NAGALAND

<http://cagindia.org/states/nagaland/2006>

1000
1000

TABLE OF CONTENTS

	Reference to	
	Paragraph	Page(s)
<i>Preface</i>		(viii)
<i>Overview</i>		(ix)-(xv)
CHAPTER-I		
FINANCES OF THE STATE GOVERNMENT		
Introduction	1.1	1
Overview of Fiscal Situation of the State	1.2	3
Audit Methodology	1.3	4
State Finances by key indicators	1.4	5
Application of resources	1.5	8
Expenditure by Allocative Priorities	1.6	14
Assets and liabilities	1.7	19
Undischarged liabilities	1.8	22
Management of deficits	1.9	24
Fiscal ratios	1.10	25
Impact of Government Policies	1.11	26
Conclusion	1.12	27
CHAPTER-II		
ALLOCATIVE PRIORITIES AND APPROPRIATION		
Summary of Appropriation Accounts	2.1	29
Fulfilment of Allocative Priorities	2.2	30
Home Department		
Non-submission of Detailed Countersigned Contingent Bills	2.3	35
CHAPTER-III		
PERFORMANCE AUDIT		
Department of Health & Family Welfare		
Health Care Services	3.1	37
Department of Social Welfare and Women Development		
Integrated Child Development Services (ICDS) Scheme	3.2	56
Department of School Education		
Sarva Shiksha Abhiyan	3.3	72
Power Department		
Billing and Collection in Power Department With Specific Emphasis on Transmission and Distribution Loss	3.4	89

CHAPTER-IV		
AUDIT OF TRANSACTIONS		
	Reference to	
	Paragraph	Page(s)
Finance Department		
Fraudulent drawal of pension	4.1	101
Avoidable payment	4.2	102
School Education Department		
Fraudulent drawal of Pay and Allowances	4.3	103
Distribution of Free Text Books	4.4	104
Wasteful expenditure due to deployment of excess teachers	4.5	106
Extra expenditure	4.6	107
Horticulture Department		
Centrally Sponsored Scheme fund misappropriated/unaccounted	4.7	108
Diversion of funds	4.8	109
Excess payment to suppliers	4.9	110
Home (Police) Department		
Locking up of funds resulted in loss of interest	4.10	111
Home (General Administration) Department		
Extra expenditure due to deployment of excess staff	4.11	112
Public Health Engineering Department		
Unproductive expenditure	4.12	113
Power Department		
Undue benefit to contractor	4.13	114
Transport Department		
Unproductive expenditure	4.14	115
Public Works Department		
Excess payment to suppliers and diversion of funds	4.15	116
Power Department and Finance Department		
Diversion of funds	4.16	117
General		
Home (Police & General Administration) Department and Health & Family Welfare Department		
Failure of Senior Officers to enforce accountability and protect interests of Government	4.17	119
CHAPTER-V		
INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT		
Transport and Communication Department		
Internal control system in Transport and Communication Department	5.1	121
CHAPTER-VI		
REVENUE RECEIPTS		
General		
Trend of revenue receipts	6.1.1	131
Variations between Budget estimates and actuals	6.1.4	133

	Reference to	
	Paragraph	Page(s)
Cost of collection	6.1.5	134
Analysis of arrear of revenue	6.1.6	135
Write-off and waiver of revenue	6.1.7	135
Outstanding audit reports and audit observations	6.1.8	135
PARAGRAPHS		
Public Works Department		
Unauthorised retention/misappropriation of Government receipts	6.2	136
Industries and Commerce Department		
Non remittance of revenue	6.3	137
Veterinary and Animal Husbandry Department		
Non remittance/misappropriation of revenue	6.4	138
CHAPTER-VII		
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES		
Overview of Government Companies	7.1	139
Introduction	7.1.1	139
Working Public Sector Undertakings		
Investment in working PSUs	7.1.2	139
Sector wise investment in working Government Companies	7.1.3	140
Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity	7.1.4	141
Finalisation of accounts by working Government companies	7.1.5	141
Financial position and working results of working PSUs	7.1.6	142
Loss incurring companies	7.1.7	142
Return on capital employed	7.1.8	143
Non-working Public Sector undertakings		
Investment in non-working PSUs	7.1.9	143
Results of audit by Comptroller and Auditor General of India		
Persistent irregularities and system deficiencies in financial matters of PSUs	7.1.10	143
Internal Audit/Internal Control	7.1.11	144
Response to Inspection Reports	7.1.12	144
Position of discussion of Commercial chapters of Audit Report by the Committee on Public Undertakings	7.1.13	145
Departmentally managed Government commercial/quasi-commercial undertakings		
Proforma accounts of departmentally managed commercial/quasi commercial undertakings	7.1.14	145

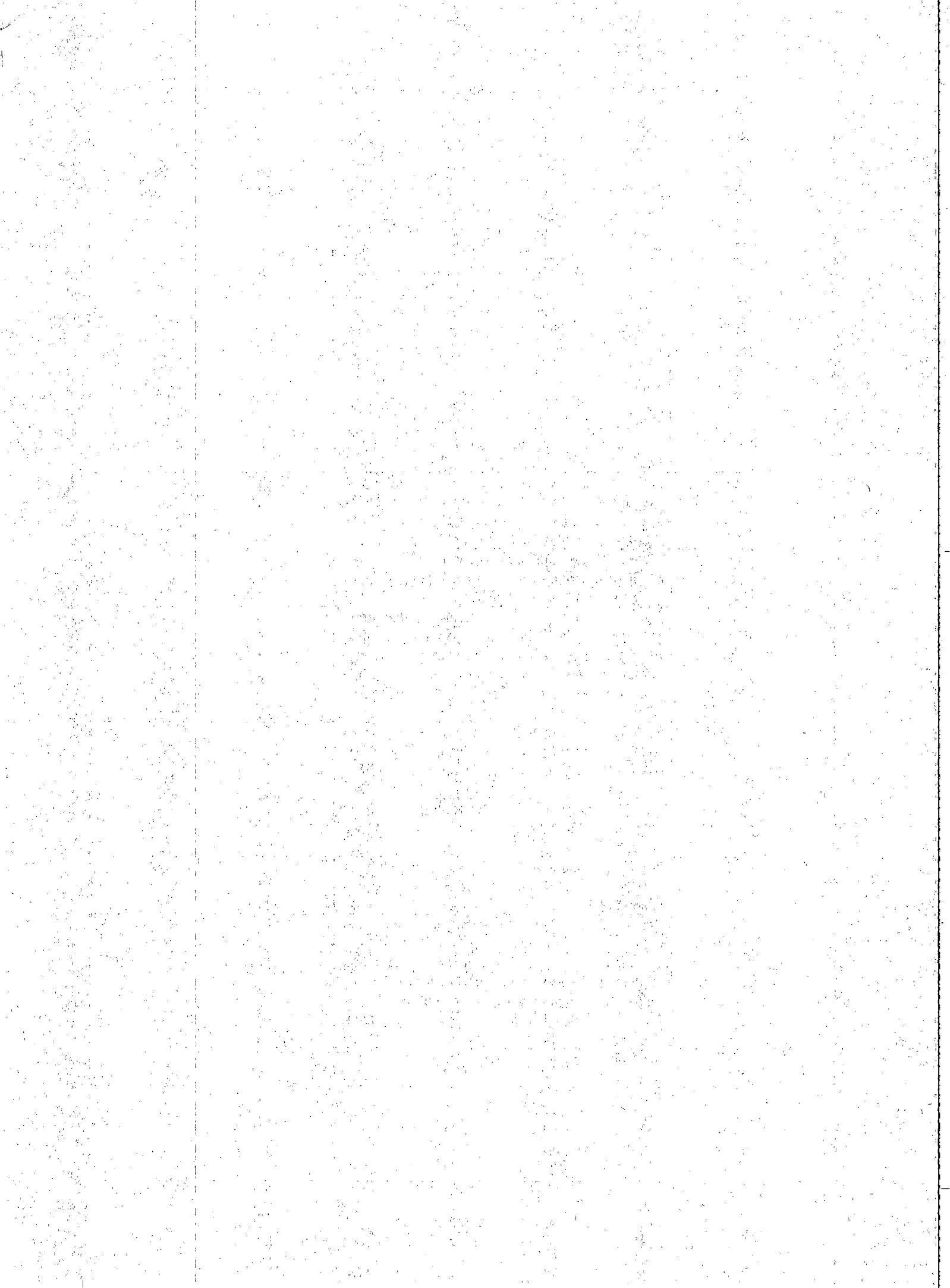
PERFORMANCE AUDIT		
Industries and Commerce Department		
Working of Nagaland Industrial Development Corporation Ltd., including Loan Recovery Performance	7.2	147

APPENDICES			
		Reference to	
		Paragraph (s)	Page(s)
I	Part-A: Structure and Form of Government Accounts	1.1	165
	Part-B: Layout of Finance Accounts	1.1	166 - 167
	Part-C: List of terms used in Chapter-I and basis for their calculation	1.3	168
II	Summarised financial position of the Government of Nagaland as on 31 March 2006	1.3 & 1.7	169
III	Abstract of receipts and disbursements for the year 2005-2006	1.3	170-171
IV	Sources and application of funds	1.3	172
V	Time series data on State Government finances	1.3 & 1.7	174 - 175
VI	Details of department-wise break-up of outstanding Utilisation Certificates	1.6.5	176
VII	Statement showing names of the bodies and authorities, the accounts of which were in arrears	1.6.6	177
VIII	Statement showing the department-wise status of arrears of revenue as on 31 March 2006	1.4.2	178
IX	Statement showing the entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports in respect of Autonomous Bodies and its placement in the Parliament/Legislature	1.6.7	179
X	Statement showing impact of Government Polices in the State	1.11	180 - 181
XI	Statement showing areas in which major savings occurred	2.2.1	182
XII	Statement showing savings exceeding Rs.50 lakh and also by more than 10 per cent of total provision	2.2.1	183
XIII	Statement showing excess expenditure over budget provision which requires regularization under Article 205 of the Constitution	2.2.2 (i)	184
XIV	Statement showing cases where supplementary provision was unnecessary	2.2.4(a)	185
XV	Statement showing cases where the supplementary grants were made in excess of actual requirement exceeding Rs.10 lakh	2.2.4(b)	186 - 187

Audit Report (Civil) for the year ended 31 March 2006

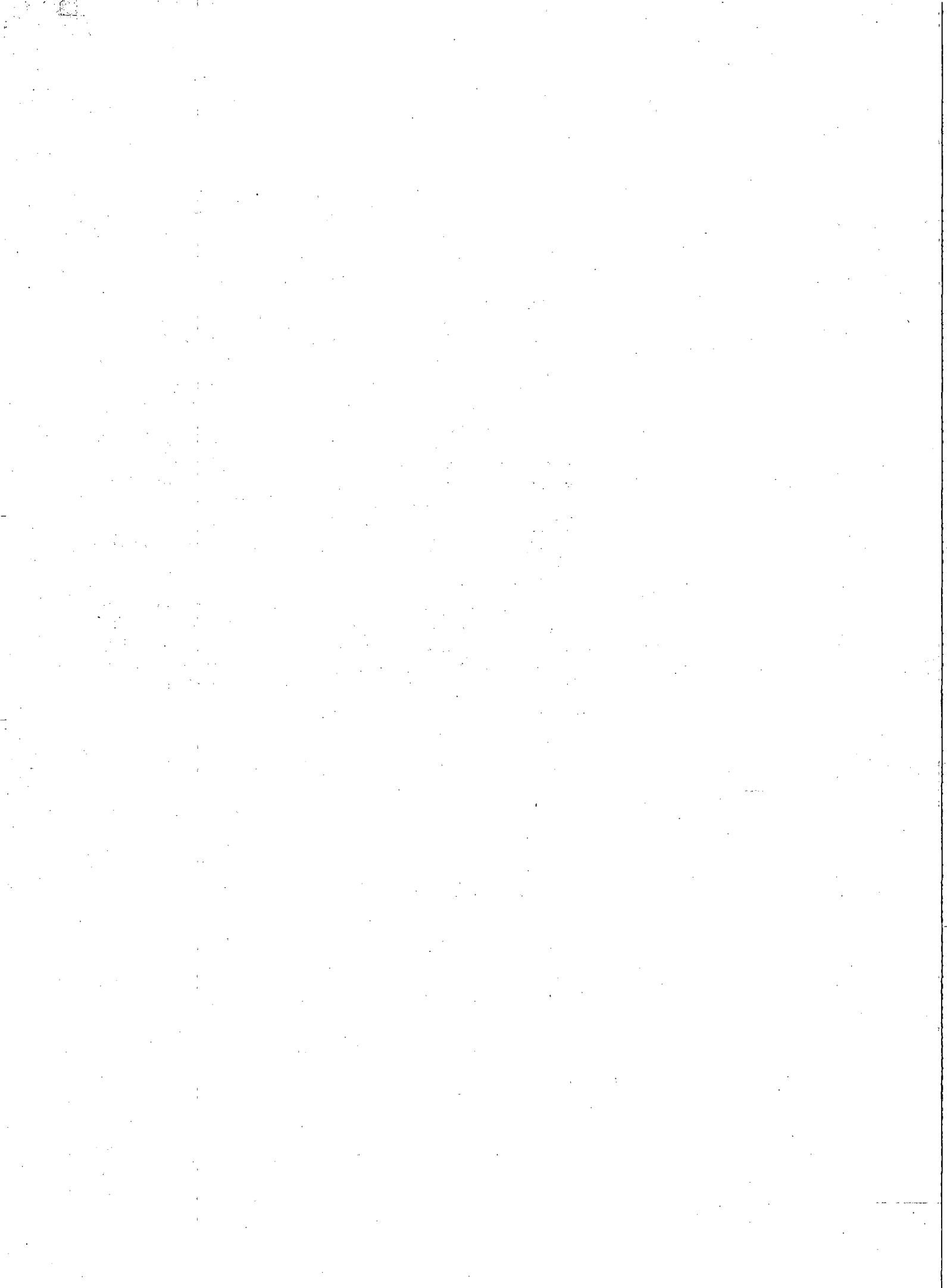
		Reference to	
		Paragraph (s)	Page(s)
XVI	Statement showing cases where supplementary grants was insufficient by more than Rs.10 lakh in each case	2.2.4(c)	188
XVII	Statement showing persistent savings in excess of Rs.10 lakh in each case and 10 per cent or more of the provision during 2003-04 to 2005-06	2.2.5	189
XVIII	Statement showing significant cases of excess expenditure by more than Rs.50 lakh and 10 per cent or more of the total provision during 2005-06	2.2.6	190
XIX	Statement showing the grant-wise details where expenditure was incurred without budget provision	2.2.7	190
XX	Statement showing anticipated savings of Rs.1 crore and above not surrendered during 2005-06	2.2.8	191
XXI	Statement showing surrender of funds in excess of savings	2.2.9	192
XXII	Statement showing grant-wise details of recoveries adjusted in reduction of expenditure during the year 2005-06	2.2.10	193
XXIII	Statement showing amount drawn through AC Bills	2.3	194 - 195
XXIV	Statement showing the value of medicines issued to different field units from the central medical store of DHS without any demand	3.1.11.2	196
XXV	Statement showing the equipment and medicines required for SARS as per action plan	3.1.16	197
XXVI	Statement showing the Health Care Centres for which Department does not have any information where those centres are housed	3.1.26	198
XXVII	Statement showing the Health Care Centres working in dilapidated buildings requiring either major repairs or new construction (test checked district)	3.1.27	199
XXVIII	Statement showing the number of beneficiaries identified and covered under various components of scheme during 2001-02 to 2005-06	3.2.9 & 3.2.18	200
XXIX	Statement showing the non-receipt of ICDS materials by the test checked CDPOs during 2001-02 to 2005-06	3.2.17	201
XXX	Statement showing the target and achievement on training of several ICDS functionaries conducted 2001-02 to 2005-06	3.2.26	202
XXXI	Statement showing the district-wise break-up of Civil Works targeted during 2002-03 to 2004-05	3.3.9	203 - 204
XXXII	Statement showing short billing	3.4.12	205

		Reference to	
		Paragraph (s)	Page(s)
XXXIII	Statement showing closing of revenue at the end of each month division wise	3.4.21	206
XXXIV	Statement showing excess drawal of pay and allowances	4.3	207
XXXV	Statement showing duplication in issue of free text books	4.4.2.3	208
XXXVI	Statement showing payment of pay and allowances in excess of actual deployment of staff	4.6	208
XXXVII	Statement showing year wise advances paid for various purposes	4.7	209
XXXVIII	Statement showing extra expenditure due to deployment of excess staff.	4.11	209
XXXIX	Statement showing fund released by GOI and GON	4.16	210
XL	Statement showing particulars of upto date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2006 in respect of Government Companies	7.1.3 & 7.1.4	211
XLI	Statement showing summarised financial results of Government companies for the latest year for which accounts were finalised	7.1.5, 7.1.6 & 7.1.8	212
XLII	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 2006	7.1.7	213
XLIII	Statement showing non-implementation of COPU Recommendations on the Report of CAG for the year 1998-99 pertaining to NIDC Ltd.	7.2.1	214
XLIV	Financial position of NIDC for the five years from 2001-02 to 2005-06 (based on provisional accounts)	7.2.10	215
XLV	Working results of NIDC Ltd. from the year 2001-02 to 2005-06 (based on provisional accounts)	7.2.10	216
XLVI	Statement showing the trend of receipt and disposal of loan application	7.2.12	217
XLVII	Statement showing the overdue amount showing inadequate follow up action, misutilisation of loan, lack of monitoring and defective pre-sanction appraisal which awaited recovery from the loanee	7.2.15 & 7.2.18	218 - 221
XLVIII	Statement showing loss due to one time settlement	7.2.19	222



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 examination of Finance Accounts and Appropriation Accounts of the State Government respectively for the year ended 31 March 2006. Chapter-V deals with the internal control system in Government departments.*
3. *The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the public works and irrigation departments; audit of stores and stock; revenue receipts; audit of autonomous bodies; Government Companies; Statutory Corporations and departmentally run commercial undertakings.*
4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2005-06 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2005-06 have also been included wherever necessary.*



O V E R V I E W

OVERVIEW

OVERVIEW

This Report comprises seven chapters. The first two chapters contain observations of audit on the Finance and Appropriation Accounts of the Government of Nagaland for the year 2005-06. The other five chapters contain five reviews on the functioning of Government departments/companies and 21 audit paragraphs dealing with the results of audit of financial transactions of the Government including its commercial and trading activities. A synopsis of the findings of audit is presented in this overview.

According to the existing arrangements, copies of the draft audit paragraphs and performance reviews are sent demi-officially to the concerned Secretaries to the Government by the Accountant General (Audit) with a request to furnish replies within six weeks. Besides issuing reminders, the Secretaries are also invited for meetings under intimation to the Chief Secretary of the State before finalisation of this Report. Despite these efforts, reply has not been received in respect of five paragraphs and two performance reviews from the Government as of November 2006.

1. Finances of the State Government

Overall fiscal liabilities of the State increased from Rs.1429.93 crore in 2000-01 to Rs.2552.27 crore in 2005-06 at an average rate of 13.08 *per cent* during 2000-2006. The ratio of these liabilities to GSDP increased from 38.90 *per cent* in 2000-01 to 40.40 *per cent* in 2005-06.

Assets of the State Government increased by 16.83 *per cent* from Rs.3282.02 crore in 2004-05 to Rs.3834.49 crore in 2005-06, while liabilities increased by 12.77 *per cent* from Rs.2707.99 crore in 2004-05 to Rs.3053.79 crore in 2005-06.

The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 2000-2003, increased substantially during 2003-04. The ratio dipped to 31.83 *per cent* in 2004-05 but again increased to 35.57 *per cent* in 2005-06 owing to increase in Central tax transfers and grants-in aid from the Government of India. The ratio of own tax to GSDP was stable during the last six years. The Balance from Current Revenue (BCR) decreased from (-) Rs.296.20 crore in 2000-01 to (-) Rs.58.01 crore in 2005-06, which continued to be negative indicating continued dependence on external resources for Plan and Development expenditure.

The trends in key fiscal parameters- RD, FD & PD indicate mixed trends about the fiscal health of the State's economy during the year. A substantial increase of Rs.381.54 crore in central transfers to State comprising of central tax transfers and grants-in-aid has enhanced the revenue surplus by Rs 52 crore during 2005-06. Although the State had maintained revenue surplus of Rs.206.67 crore during 2005-06, but the increase in fiscal deficit, continued negative balance from current revenues and emergence of primary deficit during the current year after experiencing the surplus consecutively for past two years indicate deteriorating fiscal situation and increasing dependence of the State on borrowed funds.

(Paragraphs 1.1 to 1.12)

2. Allocative priorities and Appropriation

The overall saving of Rs.757.25 crore was the net result of excess of Rs.64.96 crore in 25 cases of grants/appropriation and savings of Rs.822.21 crore in 53 cases of grants/appropriations.

(Paragraph 2.1.1)

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 excess expenditure of Rs.1768.61 crore (213 cases of Grants/Appropriations) reported during 1996-97 to 2004-05 had not been regularised as of November 2006.

(Paragraph 2.2.2 (ii))

3. Performance Audit

1. Health Care Services

The objective of health care services is to provide basic health services to the people at their doorstep to improve the standard of public health. Performance Audit of Health Care Services revealed that:

The Department could not avail of discount of Rs.2.43 crore due to purchase of medicines from unauthorised firms/suppliers.

(Paragraph 3.1.9)

Medicines were distributed without carrying out any quality testing.

(Paragraph 3.1.11.1)

Payment of Rs.4.80 crore was made without receipt of equipment.

(Paragraph 3.1.18)

Expenditure of Rs.11.17 crore remained unfruitful due to non completion of Regional Diagnostic Centre (Tuensang) and up-gradation of Naga Hospital, Kohima.

(Paragraph 3.1.30)

2. Integrated Child Development Services (ICDS) Scheme

The Integrated Child Development Services (ICDS), a Centrally Sponsored Scheme, was launched in the State in 1975.

Only 79 *per cent* tribal population of the State could be covered under the ICDS scheme. 16 *per cent* children of the State in the age group of zero to six years were yet to be covered under the scheme.

(Paragraph 3.2.9)

Creation of Anganwadi centres in excess of norms resulted in extra expenditure of Rs.3.67 crore towards payment of honorarium to Anganwadi workers and Helpers.

(Paragraph 3.2.10)

The total Additional Central Assistance of Rs.27.19 crore for nutrition meant exclusively for children below the age of three years under PMGY was diverted for implementation of the State Plan Scheme of Supplementary

nutrition programme under ICDS which covered children in the age group of zero to six years, pregnant women and nursing mothers.

(Paragraph 3.2.13)

The nutritional content of the foodstuff provided to the beneficiaries was not regularly tested in the recognised testing laboratory.

(Paragraph 3.2.16)

Implementation of the immunisation, nutrition and health education, medical check-up and referral services as well as prevention of vitamin 'A' deficiency schemes were virtually non-existent.

(Paragraph 3.2.19 & 3.2.22)

3. *Sarva Shiksha Abhiyan*

Sarva Shiksha Abhiyan (SSA) aimed to provide useful and relevant elementary education to all children in the age group of six to 14 years by 2010 with active participation of the community as a whole to bridge social, regional and gender gaps. The SSA was launched all over the country from January 2001, while in Nagaland the programme was started only in 2003-04.

There were dismal infrastructure facilities in the State and construction works were carried out without any technical inputs.

(Paragraph 3.3.8)

The State Implementation Society (SIS) has also not framed any time-bound programme to train 65 *per cent* of untrained teachers and 41 *per cent* under-qualified teachers thus, making quality education a distant dream.

(Paragraph 3.3.11 & 3.3.12)

No effective steps were taken to upgrade the 723 primary schools to upper primary schools.

(Paragraph 3.3.19)

There were 72 upper primary schools eligible for Teaching Learning Equipment (TLE) grant of Rs.50, 000 as one time assistance. None of the Upper Primary schools were selected for the grant. Instead Rs.63 lakh was released to 126 Government High Schools and Higher Secondary Schools.

(Paragraph 3.3.22)

4. *Billing and collection of Revenue in Power Department with specific emphasis on Transmission and Distribution Losses*

The Department of Power, Nagaland was established in 1964 to provide power supply to public, industry and agriculture sectors in the State. Power generation being very negligible in the State (about one *per cent* of the total requirement of power in the State), the major requirement (99 *per cent*) is being met by purchasing power from the Central PSUs.

The State Government had not set up Regulatory Commission. Fixation of tariff at rates lower than the purchased cost (average) resulted in loss of potential revenue of Rs.153.64 crore.

(Paragraphs 3.4.7 and 3.4.8)

Transmission and distribution losses in excess of the prescribed norms resulted in loss of potential revenue of Rs.100.50 crore.

(Paragraph 3.4.10)

Short billing of 100.38 MU resulted in loss of potential revenue of Rs.17.83 crore.

(Paragraph 3.4.12)

Out of Rs.34.50 crore being arrears of revenue, Rs.14.63 crore was treated as bad debts without the approval of the Government.

(Paragraphs 3.4.15 & 3.4.17)

Non-installation of 'Digital Energy Meters' led to blocking of funds of Rs.37.01 lakh.

(Paragraph 3.4.18)

4. Audit of Transactions (Civil)

Fraudulent pension/gratuity of Rs.13.19 crore was drawn from two treasuries (Dimapur and Phek) and one sub-treasury (Pfungsero) by honouring Pension Payment Orders and Gratuity Payment Orders not authorised by the Accountant General.

(Paragraph 4.1)

The State Finance Department failed to avail the re-set package of high interest borrowings from HUDCO in time. M/s Allianz Securities Ltd., New Delhi was engaged to arrange re-setting of interest rates with HUDCO for which Rs.0.84 crore was paid as professional fee, resulting in avoidable payment of interest of Rs.1.86 crore and professional fee of Rs.0.84 crore.

(Paragraph 4.2)

The Deputy Inspector of Schools, Longleng had fraudulently drawn Rs.4.78 crore on pay and allowances by inflating the number of teachers employed and also duplicating the names of the employees.

(Paragraph 4.3)

Due to procurement of free text books from a local supplier, the Department of School Education could not avail the rebate of 15 *per cent* from the recognised publishers resulting in avoidable excess payment of Rs.26.51 lakh. The Department also did not deduct the royalty of 5 *per cent* from the suppliers' bills which resulted in potential loss of Government revenue to the tune of Rs.8.83 lakh.

(Paragraph 4.4.2.1)

Against the actual supply of 1,11,413 set of books, the Department paid Rs.1.40 crore for 1,18,054 set of books resulting in excess payment of Rs.12.29 lakh.

(Paragraph 4.4.2.2)

Against the actual requirement of 14,540 set of books for the seven districts in the second phase, the Department procured 28,704 set of books resulting in infructuous expenditure of Rs.28.39 lakh.

(Paragraph 4.4.2.3)

Deployment of 1297 teachers in excess of prescribed norms in Government Primary, Middle and High Schools under three Deputy Inspector of Schools and one Government High School resulted in wasteful expenditure of Rs.9.91 crore.

(Paragraph 4.5)

Against the actual deployment of 82 adhoc teaching and non-teaching staff, the Deputy Inspector of Schools, Noklak had drawn pay and allowances for adhoc staff ranging from 89 to 126 persons resulting in extra expenditure of Rs.26.96 lakh.

(Paragraph 4.6)

Out of Rs.5.68 crore paid as advances for various purposes only Rs.0.10 crore was adjusted leaving Rs.5.58 crore unadjusted for periods ranging from one to six years. The possibility of misappropriation cannot be ruled out. Besides, Rs.0.56 crore was parked in a current bank account for 30 months resulting in loss of interest of Rs.0.11 crore.

(Paragraph 4.7)

Augmentation of Water Supply Project at Mokokchung town at a cost of Rs.9.92 crore remained non operational even after three years of its completion due to non payment of land compensation resulting in cost overrun of Rs.1.33 crore and loss of potential revenue of Rs.0.26 crore. The Government also incurred an additional expenditure of Rs.1.05 crore on repairs due to deviation from approved specifications.

(Paragraph 4.12)

The Department of Power diverted Accelerated Power Development and Reforms Programme funds of Rs.1.53 crore for payment of salaries for work charged employees (October 2002 to March 2003) and clearing past liabilities of Likhimro Hydro Electric Project (December 2004). The Finance Department also diverted Rs.0.40 crore towards renovation of guest house and construction of six bedded dormitories at Wazeho Mini Cement Factory under Nagaland State Mineral Development Corporation.

(Paragraph 4.16)

5. Internal Control System and Internal Audit

Internal control system in Transport and Communication Department.

Internal control is a system within an organisation that governs its activities to effectively achieve its objectives. Internal Control is an integral process for the efficient discharge of an organisation's functions. It is a system designed to provide reasonable assurance for the achievement of the organisational objectives economically, efficiently and effectively.

Lack of effective budgetary control was characterized by inadequate monitoring of expenditure resulting in rush of expenditure in the last quarter of the financial year.

(Paragraph 5.1.8)

Laxity in financial control led to accumulation of heavy cash balances. Besides, due to non-preparation of pro-forma accounts, the commercial performance of the Nagaland State Transport could not be ascertained.

(Paragraphs 5.1.9 and 5.1.12)

6. Revenue Receipts

General

The total revenue receipts of the State Government for the year 2005-06 amounted to Rs.2267.20 crore against Rs.1839.52 crore for the previous year. Nine *per cent* of this was raised by the State through tax revenue (Rs.105.53 crore) and non tax revenue (Rs.96.82 crore). The balance 91 *per cent* was receipts from Government of India as State's share of divisible Union taxes (Rs.248.50 crore) and Grants-in-aid (Rs.1816.35 crore).

(Paragraph 6.1.1)

Altogether 328 paragraphs involving Rs.293.58 crore remained outstanding for settlement at the end of September 2006.

(Paragraph 6.1.8)

Government suffered loss of Rs.33.41 lakh due to non remittance of revenue receipts into Government Account.

(Paragraph 6.2)

Government sustained loss of Rs.9.44 lakh due to non deposit of sales tax into Government Account.

(Paragraph 6.3)

Delay/non-remittance of revenue resulted in misappropriation of Rs.1.71 lakh.

(Paragraph 6.4(i))

Collection of departmental receipt of Rs.1.95 lakh was not deposited into Government Account.

(Paragraph 6.4 (ii))

7. Commercial and Trading activities

1. General

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 2006. The total investment in the five working Government companies was Rs.61.49 crore (equity: Rs.20.90 crore, share application money: Rs. 2.05 crore and long term loans: Rs.38.54 crore).

(Paragraph 7.1.2)

None of the five working Government Companies had finalised their accounts for the year 2005-06. The accounts of all the companies were in arrears for periods ranging from eight to 24 years as on 30 September 2006.

(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.19.88 crore in four Companies and total return thereon was Rs.0.95 crore.

(Paragraphs 7.1.6 7 & 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 2006.

(Paragraph 7.1.14.1)

Performance Audit

2. Working of Nagaland Industrial Development Corporation Ltd. including Loan Recovery Performance

The Nagaland Industrial Development Corporation Ltd. was established in March 1970 with the objective to promote, assist and finance the development of industries in the State.

The Company sustained accumulated losses to the tune of Rs.10.76.crore which has wiped atleast 81 *per cent* of its paid up capital (Rs.13.30 crore) as on 31 March 2006.

(Paragraph 7.2.10)

Targets for recovery of dues were low as these ranged between 21.53 *per cent* and 24.50 *per cent* of recoverable amount during 2001-06 and the target for recovery of interest was at an all time low ranging between 8.34 *per cent* (2004-05) and 12.99 *per cent* (2001-02).

(Paragraph 7.2.13)

Percentage of non-performing and loss assets ranged between 64.86 *per cent* in 2001-02 to 85.12 *per cent* in 2004-05.

(Paragraph 7.2.14)

Defective appraisal resulted in assistance to units which were not viable and could not repay even their first instalment resulting in non-recovery of dues of Rs.47.35 lakh.

(Paragraph 7.2.15)

Lack of monitoring and abandonment of assisted units led to doubtful/non-recovery of Rs.2.26 crore crore.

(Paragraph 7.2.17)

There were instances of deficiencies in monitoring the recovery of Rs.1.09 crore, (21 defaulters; Rs.0.86 crore) and (one time settlement ; Rs.0.23 crore).

(Paragraph 7.2.18)

The Company sacrificed Rs.1.67 crore while settling dues of 16 defaulting units under One Time Settlement Scheme.

(Paragraph 7.2.19)

First paragraph of faint text.

Second paragraph of faint text.

Third paragraph of faint text.

Fourth paragraph of faint text.

Fifth paragraph of faint text.

Sixth paragraph of faint text.

Seventh paragraph of faint text.

Eighth paragraph of faint text.

Ninth paragraph of faint text.

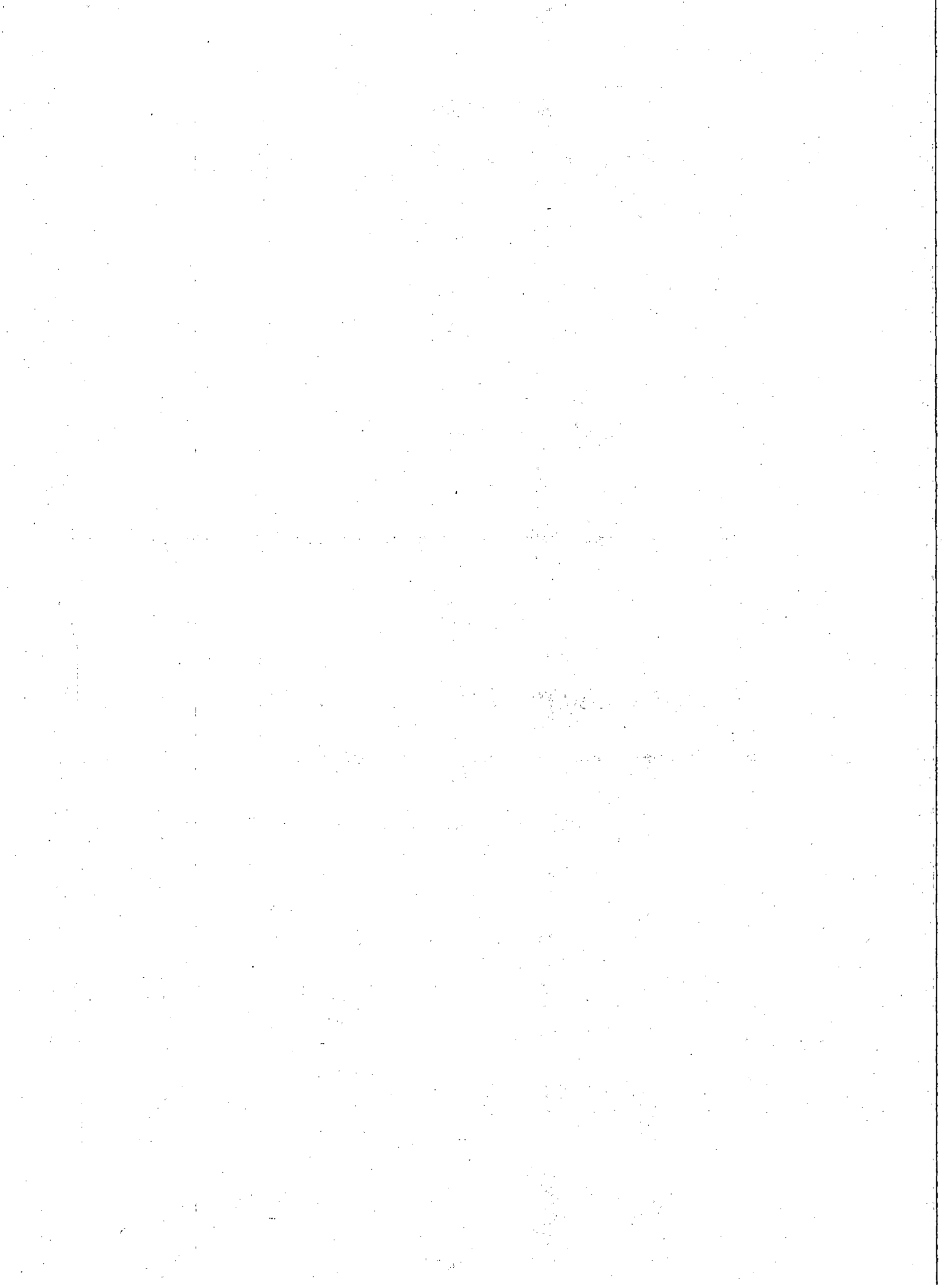
Tenth paragraph of faint text.

Eleventh paragraph of faint text.

Twelfth paragraph of faint text.

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-I 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, Contingency Fund and the Public Account of the State of Nagaland. The lay out of the Finance Accounts is depicted in *Appendix-I Part B*.

1.1.1 Summary of Receipts and Disbursements

Table 1.1 summarises the finances of the Government of Nagaland for the year 2005-06 covering revenue receipts and expenditure, capital receipts and expenditure and public account receipts/disbursements as emerging from Statement-1 of the Finance Accounts and other detailed statements.

Table 1.1 - SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2005-06

(Rupees in crore)

2004-05	Receipts	2005-06	2004-05	Disbursements	2005-06		
Section-A : Revenue							
					Non-Plan	Plan	Total
1839.52	Revenue receipts	2267.20	1684.63	Revenue expenditure	1637.68	422.85	2060.53
78.31	Tax revenue	105.53	857.95	General Services	931.74	8.16	939.90
77.90	Non-tax revenue	96.82	420.95	Social Services	391.91	160.32	552.23
160.15	Share of Union Taxes/Duties	248.50	405.73	Economic Services	314.03	254.37	568.40
1523.16	Grants from Government of India	1816.35	-	Grants-in-aid/Contribution	--	--	--
Section-B: Capital							
-	Misc. Capital Receipts	--	379.44	Capital Outlay	13.47	504.40	517.87
6.50	Recoveries of Loans and Advances	5.40	0.34	Loans and Advances disbursed	0.26	0.35	0.61
424.30	Public debt receipts	626.88 ¹	202.42	Repayment of Public Debt ¹	--	--	220.90
-	Contingency Fund	--	-	Contingency Fund	--	--	--
776.73	Public Account receipts	1025.68	795.29	Public Account disbursements	--	--	1040.94
(-)212.32	Opening Cash Balance	(-)227.39	(-)227.39	Closing Cash Balance			(-)143.08
2834.73	Total	3697.77	2834.73	Total			3697.77

¹ Includes Net Ways and Means Advances and Overdrafts during the year.

Revenue of the State consists mainly of its own tax, non-tax revenue, Central tax transfers and grants-in-aid from Government of India (GOI). Overall revenue receipts increased from Rs.1839.52 crore in 2004-05 to Rs.2267.20 crore in 2005-06 mainly due to increase of Rs.293.19 crore in grants and Rs.88.35 crore in share of union taxes from the GOI. During the current year, the revenue receipts grew by 23.25 *per cent*. The closing balance of the current year was (-) Rs.143.08 crore against (-) Rs.227.39 crore during 2004-05. The revenue expenditure of the State grew by 22.31 *per cent* from Rs.1684.63 crore in 2004-05 to Rs.2060.53 crore in 2005-06.

1.1.2 The Nagaland Fiscal Responsibility and Budget Management (FRBM) Act, 2005

The State Government has enacted (August 2005) the Nagaland Fiscal Responsibility and Budget Management (FRBM) 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. The Act came into force from 19 August 2005. 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 Gross State Domestic Product (GSDP) by the year ending 31 March 2009;
- ensure within a period of 5 years, beginning from initial financial year on 1 April 2005 and ending 31 March 2010, that the total debt stock do 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 FRBM Act was enacted in August 2005, the rules for carrying out the provisions of the Act were not framed by the Government (November 2006) and outcome indicators for the Fiscal Correction Path (FCP) were yet to be set.

1.1.3 Fiscal Policy Statement(s) 2005-06

As prescribed in the Act, the State Government was to lay in each financial year, the following statements of fiscal policy along with the budget before the Legislative Assembly:

- the Macroeconomic Framework Statement;
- the Medium Term Fiscal Policy Statement; and
- the Fiscal Policy Strategy Statement.

The State Government has not yet laid down these statements.

1.1.4 Roadmap to Achieve the Fiscal Targets as laid down in FRBM Act/Rules

The State Government had not yet developed its own FCP for the period from 2004-05 to 2009-10 to achieve the fiscal targets laid down in the FRBM Act. The State Government could not also avail of the benefit of interest rate relief on central loans during the year in pursuance of the recommendations of the Twelfth Finance Commission (TFC).

1.1.5 Mid-Term Review of Fiscal Situation

Measures to enforce compliance like presentation to the legislature, quarterly review of trends in receipts and expenditure, as laid down in the FRBM Act were yet to be put in place.

1.2 Overview of Fiscal Situation of the State

1.2.1 Trends in Fiscal Aggregates

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

Table 1.2

(Rupees in crore)

2004-05	Sl. No.	Major Aggregates	2005-06
1839.52	1.	Revenue Receipts (2+3+4)	2267.20
78.31	2.	Tax Revenue (Net)	105.53
77.90	3.	Non-Tax Revenue	96.82
1683.31	4.	Other Receipts	2064.85
6.50	5.	Non-Debt Capital Receipts	5.40
6.50	6.	Of which Recovery of Loans and Advances	5.40
1846.02	7.	Total Receipts (1+5)	2272.60
1392.55	8.	Non-Plan Expenditure (9+11+12)	1651.41
1389.82	9.	On Revenue Account	1637.68
249.62	10.	Of which Interest Payments	253.89
2.58	11.	On Capital Account	13.47
0.15	12.	On Loans disbursed	0.26

Audit Report (Civil) for the year ended 31 March 2006

671.86	13.	Plan Expenditure (14+15+16)	927.60
294.81	14.	On Revenue Account	422.85
376.86	15.	On Capital Account	504.40
0.19	16.	On Loans disbursed	0.35
2064.41	17.	Total Expenditure (8+13)	2579.01
(+) 154.89	18.	Revenue Surplus (1-9-14)	(+) 206.67
(-) 218.39	19.	Fiscal Deficit (17-1-5)	(-) 306.41
31.23	20.	Primary Deficit (19-10)	(-) 52.52

The total non debt receipts of the State increased by 23.11 *per cent* from Rs.1846.02 crore in 2004-05 to Rs.2272.60 crore in 2005-06 while the total expenditure increased by 24.93 *per cent* from Rs.2064.41 crore in 2004-05 to Rs.2579.01 crore in 2005-06 resulting in increase in deficit during the current year. Although the State had maintained revenue surplus of Rs.206.67 crore during 2005-06, which was higher by Rs.51.78 crore as compared to the revenue surplus of Rs.154.89 crore during 2004-05. An increase of 23.25 *per cent* (Rs.427.68 crore) in revenue receipts during 2005-06 in comparison with 22.31 *per cent* (Rs.375.90 crore) in revenue expenditure resulted in an increase in revenue surplus during 2005-06.

1.3 Audit Methodology

Audit observations on the Statements of Finance Accounts for the year 2005-06 bring out the trends in the major fiscal aggregates of receipts and expenditure (*Appendix-II to V*); and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. The New GSDP series with 1993-94 as base as published by the Director of Economics and Statistics of the State Government have been used. For tax revenues, non-tax revenues, revenue expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) resources by volume and sources, (ii) application of resources, (iii) assets and liabilities and (iv) management of deficits. Audit observations also take into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. 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. In addition, selected indicators of financial performance of the Government are also listed in this section; some of the terms used in this context are explained in *Appendix-I Part C*.

Final figures of GSDP of 2000-01 to 2002-03 and the provisional figures for 2003-04 to 2005-06 furnished by the Director of Economics and Statistics, Government of Nagaland, in July 2006, have been adopted in the concerned tables.

1.4 State Finances by key indicators**1.4.1 Resources by volumes and sources**

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, 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 disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GOI as well as accruals from Public Account. **Table 1.3** shows that the total receipts of the State Government for the year 2005-06 were Rs.3925.16 crore. Of these, the revenue receipts were Rs.2267.20 crore only, constituting 57.76 per cent of the total receipts. The balance receipts came from borrowings (Rs.632.28 crore) and Public Account receipts Rs.1025.68 crore), which were 16.11 per cent and 26.13 per cent respectively of the total receipts.

Table 1.3 – Resources of Nagaland

			<i>(Rupees in crore)</i>
I.	Revenue Receipts		2267.20
II.	Capital Receipts		632.28
	Recovery of Loans and Advances	5.40	
	Public Debt Receipts	626.88	
	Miscellaneous Capital Receipts	--	
III.	Contingency Fund		--
IV.	Public Account Receipts		1025.68
	(a) Small Savings, Provident Fund, etc.	156.55	
	(b) Reserve Fund	4.62	
	(c) Deposits and Advances	68.77	
	(d) Suspense and Miscellaneous	39.89	
	(e) Remittances	755.85	
	Total Receipts		3925.16

Remittances constitute the major portion of Public Account receipts during 2005-06. These pertain mainly to Public Works remittances (Rs.617.40 crore), Forest remittances (Rs.75.29 crore), Miscellaneous remittances (Rs.63.04 crore) and Inter-Government Adjustment Account (Rs.0.12 crore). Public Works remittances comprise security deposit, earnest money deposit etc. from contractors.

1.4.2 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of the State's own tax and non-tax revenues, central tax transfers and grants-in-aid from GOI. Overall revenue receipts, their annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table 1.4**.

Table 1.4 - Revenue Receipts-Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Receipts (RR) (Rupees in crore)	1254.10	1324.53	1346.90	2359.79	1839.52	2267.20
Composition of Revenue Receipts (%):						
Own Taxes (per cent)	46.25 (3.69)	54.90 (4.14)	62.00 (4.60)	68.55 (2.91)	78.31 (4.26)	105.53 (4.65)
Non-Tax Revenue (per cent)	39.23 (3.13)	43.41 (3.28)	43.94 (3.26)	60.91 (2.58)	77.90 (4.23)	96.82 (4.27)
Central Tax Transfers (per cent)	96.48 (7.69)	30.71 (2.32)	46.01 (3.42)	256.97 (10.89)	160.15 (8.71)	248.50 (10.96)
Grants-in-aid (per cent)	1072.14 (85.49)	1195.51 (90.26)	1194.94 (88.72)	1973.36 (83.62)	1523.16 (82.80)	1816.35 (80.12)
Rate of Growth of RR (per cent)	10.84	5.62	1.69	75.20	(-) 22.05	23.25
RR/GSDP (per cent)	34.08	32.02	28.36	45.05	31.83	35.57
Revenue Buoyancy (ratio)	0.244	0.452	0.114	7.287	(-) 2.138	2.255
State's own taxes Buoyancy (ratio)						
Revenue Buoyancy with reference to State's own taxes (ratio)	0.440	0.938	0.855	(-) 2.826	3.569	0.813
GSDP Growth (per cent)	44.45	12.43	14.79	10.32	10.31	10.31

General Trends

The revenue receipts of the State increased at an annual average rate of 13.46 *per cent* from Rs.1254.10 crore in 2000-01 to Rs.2267.20 crore in 2005-06 with significant inter-year variations. The revenue receipts increased by 23.25 *per cent* during 2005-06 mainly on account of central transfers comprising of States' share in union pool of taxes, and grants-in-aid from GOI. While 8.92 *per cent* of revenue receipts during 2005-06 have come from the State own resources comprising tax and non-tax revenue, central tax transfers and grants-in-aid together contributed 91.08 *per cent* of the total revenue.

Grants-in-aid

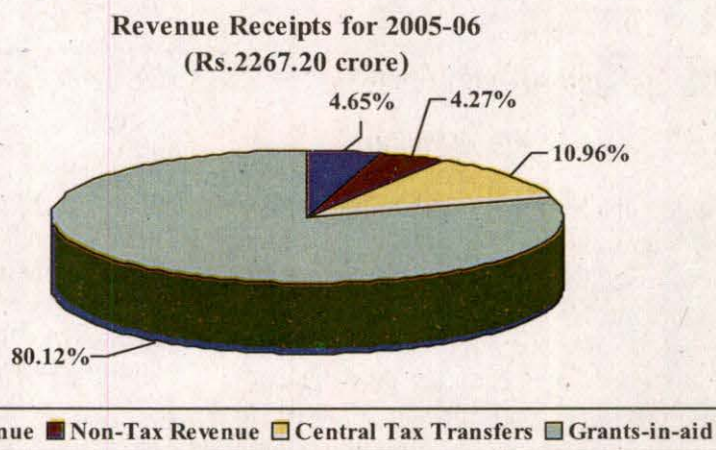
Although the State Government received lesser grants for implementation of State Plan schemes during 2005-06, there was a sharp increase in the non-plan grants from Rs.687.14 crore in 2004-05 to Rs.1128.82 crore during 2005-06 which included Rs.993.60 crore for meeting the non-plan revenue deficit as recommended by the TFC.

Tax Revenue

The percentage of tax revenue moved in a narrow range of 2.91 to 4.60 during the last five years and went up slightly from 4.26 *per cent* in 2004-05 to 4.65 *per cent* in 2005-06. This was mainly due to increase in the revenue from Sales Tax (45.37 *per cent*), Taxes on Vehicles (19.32 *per cent*), and other taxes (9.66 *per cent*). Sales tax was the major contributor (73 *per cent*) of States own tax revenue followed by other taxes (14 *per cent*) and taxes on vehicles (8 *per cent*).

Non-Tax Revenue

Non-tax revenue had contributed 2.58 per cent to 4.27 per cent of the revenue receipts during the six years from 2000-01 to 2005-06. The total non-tax revenue of Rs.96.82 crore in 2005-06 came mainly from Power and Miscellaneous General Services. Of non-tax revenue sources, Power (44 per cent) and Miscellaneous General Services (16 per cent) were principal contributors.



Revenue Arrears

As per information furnished by four Departments of the State Government, the arrears of revenue at the end of 2005-06 were Rs.52.36 crore. Of these, Rs.8.75 crore (16.71 per cent) were more than five years old. The Department-wise status of the arrears of revenue during 2004-05 and 2005-06 is given in *Appendix-VIII*.

1.4.3 Sources of Receipts

The source of receipts under different heads as well as GSDP during 2000-06 is indicated in **Table-1.5**.

Table 1.5 – Sources of Receipts: Trends

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts				Total Receipts	*Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
2000-01	1254.10	6.45	335.97	-	601.87	2198.39	3679.36
2001-02	1324.53	7.78	335.28	-	646.31	2313.90	4136.88
2002-03	1346.90	7.42	473.85	-	990.10	2818.27	4748.60

* Final figure of GSDP for 2000-01 to 2002-03 and provisional figure for 2003-04 to 2005-06 furnished by the State Government have been adopted.

Audit Report (Civil) for the year ended 31 March 2006

2003-04	2359.79	6.81	(-3.22)	-	658.48	3021.86	5238.66
2004-05	1839.52	6.50	424.30	-	776.73	3047.05	5778.77
2005-06	2267.20	5.40	626.88	--	1025.68	3925.16	6374.56

Revenue receipts have increased from Rs.1254.10 crore in 2000-01 to Rs.2267.20 crore in 2005-06. The non-debt receipts over a six year period 2000-06 ranged between Rs.6.45 crore and Rs.7.78 crore, though in monetary terms, total non-debt receipts in 2005-06 have decreased by Rs.1.10 crore and total debt receipts have increased by Rs.202.58 crore over previous year (47.75 per cent).

1.5 Application of resources

1.5.1 Growth of expenditure

Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The States raise resources to perform their sovereign functions, to 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.1531.98 crore in 2000-01 to Rs.2579.01 crore in 2005-06. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in Table-1.6

Table 1.6 Total Expenditure-Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Total Expenditure (TE)* (Rupees in crore)	1531.98	1669.27	1849.29	2209.20	2064.41	2579.01
Rate of Growth (per cent)	15.16	8.96	10.78	19.46	(-) 6.55	24.93
TE/GSDP Ratio (per cent)	41.64	40.35	38.94	42.17	35.72	40.46
RR/TE Ratio (per cent)	81.86	79.35	72.83	106.82	89.11	87.91
Buoyancy of total expenditure with reference to:						
GSDP (ratio)	0.341	0.721	0.729	1.886	(-) 0.636	2.418
RR (ratio)	1.40	1.60	6.39	0.26	0.30	1.072

*Total Expenditure includes revenue expenditure, capital expenditure and loans and advances.

The total expenditure of the State has increased at an annual average rate of 11.39 per cent per annum during 2000-06 with oscillations ranging from 9 per cent to 25 per cent. In relative terms, the capital and revenue expenditure components have increased by 130.78 per cent and 59.70 per cent respectively during the period 2000-06. However, in absolute terms increases were of the order of Rs.293.47 crore in capital expenditure and Rs.770.30 crore on revenue account during the period under report. These trends indicate that increase in capital and revenue expenditure was in the ratio of 1:2.62 during the last six year period. An increase of Rs.514.60 crore in total expenditure (24.93 per cent) during 2005-06 over the previous year has been reported to be mainly due to an increase in both revenue (Rs.375.90 crore) and capital

(Rs.138.43 crore) heads of expenditure under general, social and economic services accompanied by a marginal increase of Rs.0.27 crore in loans and advances. A step up in total expenditure during 2005-06 is also reflected in terms of the buoyancies of total expenditure with respect to GSDP and total revenue receipts of the State.

Trends in total expenditure by activities

In terms of the 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. Relative share of these components in total expenditure is indicated in **Table 1.7**.

Chart 1.2

Components of Expenditure – Relative Share in 2005-06

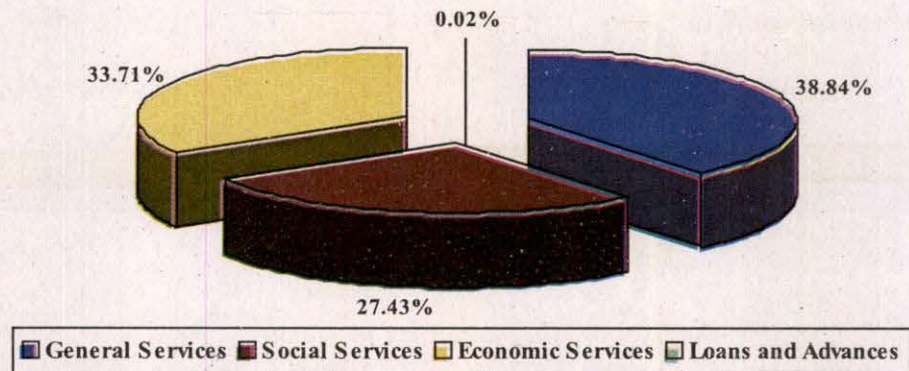


Table 1.7 - Components of Expenditure – Relative Share

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 (In per cent)
General Services	30.99	32.21	32.92	31.24	31.54	29.00
Of which Interest payments	11.56	12.01	11.60	10.63	12.09	9.84
Social Services	28.21	28.52	28.90	25.37	27.61	27.43
Economic Services	28.11	27.06	26.44	32.53	28.74	33.71
Grants-in-aid						
Loans and Advances	1.13	0.21	0.13	0.23	0.02	0.02

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. But expenditure on general services including interest payments together accounted for 38.84 per cent during 2005-06. On the other hand, expenditure on social and economic services together accounted for 61.13 per cent during 2005-06. The total expenditure of Rs.1576.66 crore incurred on social and economic services during 2005-06 comprised Rs.456.03 crore of capital expenditure (28.92 per cent) and Rs.1120.63 crore of revenue expenditure at

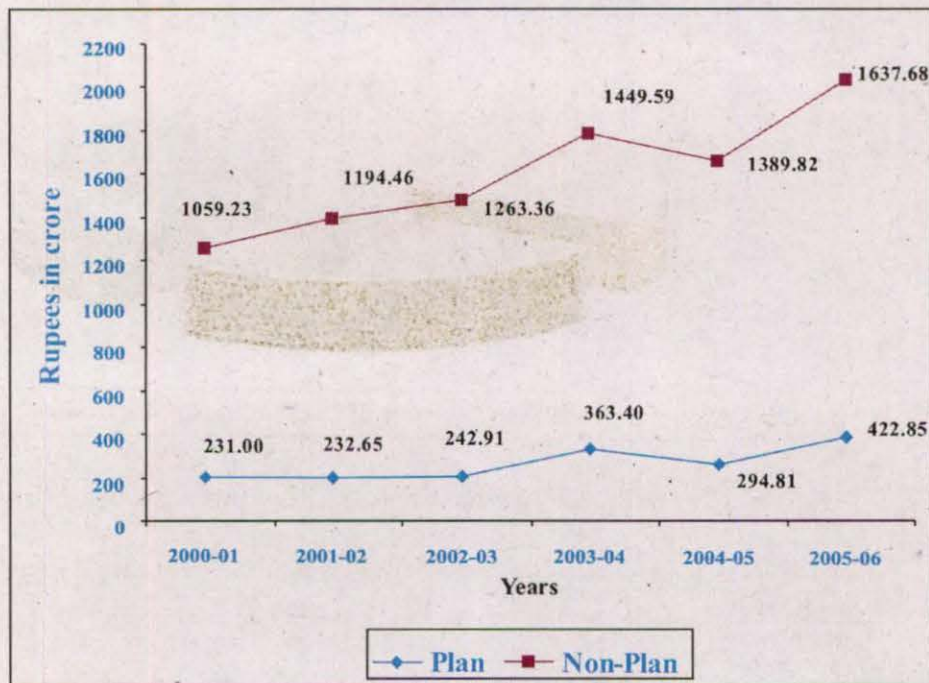
(71.08 per cent) indicating that investment in creating productive assets and infrastructure development is picking up momentum in the State.

1.5.2 Incidence of revenue expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such does not result in an addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in **Table 1.8**

Chart 1.3

Trend of Non-Plan and Plan Revenue Expenditure
(Rupees in crore)



(Source: Time Series Data)

Table 1.8 - Revenue Expenditure – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Expenditure (RE)	1290.23	1427.11	1506.27	1812.99	1684.63	2060.53
<i>Of which</i>						
Non-Plan Revenue Expenditure (NPRE)	1059.23	1194.46	1263.36	1449.59	1389.82	1637.68
Plan Revenue Expenditure (PRE) (Rupees in crore)	231.00	232.65	242.91	363.40	294.81	422.85
Rate of Growth (per cent)						
NPRE	16.21	12.77	5.77	14.74	(-) 4.30	17.83
PRE	0.71	0.71	4.41	49.60	(-) 23.94	43.43

NPRE/GSDP (<i>per cent</i>)	28.79	28.87	26.60	27.67	24.05	25.69
NPRE as <i>per cent</i> of TE	69.14	71.56	68.32	65.62	67.32	63.50
NPRE as <i>per cent</i> of RR	84.46	90.18	93.80	61.43	75.55	72.23
Buoyancy of Revenue Expenditure with						
GSDP (ratio)	0.295	0.853	0.375	1.973	(-) 0.687	2.164
Revenue Receipts (ratio)	1.21	1.89	3.28	0.27	*	0.96

*Revenue Receipts had a negative growth.

Overall revenue expenditure of the State increased from Rs.1290.23 crore in 2000-01 to Rs.2060.53 crore in 2005-06, showing an increase of 59.70 *per cent* over the period. However, the non-plan revenue expenditure during the same period increased from Rs.1059.23 crore to Rs.1637.68 crore, showing an increase of 54.61 *per cent* indicating that the share of Non-Plan Revenue Expenditure (NPRE) in total revenue expenditure declined only marginally from 82.10 *per cent* in 2000-01 to 79.48 *per cent* in 2005-06. As a result, plan revenue expenditure which normally covers the maintenance expenditure incurred on services has only increased by Rs.191.85 crore during 2000-06 keeping its share in total revenue expenditure between 16 to 21 *per cent* during the period. The rate of growth of non-plan revenue expenditure during 2005-06 was as high as 17.83 *per cent* largely on account of increase in the expenditure by Rs.85.15 crore (27.75 *per cent*) in social services, Rs.83.52 crore (36.23 *per cent*) in economic services and Rs.79.19 crore (9.29 *per cent*) in general services over their levels of 2004-05. The NPRE at Rs.1637.68 crore during 2005-06 was significantly higher than the normatively assessed level of Rs.1427.96 crore by the TFC for the State for the year (Table 1.9).

Table 1.9 –Non-Plan Revenue Expenditure:- Actual *vis-à-vis* Normative Assessment by TFC.

<i>(Rupees in crore)</i>				
Sl. No.	Particulars	Assessed by the TFC	Actual	Difference Excess (+) Less (-)
1	Interest payments	279.11	253.89	(-) 25.22
2	Pension	194.10	179.42	(-) 14.68
3	Other General Services	403.38	498.43	(+) 95.05
4	Social Services	418.38	391.91	(-) 26.47
5	Economic Services	132.99	314.03	(+) 181.04
	Total NPRE	1427.96	1637.68	(+) 209.72

Except for the interest payments, pension payments and expenditure on social services, the actual expenditure incurred on other two components of NPRE was more than the assessment made by the TFC.

1.5.3 Committed Expenditure

Expenditure on Salaries and Wages

The expenditure on salaries and wages increased from Rs.678.46 crore in 2000-01 to Rs.953.71 crore in 2005-06 as indicated in Table 1.10. Out of salary and wage expenditure of Rs.953.71 crore during 2005-06, major part Rs.386.35 crore (40.51 per cent) was incurred on social services. However, Rs.347.15 crore (36.40 per cent) was incurred on general services and Rs.220.21 crore (23.09 per cent) on economic services.

Table 1.10: Expenditure on Salaries

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Salaries & Wages	678.46	712.09	695.52	768.19	824.78	953.71*
Of which						
Non-Plan Heads ²	NA	NA	NA	756.76	774.04	898.32
Plan Heads ³	NA	NA	NA	11.43	50.74	55.39
As per cent of GSDP	18.44	17.21	14.65	14.66	14.27	14.96
As per cent of RR	54.10	53.76	51.64	32.55	44.84	42.07
As per cent of RE	52.58	49.90	46.17	42.37	48.96	46.28

*Note: Expenditure on salaries & wages for the years 2000-01 to 2004-05 were furnished by the Finance Department of the State Government and the figures for 2005-06 has been taken from Finance Accounts for the year 2005-06.

Salaries and wages accounted for 14.96 per cent of States' GDP and 42.07 per cent of the revenue receipts during 2005-06. Compared to the TFC norms that total salary bill relative to revenue expenditure net of interest payments and pensions should not exceed 35 per cent, the share of salaries in the State was estimated to be 67.31 per cent.

Pension Payments

Table 1.11-Expenditure on pensions

(Rupees in crore)

Heads	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Expenditure on Pensions	87.56	112.26	133.38	140.81	133.83	179.42
As per cent of GSDP	2.38	2.71	2.81	2.69	2.32	2.81
As per cent of RR	6.98	8.48	9.90	5.97	7.28	7.91
As per cent of RE	6.79	7.87	8.85	7.77	7.94	8.71

Pension payments have increased by 104.91 per cent from Rs.87.56 crore in 2000-01 to Rs.179.42 crore in 2005-06 at an average rate of 17.49 per cent. Expenditure on pension was 7.91 per cent of revenue receipts and

² NA— Break-up for non-plan and plan expenditure on Salaries for the years 2000-01 to 2002-03 was not available.

³ Plan Heads also include the Salaries and Wages paid under Centrally Sponsored Schemes.

8.71 per cent of revenue expenditure in 2005-06. The increase on pension payments during 2005-06 was mainly due to payment of 768 cases of arrears on account of merger of 50 per cent of Dearness Allowance with Dearness Pay, to all pensioners who retired on or after 1 June 1998 and settlement of 1587 new pension cases. With increase in number of retirees, the pension liabilities are likely to increase further in future. However, it was Rs.14.68 crore less than the normative projection (Rs.194.10 crore) made by TFC for Nagaland for the year 2005-06.

Interest payments

Table 1.12-Interest payments

Year	Total Revenue Receipts	Interest Payments (Rate of growth)	Percentage of interest payment with reference to	
			Total Revenue Receipts	Revenue Expenditure
2000-2001	1254.10	177.09	14.12	13.73
2001-2002	1324.53	200.47 (13.20)	15.14	14.05
2002-2003	1346.90	214.58 (7.04)	15.93	14.25
2003-2004	2359.79	234.74 (9.40)	9.95	12.95
2004-2005	1839.52	249.62 (6.34)	13.57	14.82
2005-2006	2267.20	253.89 (1.71)	11.20	12.32

(Source: Finance Accounts)

Interest payments increased by 43.37 per cent from Rs.177.09 crore in 2000-01 to Rs.253.89 crore in 2005-06. The rate of growth in interest payments, however, showed a declining trend, from 9.40 per cent in 2003-04 to

1.71 per cent in 2005-06. The components of interest payment were Internal Debt (Rs.178.02 crore), Interest on Loans and Advances from Central Government (Rs.43.05 crore) and Small Savings, Provident Fund etc. (Rs.32.82 crore).

Subsidies

Though the finances of the State are under strain, the State Government has been paying subsidies to Nagaland Industrial Development Corporation Limited (Rs.3.44 crore), Nagaland Industrial Raw Materials and Supply Corporation Limited (Rs.0.60 crore) and Nagaland Handloom and Handicrafts Development Corporation Limited (Rs.1.30 crore). The trend in the subsidies given by the State Government is given in Table-1.13.

Table 1.13-Subsidies

Year	Amount (Rupees in crore)	Percentage increase (+)/ decrease (-) over previous year	Percentage of subsidy to total expenditure
2000-01	5.21	(-) 1.51	0.34
2001-02	6.46	23.99	0.39
2002-03	7.32	13.31	0.40
2003-04	5.76	(-) 21.31	0.26
2004-05	6.22	7.99	0.30
2005-06	5.34	(-) 14.15	0.21

During the current year, subsidies constituted 0.21 *per cent* of the total expenditure.

1.6 Expenditure by Allocative Priorities

1.6.1 Quality of Expenditure

The quality of expenditure is reflected in the availability of better social and physical infrastructure. Therefore, the ratio of capital expenditure to total expenditure as well as to GSDP, and the portion of revenue expenditure spent on running the existing social and economic services, efficiently and effectively would determine the quality of expenditure. The higher the ratio of these components to total expenditure and GSDP, the better is the quality of expenditure. Table 1.14 gives these ratios during 2000-06.

Table 1.14 – Indicators of Quality of Expenditure

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Capital Expenditure	224.40	238.73	340.69	391.13	379.44	517.87
Revenue Expenditure	1290.23	1427.11	1506.27	1812.99	1684.63	2060.53
Of which						
Social and Economic Services (<i>per cent of RE</i> in brackets) with	666.90 (51.69)	703.23 (49.28)	707.61 (46.98)	938.07 (51.74)	826.68 (49.07)	1120.63 (54.38)
(i) Salary & Wage Component	NA ⁴	NA	NA	501.64 (53.48)	485.90 (58.78)	606.56 (54.13)
(ii) Non-Salary & Wage Component	NA	NA	NA	436.43 (46.52)	340.78 (41.22)	514.07 (45.87)
As per cent of Total Expenditure*						
Capital Expenditure	14.65	14.30	18.42	17.70	18.38	20.08
Revenue Expenditure	84.22	85.49	81.45	82.07	81.60	79.90
As per cent of GSDP						
Capital Expenditure	6.10	5.77	7.17	7.47	6.57	8.12
Revenue Expenditure	35.07	34.50	31.72	34.61	29.15	32.32

Although the ratio of capital expenditure to total expenditure showed increasing trend during 2000-06, the revenue expenditure continues to have a dominant share in total expenditure, constituting 80 *per cent* in 2005-06. The increasing share of capital expenditure in total expenditure during 2000-06 indicates the allocative priorities of the Government towards creating productive assets and developing social and economic infrastructure in the State.

The increase of Rs.375.90 crore (22.31 *per cent*) in revenue expenditure during 2005-06 was due to increase of Rs.81.95 crore (9.55 *per cent*), in general services, Rs.131.28 crore (31.19 *per cent*) in social services and Rs.162.67 crore (40.09 *per cent*) in economic services. Within social services, a significant increase of Rs.23.06 crore was observed during 2005-06 over the

⁴ NA— The expenditure on Salaries and Wages and Non-Salary and Wages in Social and Economic Services were not available for the years 2000-01 to 2002-03.

previous year on account of growth in NPRE in secondary education. Amongst the economic services, major increase was under Roads and bridges on account of transfer of Rs.4.65 crore to Rs.57.69 crore. Out of the total revenue expenditure of Rs.2060.53 crore during 2005-06 the expenditure on social and economic services (Rs.1120.63 crore) comprised above 54.38 per cent.

Increase in capital expenditure from Rs.379.44 crore during 2004-05 to Rs.517.87 crore during 2005-06 was mainly due to an increase of Rs.113.27 crore in expenditure on economic sector. Under economic sector, major increase was noticed in capital expenditure on Co-operation (Rs.17.49 crore), North East Areas (Rs.5.91 crore), and Other Special Areas Programme (Rs.9.31 crore).

1.6.2 Expenditure on Social Services

Given the fact that 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 1.15 summarises the expenditure incurred by the State Government in expanding and strengthening social services in the State during 2000-06.

Table 1.15 – Expenditure on Social Services

	(Rupees in crore)					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Education, Sports, Art and Culture						
Revenue Expenditure	181.84	209.66	200.30	246.15	239.67	305.84
<i>Of which</i>						
(a) Salary and Wage Component	NA	NA	NA	207.93	204.75	249.34
(b) Non-Salary and Wage Component	NA	NA	NA	38.22	34.92	56.50
Capital Expenditure	10.06	11.23	9.72	10.26	11.78	18.97
Sub-total	191.90	220.89	210.02	256.41	251.45	324.81
Health and Family Welfare						
Revenue Expenditure	76.44	78.47	80.89	82.80	88.17	109.65
<i>Of which</i>						
(a) Salary and Wage Component	NA	NA	NA	68.86	74.92	83.71
(b) Non-Salary and Wage Component	NA	NA	NA	13.94	13.25	25.94
Capital Expenditure	12.94	2.25	8.29	11.88	41.94	11.63
Sub-total	89.38	80.72	89.18	94.68	130.11	121.28
Water Supply, Sanitation, Housing and Urban Development						
Revenue Expenditure	40.03	28.66	32.33	18.07	31.64	43.04
<i>Of which</i>						
(a) Salary and Wage Component	NA	NA	NA	15.90	18.21	22.59
(b) Non-Salary and Wage Component	NA	NA	NA	2.17	13.43	20.45
Capital Expenditure	55.84	85.11	122.89	107.23	86.36	112.80
Sub-total	95.87	113.77	155.22	125.30	118.00	155.84
Other Social Services						
Revenue Expenditure	52.84	60.39	72.05	75.29	61.47	93.70
<i>Of which</i>						

Audit Report (Civil) for the year ended 31 March 2006

(a) Salary and Wage Component	NA	NA	NA	63.32	27.94	30.71
(b) Non-Salary and Wage Component	NA	NA	NA	11.97	33.53	62.99
Capital Expenditure	2.18	0.28	8.00	8.78	8.89	11.69
Sub-total	55.02	60.67	80.05	84.07	70.36	105.39
Total (Social Services)						
Revenue Expenditure	351.15	377.18	385.57	422.31	420.95	552.23
<i>Of which</i>						
(a) Salary and Wage Component	NA	NA	NA	356.01 (84.30)	325.82 (77.40)	386.35 (69.96)
(b) Non-Salary and Wage Component	NA	NA	NA	66.30 (15.70)	95.13 (22.60)	165.88 (30.04)
Capital Expenditure	81.02	98.87	148.90	138.15	148.97	155.09
Total	432.17	476.05	534.47	560.46	569.92	707.32

The expenditure on Social Services increased from Rs.432.17 crore in 2000-01 to Rs.707.32 crore in 2005-06 and it constituted 27.43 per cent of the total revenue and capital expenditure (Rs.2578.40 crore) during 2005-06. Expenditure on Education, Health services, drinking water and sanitation facilities etc., consumed 85.10 per cent of the total social sector expenditure during 2005-06.

The trend in revenue and capital expenditure on social services during the last three years 2003-06 reveal that the share of capital expenditure remained within the range of 22-26 per cent which indicated that the revenue expenditure was dominant. Of the revenue expenditure on social services, the share of salary and wage component has declined from 84.30 per cent in 2003-04 to 69.96 per cent in 2005-06 implying more expenditure on non-salary components including on their maintenance indicating a move towards providing better quality of services. The non-salary and wage expenditure on social services has increased by 150 per cent during 2003-06 from Rs.66.30 crore in 2003-04 to Rs.165.88 crore in 2005-06. Even within the priority sectors of education and health and family welfare, despite the fact that salary and wage component continues to share dominantly in their respective revenue expenditure ranging from 76 per cent in health and family welfare to 82 per cent in education (including sports, art and culture).

1.6.3 Expenditure on Economic Services

The expenditure on economic services includes all such expenditure as to promote directly or indirectly, productive capacity within the States' economy. The revenue expenditure on economic services increased from Rs.315.75 in 2000-01 to Rs.568.40 crore in 2005-06, while the capital expenditure on economic services increased from Rs.114.87 crore to Rs.300.94 crore (Table 1.16).

Table 1.16- Expenditure on Economic Sector

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Agriculture, Allied Activities						
Revenue Expenditure	105.02	120.25	102.25	110.27	117.24	163.06
Of which						
(a) Salary and Wage Component	NA	NA	NA	66.87	71.23	84.55
(b) Non-Salary and Wage Component	NA	NA	NA	43.40	46.01	78.51
Capital Expenditure	20.28	13.57	12.88	20.63	9.38	41.46
Sub-total	125.30	133.82	115.13	130.90	126.62	204.52
Irrigation and Flood Control						
Revenue Expenditure	12.83	13.47	13.46	21.33	22.21	25.07
Of which						
(a) Salary and Wage Component	NA	NA	NA	6.20	6.09	6.93
(b) Non-Salary and Wage Component	NA	NA	NA	15.13	16.12	18.14
Capital Expenditure	---	---	5.20	0.01	1.08	0.82
Sub-total	12.83	13.47	18.66	21.34	23.29	25.89
Power & Energy						
Revenue Expenditure	58.33	59.07	58.11	158.90	94.28	97.22
Of which						
(a) Salary and Wage Component	NA	NA	NA	20.10	20.89	23.89
(b) Non-Salary and Wage Component	NA	NA	NA	138.80	73.39	73.33
Capital Expenditure	52.80	54.34	74.26	60.74	44.42	76.20
Sub-total	111.13	113.41	132.37	219.64	138.70	173.42
Transport						
Revenue Expenditure	14.77	14.81	15.76	18.78	15.06	18.42
Of which						
(a) Salary and Wage Component	NA	NA	NA	9.69	9.52	10.98
(b) Non-Salary and Wage Component	NA	NA	NA	9.09	5.54	7.44
Capital Expenditure	1.96	1.80	6.85	6.55	6.55	5.72
Sub-total	16.73	16.61	22.61	25.33	21.61	24.14
Other Economic Services						
Revenue Expenditure	124.80	118.45	132.46	206.48	156.94	264.63
Of which						
(a) Salary and Wage Component	NA	NA	NA	42.77	52.35	93.86
(b) Non-Salary and Wage Component	NA	NA	NA	163.71	104.59	170.77
Capital Expenditure	39.83	55.89	67.81	115.00	126.24	176.74
Sub-total	164.63	174.34	200.27	321.48	283.18	441.37
Total (Economic Services)						
Revenue Expenditure	315.75	326.05	322.04	515.76	405.73	568.40
Of which						
(a) Salary and Wage Component	NA	NA	NA	145.63 (28.24)	160.08 (39.45)	220.21 (38.74)
(b) Non-Salary and Wage Component	NA	NA	NA	370.13 (71.76)	245.65 (60.55)	348.19 (61.26)
Capital Expenditure	114.87	125.60	167.00	202.93	187.67	300.94
Total	430.62	451.65	489.04	718.69	593.40	869.34

The expenditure on Economic Services (Rs.869.34 crore) during 2005-06 accounted for 33.72 per cent of the total capital and revenue expenditure (Rs.2578.40). Expenditure on agriculture and allied activities, irrigation and flood control, energy and transport consumed nearly 49.23 per cent of the total economic sector expenditure during 2005-06.

The trends in revenue and capital expenditure on economic services during the period 2000-06 reveal that the capital expenditure has consistently increased from Rs.114.87 crore (26.68 per cent) in 2000-01 to Rs.300.94

(34.62 *per cent*) in 2005-06 while revenue expenditure with inter-year fluctuations increased from Rs.315.75 (73.32 *per cent*) to Rs.568.40 (65.38 *per cent*) in 2005-06. An increase of Rs.113.27 crore in capital expenditure during

2005-06 over the previous year was mainly on account of increase under the other economic services (Rs.50.50 crore), power (Rs.31.78 crore) and agriculture (Rs.32.08 crore). Of the revenue expenditure, the expenditure on salary and wages had moderately increased from Rs.145.63 crore (28.24 *per cent*) in 2003-04 to Rs.220.21 crore (38.74 *per cent*) in 2005-06 while its non-salary component has decreased from Rs.370.13 crore (71.76 *per cent*) to Rs.348.19 crore (61.26 *per cent*) indicating that increase in salary and wages to some extent has compensated by corresponding decline in non salary component in economic services.

1.6.4 Financial Assistance to Local Bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the six years period 2000-06 is presented in **Table 1.17**.

Table-1.17: Financial Assistance

	<i>(Rupees in crore)</i>					
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	0.94	0.65	1.45	2.10	3.05	6.24
Municipal Corporations and Municipalities	--	--	--	--	--	--
Zilla Parishads and Other Panchayati Raj Institutions	--	--	--	--	--	--
Development Agencies	13.01	2.67	0.43	--	24.67	0.28
Hospitals and other Charitable Institutions	--	--	--	0.10	5.59	5.74
Other Institutions	5.17	12.44	10.03	28.46	1.02	21.17
Total	19.12	15.76	11.91	30.66	34.33	33.43
Assistance as percentage of RE	1.48	1.10	0.79	1.69	2.04	1.62

The total assistance to local bodies and other institutions during 2005-06 was Rs.33.43 crore and registered a decline of 2.69 *per cent* over the previous year. Financial assistance was given to various institutions in the form of grants-in-aid viz., to Village Development Boards, Town Committees, Voluntary Organisations, Naga Hospital, Kohima and assistance to Co-operative Societies, Non-Government Primary Schools, Colleges and Institutions etc.

1.6.5 Delay in furnishing utilisation certificates

Of the 3390 utilization certificates (UC) due in respect of grants and loans aggregating Rs.72.27 crore paid upto 2005-06, 3291 UCs for an aggregate amount of Rs.72.01 crore were in arrears. Details of Department wise break-up of outstanding UCs are given in **Appendix-VI**.

1.6.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. On the basis of information available with Audit, annual accounts of bodies and authorities for 2005-06 and earlier years had not been received by the Accountant General as of November 2006. The names of bodies and authorities, the accounts of which were in arrears and the grants/loans received from the Government of India and State Government during 2004-05 and 2005-06 are detailed in *Appendix-VII*.

1.6.7 Abstract of performance of the autonomous bodies

The audit of accounts of three Autonomous Bodies in the State has been entrusted to the Comptroller and Auditor General of India under Section 19 (3) and 20 (1) of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in Parliament/Legislature is indicated in *Appendix IX*.

1.7 Assets and liabilities

In Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by Government is not done. However, Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. *Appendix-II* gives an abstract of such liabilities and the assets as on 31 March 2006, compared with the corresponding position on 31 March 2005. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GOI, receipts from the Public Account and Reserve Funds, the assets comprise mainly capital outlay and loans and advances given by the State Government and cash balances. *Appendix-V* depicts the time series data on State Government finances for the period 2000-06.

On the assets side, there was an increase of 15.50 *per cent* in capital outlay on fixed assets. Government needs to examine whether its market borrowings (at the cost of about 7.5 *per cent*) was justified in the light of the cash balances in its account with the RBI. The liabilities grew mainly due to increase in borrowings and small savings, provident fund etc., aggregating 16.89 *per cent*. The liabilities of the Government of Nagaland depicted in the Finance Accounts, however, do not include pension, other retirement benefits payable to serving/retired State employees and Guarantees/Letters of Comfort issued by the State Government.

1.7.1 Departmental Commercial Undertakings

Activities of quasi-commercial nature are performed by departmental undertakings of certain Government Departments. These undertakings are required to prepare annually *proforma* accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working. The Department-wise position of arrears in preparation of *proforma* accounts and the investment made by the Government are given in Chapter-VII (paragraphs 7.1.4, 7.1.6 and 7.1.9).

1.7.2 Investments and returns

As on 31 March 2006, the State Government had invested Rs.103.11 crore in one Statutory Corporation, six Government Companies, two Joint Stock Companies and 360 Co-operative Societies (Table 1.18).

Table 1.18- Return on Investment

Year	Investment at the end of the year	Return	Percentage of return	Average rate of interest on government borrowing	Difference between interest rate and return
	<i>(Rupees in crore)</i>			<i>(per cent)</i>	
2000-01	51.04	0.00	0.00	13.75	13.75
2001-02	53.87	0.00	0.00	12.83	12.83
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

(Source: Finance Accounts)

The return on investment in the above Companies was nil. Of the six Government companies, 4 had accumulated losses of Rs.26.96 crore, which had exceeded the paid-up capital of Rs.17.77 crore as detailed in Chapter VII (*Appendix-XLI*).

1.7.3 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporations and Companies, Government has also been providing loans and advances to many of these institutions/organisation. Total outstanding loans and advances as on 31 March 2006 was Rs.30.27 crore. Table 1.19 shows that interest received as a percentage of loans advanced by the State Government was much less than the weighted interest rate paid by the State Government on its borrowings except during 2005-06. This shows that the Government's borrowings were much higher than the returns on its own lending prior to 2005-06.

* 1 Statutory Corporation- Rs.0.04 crore, 6 Government Companies and 1 PSU- Rs.58.53 crore, 2 Joint Stock Companies-Rs.18.66 crore, 1 Co-op Bank and 359 Co-op Societies-Rs.25.88 crore = Rs.103.11 crore.

Table 1.19 - Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	41.49	52.39	48.04	42.96	41.23	35.07
Amount advanced during the year	17.35	3.43	2.33	5.08	0.34	0.61
Amount repaid during the year	6.45	7.78	7.42	6.81	6.50	5.40
Closing Balance	52.39	48.04	42.96	41.23	35.06	30.27
Net addition	10.90	(-) 4.35	(-) 5.09	(-) 1.73	(-) 6.16	(-) 4.79
Interest received	0.73	0.93	0.75	0.89	3.27	5.60
Interest received as <i>percentage</i> to outstanding Loans and advances	1.56	1.85	1.65	2.11	8.57	17.14
Weighted interest rate * (in <i>per cent</i>) paid on borrowings by State Government	13.75	12.83	11.30	11.66	12.26	10.50
Difference between weighted interest paid and received (<i>per cent</i>)	12.19	10.97	9.65	9.55	3.69	(-) 6.64
Implicit subsidy	5.06	5.75	4.64	4.10	1.52	(-) 2.33

1.7.4 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 the expenditure obligations, a mechanism of Ways and Means Advances (WMA) - ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned as the three years average of revenue receipts and the operative limit for special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. The amount and number of days on which WMA were taken by the State Government has declined since 2004-05. Interest paid on WMA also gradually declined since 2002-03. Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State is detailed in Table 1.20.

Table 1.20 - Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Ways and Means Advance						
Availed in the year	245.47	304.61	656.80	44.55	297.35	195.08
Number of Occasions	7	9	9	1	9	5
Outstanding WMAs, if any	69.29	4.000	--	--	7.07	53.01
Interest paid	0.54	0.93	1.77	0.63	0.48	0.27
Number of Days	136	188	311	6	53	14
Overdraft						
Availed in the year	208.57	363.82	349.55	--	57.02	79.84
Number of Occasions	6	6	11	--	2	1
Number of Days	56	73	158	365	3	2
Interest Paid	20.60	0.52	0.71	0.13	0.33	0.37

1.8 Undischarged liabilities

1.8.1 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 the 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 schemes, provident funds and other deposits.

Table-1.21 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 buoyancy of fiscal liabilities with respect to these parameters.

Table 1.21 - Fiscal Liabilities-Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Fiscal Liabilities (Rupees in crore)	1429.93	1695.93	2102.22	1924.41	2146.29	2552.27
Rate of Growth (<i>per cent</i>)	24.78	18.60	23.96	(-) 8.46	11.53	18.92
Ratio of Fiscal Liabilities to						
GSDP (<i>per cent</i>)	38.90	41.00	44.30	36.70	37.10	40.04
Revenue Receipts (<i>per cent</i>)	114.00	128.00	156.10	81.60	116.70	112.57
Own Resources (<i>per cent</i>)	1672.80	1603.00	1984.30	1486.50	1374.00	1261.30
Buoyancy of Fiscal Liabilities to						
GSDP (ratio)	0.557	1.496	1.620	(-) 0.820	1.118	1.835
Revenue Receipts (ratio)	2.286	3.312	14.185	(-) 0.112	(-) 0.523	0.814
Own Resources (ratio)	2.727	0.783	181.045	(-) 0.381	0.558	0.640

* Includes internal debt, loans and advances from GOI and other obligations.

Overall fiscal liabilities of the State increased from Rs.1429.93 crore in 2000-01 to Rs.2552.27 crore in 2005-06. The rate of growth in 2005-06 was 18.92 *per cent* over the previous year. The ratio of fiscal liabilities to GSDP increased only marginally from 38.90 *per cent* in 2000-01 to 40.04 *per cent* in 2005-06 with inter-year variations. Fiscal liabilities had grown faster than the State's GSDP. The buoyancy of these liabilities with respect to GSDP during the year was 1.835 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.835 *per cent*. These liabilities stood at 1.13 times of the States' revenue receipts and 12.61 times of its own resources.

1.8.2 Debt Sustainability

Debt sustainability is defined as the ability to maintain a constant debt-GDP ratio over a period of time. In simple terms, public debt is considered sustainable as long as the rate of growth of income exceeds the interest rate or cost of public borrowings subject to the condition that the primary balance is either positive or zero. 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 sustainable. On the other hand, if $PD > QS$, debt-GSDP ratio would be rising and if $PD < QS$, it would be falling.

Table-1.22 - Debt Sustainability-Interest Rate and GSDP Growth (in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Weighted Interest Rate	13.75	12.83	11.30	11.66	12.26	10.50
GSDP Growth	44.45	12.43	14.79	10.32	10.31	10.31
Interest spread	30.70	(-) 0.39	3.49	(-) 1.34	(-) 1.95	(-) 0.19
Outstanding debt	1429.93	169.93	210.22	1924.41	2146.29	2552.27
Quantum spread (Rs. in crore)	439.00	7.00	73.00	(-)26.00	(-) 42.00	(-) 5.00
Primary Deficit (Rs. in crore)	(-) 94.34	(-) 136.49	(-) 280.39	392.14	31.29	(-) 52.52

The trends in Table 1.22 reveal that in four out of six years period during 2000-06, the interest spread was negative, i.e., weighted interest rate was more than the rate of growth in GSDP during these years. The State has experienced primary deficit in 4 out of 6 years. An analysis of primary deficit vis-à-vis quantum spread reveals that their sum turns out to be negative in four out of six year period 2000-06. As the years of primary deficit and positive quantum spread do not coincide, debt-GSDP ratio reveals oscillating trend during the period.

1.8.3 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 receipt and repayment of internal debt and other fiscal liabilities of the State over the last six years.

Table 1.23 Net Availability of Borrowed Funds

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Internal debt						
Receipt	163.05	224.23	238.58	393.93	256.22	413.50
Repayment (Principal + Interest)	127.34	267.79	180.55	211.80	247.15	280.37
Net Fund Available	35.71	(-) 43.56	58.03	182.13	9.07	133.13
Net Fund Available (per cent)	21.90	(-) 19.43	24.32	46.23	3.54	32.20
Loans and Advances from Government of India						
Receipt	49.58	62.01	447.67	(-) 397.15	163.92	104.77
Repayment (Principal + Interest)	63.66	86.73	76.61	164.81	171.21	161.59
Net Fund Available	(-) 14.08	(-) 24.72	371.06	(-) 561.96	(-) 7.29	(-) 56.82
Net Fund Available (per cent)	(-) 28.40	(-) 39.86	82.89	141.50	(-) 4.45	(-) 54.23
Other obligations						
Receipt	192.03	143.31	242.88	186.99	111.21	161.78
Repayment (Principal + Interest)	189.47	159.77	168.68	210.70	204.24	279.39
Net Fund Available	2.56	(-) 16.46	74.20	(-) 23.71	(-) 93.03	(-) 117.61
Net Fund Available (per cent)	1.33	(-) 11.49	30.55	(-) 12.68	(-) 83.65	(-) 72.70

Audit Report (Civil) for the year ended 31 March 2006

Total liabilities						
Receipt	404.66	429.55	929.13	183.77	531.35	680.05
Repayment (Principal + Interest)	380.47	514.29	425.84	587.31	622.60	721.35
Net Fund Available	24.19	(-) 84.74	503.29	(-) 403.54	(-) 91.25	(-) 41.30
Net Fund Available (<i>per cent</i>)	5.98	(-) 19.73	54.17	(-) 219.59	(-) 17.17	(-) 6.07

Receipts from internal debt increased from Rs.256.22 crore in 2004-05 to Rs.413.50 crore in 2005-06. After accounting for the repayment of Rs.280.37 crore (including interest) in 2005-06, the net availability of funds from internal debt stood at Rs.133.13 crore.

The loan receipts from GOI decreased from Rs.163.92 crore in 2004-05 to Rs.104.77 crore in 2005-06 due to increase in grants-in-aid by the GOI. Interest on previous loans (Rs.43.05 crore) formed major part of the repayment of Rs.161.59 crore, which resulted in negative net availability of funds from loans from GOI in 2005-06.

Table 1.23 shows that the net availability of funds from the total liabilities was negative in all the years from 2003-04 to 2005-06, indicating that borrowed were used for debt redemption and therefore not available for use in developmental activities. Specifically, the net availability of funds from internal debt and the loans and advances from GOI was negative in 2005-06. This indicates that fresh borrowings have been resorted to repay the earlier liabilities. This trend needs to be checked to correct fiscal imbalance. The repayment should be made by reducing revenue expenditure and more generation of funds through fiscal measures and making the investments more productive. The fiscal indicators discussed above would have presented a different picture, but for the substantial and increased grants-in-aid from GOI. The Government was yet to finalise its Action Plan regarding Debt Consolidation and Relief facility of the GOI.

1.9 Management of deficits

Deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the 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 so raised are applied are important pointers to its fiscal health.

Table-1.24: Fiscal Imbalances-Basic Parameters

Parameters	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue deficit(-)/surplus (+) (Rupees in crore)	(-) 36.13	(-) 102.58	(-) 159.37	546.80	154.89	206.67
Fiscal deficit (-)/surplus (+) (Rupees in crore)	(-) 271.43	(-) 336.96	(-) 494.97	157.40	(-) 218.39	(-) 306.41
Primary deficit(-)/surplus(+) (Rupees in crore)	(-) 94.34	(-) 136.49	(-) 280.39	392.14	31.23	(-) 52.52
RD/GSDP (<i>per cent</i>)	(-) 0.98	(-) 2.48	(-) 3.36	*	*	3.24
FD/GSDP (<i>per cent</i>)	(-) 7.38	(-) 8.15	(-) 10.42	*	(-) 3.78	(-) 4.81
PD/GSDP (<i>per cent</i>)	(-) 2.56	(-) 3.30	(-) 5.90	*	*	(-) 0.82
RD/FD (<i>per cent</i>)	13.31	30.44	32.20	*	*	(-) 67.45

(Negative figures indicate deficit)

*There was Fiscal and Revenue surplus in 2003-04 and Revenue surplus in 2004-05.

The trends in revenue deficit during the period 2000-06 revealed that financial year 2003-04 was the year of turnaround as revenue account registered surplus thereafter in subsequent years. During 2003-04 huge revenue surplus was observed largely on account of the GOI loans to the State amounting to Rs.365 crore were converted into grants-in-aid. Due to the large surplus in revenue account, the State had also enjoyed fiscal and primary surplus during the year 2003-04. The revenue surplus declined in 2004-05 but increased by around Rs.52 crore in the current year mainly on account of increased central transfers by Rs.381.54 crore comprising the State's share in union pool of taxes and duties (Rs.88.35 crore) and grants-in-aid (Rs.293.19 crore). These enhancements in revenue receipts outstripped the revenue expenditure resulting in an increased revenue surplus in current year.

The fiscal deficit, which represents the total borrowings of the Government and its total resource gap, increased from Rs.218.39 crore in 2004-05 to Rs.306.41 crore in 2005-06. Despite the increment in revenue surplus by Rs.52 crore during the current year, the increase in fiscal deficit was largely on account of increase in capital expenditure by Rs 138.43 crore over the previous year. Due to both revenue and fiscal surplus in 2003-04, the State also had large primary surplus of Rs 392 crore during 2003-04 which declined substantially to Rs 31.23 crore during 2004-05 before turning again into deficit during the current year.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table 1.25** below presents a summarized position of the Government finances over 2000-2006, with reference to certain key indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facets.

While the indicators of resource mobilisation showed an increasing trend over the last five years, the expenditure showed a secular decline, as a percentage of the GSDP and the revenue receipts. Significantly, however, a qualitative shift in the pattern of expenditure was discernable with revenue expenditure increasing at the expense of capital expenditure. Many of the fiscal indicators summarized in **Table 1.25** have been discussed individually in different paragraphs of this Chapter.

The seemingly encouraging trend in the management of fiscal imbalances as evidenced by revenue surpluses has to be viewed in the context of substantial and increasing grants-in-aid from GOI and less than expected levels of State's own tax and non-tax revenue including the 'nil' returns on investment in the Public Sector.

Table 1.25 - Indicators of Fiscal Health (in per cent)

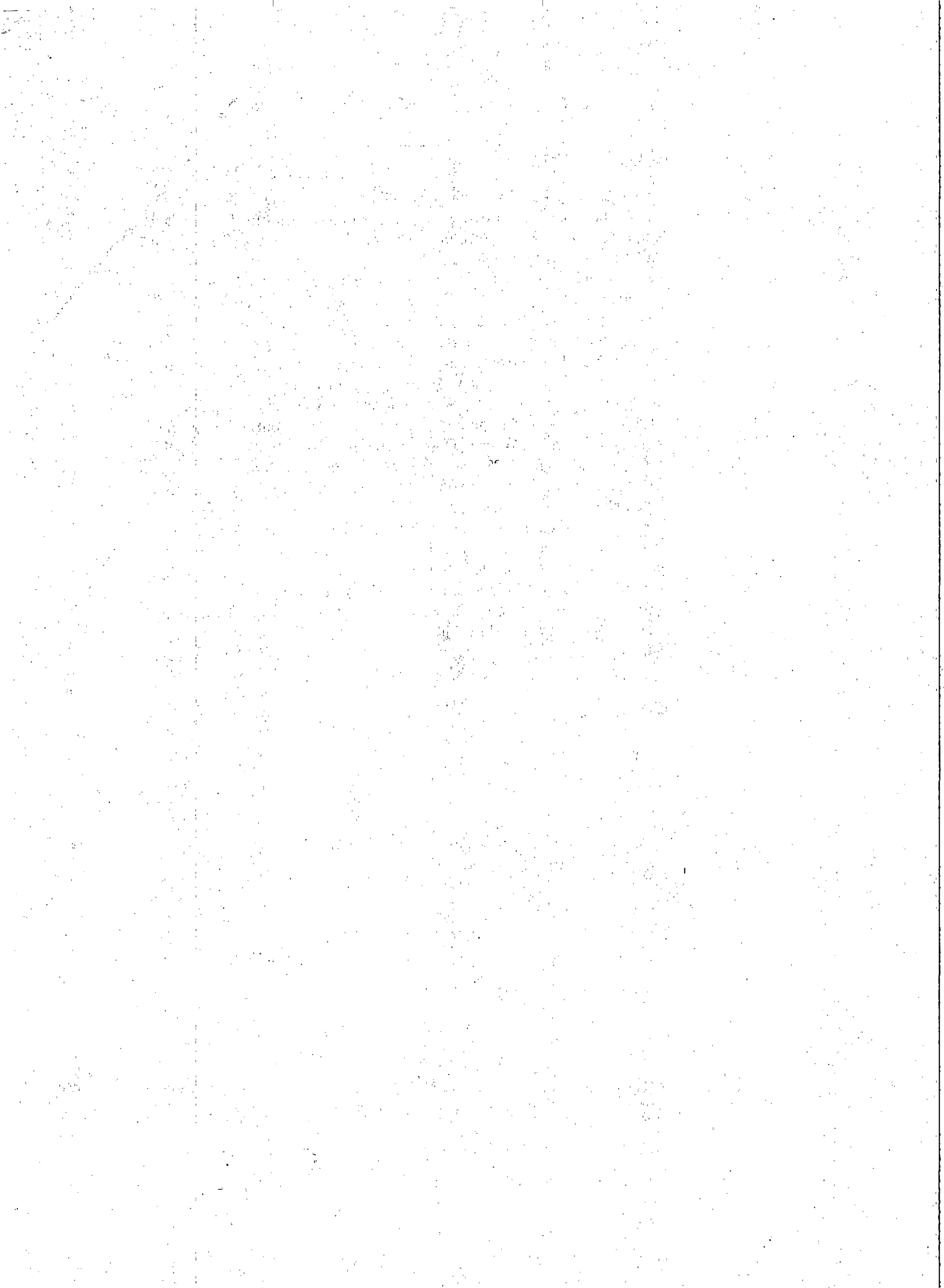
Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
I. Resource Mobilisation						
Revenue Receipts/GSDP	34.08	32.02	28.36	45.05	31.83	35.57
Revenue Buoyancy	0.244	0.452	0.114	7.287	(-) 2.138	2.255
Own tax/GSDP	1.26	1.51	1.31	1.31	1.36	1.66
II. Expenditure Management						
Total Expenditure/GSDP	41.64	40.35	38.94	42.17	35.72	40.46
Total Expenditure/Revenue Receipts	122.16	126.03	137.03	93.62	112.23	113.75
Revenue Expenditure/Total Expenditure	84.22	85.49	81.45	82.07	81.60	79.90
Salary & Wage expenditure on social and Economic Service/Revenue Expenditure	NA	NA	NA	27.67	28.84	29.44
Non-Salary & Wage expenditure on Social and Economic Services/Revenue Expenditure	NA	NA	NA	24.07	20.23	24.95
Capital Expenditure/Total Expenditure	14.65	14.30	18.40	17.70	18.38	20.08
Capital Expenditure on Social and Economic Services/Total Expenditure	12.79	13.45	17.08	15.44	16.31	17.68
Buoyancy of TE with RR	1.40	1.60	6.39	0.26	0.30	1.07
Buoyancy of RE with RR	1.21	1.89	3.28	0.27	0.32	0.96
III. Management of Fiscal Imbalances						
Revenue surplus(+)/deficit(-) (Rs. in crore)	(-) 36.13	(-) 102.58	(-) 159.37	546.80	154.89	206.67
Fiscal deficit(-)/surplus(+) (Rs. in crore)	(-) 271.43	(-) 336.96	(-) 494.97	157.40	(-) 218.39	(-) 306.41
Primary deficit(-)/surplus(+) (Rs. in crore)	(-) 94.34	(-) 136.49	(-) 280.39	392.14	31.23	(-) 52.52
Revenue deficit/Fiscal deficit	13.31	30.44	32.20	*	*	(-) 67.45
IV. Management of Fiscal Liabilities						
Fiscal Liabilities/GSDP	38.86	41.00	44.27	36.73	37.14	40.04
Fiscal Liabilities/RR	114.02	128.04	156.08	81.55	116.68	112.57
Primary deficit vis-à-vis quantum spread	344.66	(-) 129.49	(-) 207.39	366.14	(-) 10.71	(-) 57.52
Net Fund Available	5.98	(-) 19.73	54.17	(-) 219.59	(-) 17.17	(-) 6.07
V. Other Fiscal Health Indicators						
Return on Investment	0.00	0.00	0.00	0.00	0.00	0.00
Balance from Current Revenue (Rs. in crore)	(-) 296.20	(-) 974.63	(-) 555.96	247.88	(-) 386.32	(-) 58.01
Financial Assets/Liabilities	1.05	0.97	0.95	1.17	1.21	1.26

1.11 Impact of Government Policies

Appendix-X depicts the progress achieved during the year 2005-06 in various sectors. In Irrigation sector, there was increase in total irrigated area and creation of irrigation potential. In Agriculture sector, agricultural products were also increased. In Horticulture sector, the total cropped area and the total production were increased substantially.

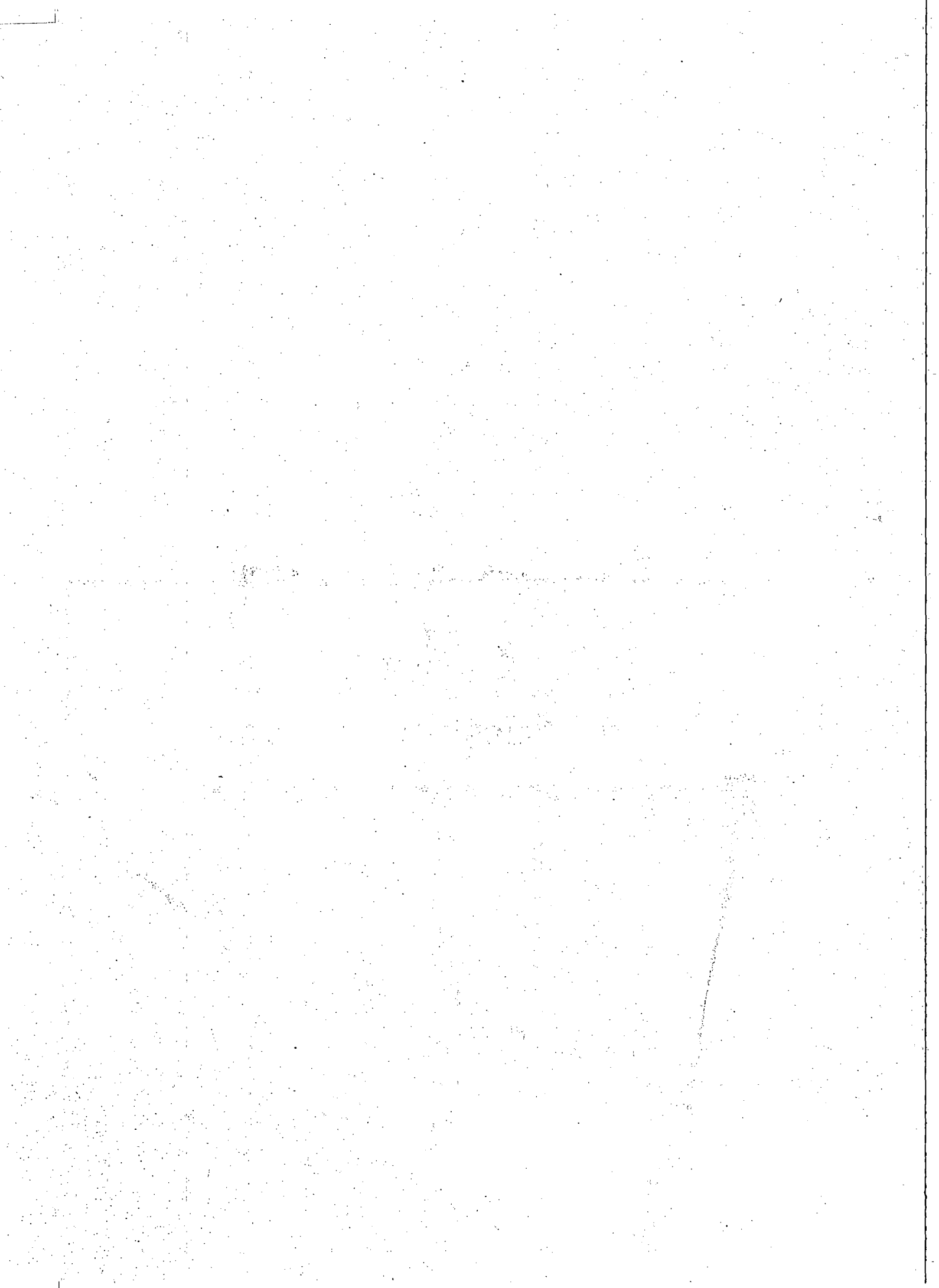
1.12 Conclusion

The trends in key fiscal parameters- RD, FD & PD indicate mixed trends about the fiscal health of the State's economy during the year. A substantial increase of Rs.381.54 crore in central transfers to State comprising of central tax transfers and grants-in-aid has enhanced the revenue surplus by Rs.52 crore during 2005-06. Although the State had maintained revenue surplus of Rs.206.67 crore during 2005-06, but the increase in fiscal deficit, continued negative balance from current revenues and emergence of primary deficit during the current year after experiencing the surplus consecutively for past two years indicate deteriorating fiscal situation and increasing dependence of the State on borrowed funds. Given the fact that non plan revenue expenditure is significantly higher than the level normatively assessed by the TFC and also that 91 *per cent* of the State's revenue receipts are contributed in the form of central transfers, greater efforts are required by the State to mobilize the resources through domestic sources. The spiraling debt liabilities accompanied by secular trends in fiscal deficit might result in a vicious cycle of deficit; debt and debt service payments, unless suitable measures are taken to arrest the persistent increase in fiscal liabilities. Besides, zero rate of return on government investments and inadequate recovery of cost on loans and advances also aggravated the fiscal position of the State. The State Government needs to initiate appropriate measures to raise its own resources and to compress the non plan revenue expenditure during the medium to long run to improve the fiscal health of the State.



CHAPTER — II

ALLOCATIVE PRIORITIES AND APPROPRIATION



CHAPTER II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Summary of Appropriation Accounts

2.1.1 The summarised position of original and supplementary Grants/Appropriations and expenditure thereagainst during 2005-06 are given below:

Total number of Grants: 78
Total Provision and Actual Expenditure

Table No.2.1 (Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	3310.85	Revenue	2075.30
Supplementary	427.39	Capital ¹	905.69
Total gross provision	3738.24	Total gross expenditure	2980.99
Deduct estimated recoveries in reduction of expenditure	23.22	Deduct actual recoveries in reduction of expenditure	14.76
Total net provision	3715.02	Total net expenditure	2966.23

Voted and Charged Provision and Expenditure

Table No.2.2 (Rupees in crore)

	Provision		Expenditure	
	<i>Voted</i>	<i>Charged</i>	<i>Voted</i>	<i>Charged</i>
Revenue	1871.82	321.68	1815.77	259.53
Capital ²	815.49	729.25	518.48	387.21
Total: Gross	2687.31	1050.93	2334.25	646.74
Deduct recoveries in reduction of expenditure	23.22	---	14.76	---
Total : Net	2664.09	1050.93	2319.49	646.74

The summarised position of actual expenditure, excess and savings during 2005-2006 against Grants/Appropriation was as follows:

¹ Capital includes Loans and Advances and Public Debt.
² Capital includes Loans and Advances and Public Debt.

Table No.2.3

(Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
Voted	I Revenue	1595.20	276.62	1871.82	1815.77	(-) 56.05
	II Capital	584.86	150.00	734.86	517.87	(-) 216.99
	III Loans and Advances	80.63	---	80.63	0.61	(-) 80.02
Total Voted		2260.69	426.62	2687.31	2334.25	(-) 353.06
Charged	IV Revenue	320.91	0.77	321.68	259.53	(-) 62.15
	V Capital	---	---	---	---	---
	VI Public Debt.	729.25	---	729.25	387.21	(-) 342.04
Total Charged		1050.16	0.77	1050.93	646.74	(-) 404.19
	Appropriation to Contingency Fund	---	---	---	---	---
Grand Total		3310.85	427.39	3738.24	2980.99	(-) 757.25

(Source: Appropriation Accounts)

The overall saving of Rs.757.25 crore was the net result of excess of Rs.64.96 crore in 25 cases of grant/appropriations and savings of Rs.822.21 crore in 53 cases of grant/appropriations.

2.2 Fulfilment of Allocative Priorities

2.2.1 Appropriation by Allocative Priorities

Out of savings of Rs.757.25 crore, major savings of Rs.745.82 crore (98 per cent) occurred in 23 Grants/Appropriations as mentioned below:

Table No.2.4

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Actual expenditure	Savings
Revenue Section (Voted)						
1.	18- Pension and Other Retirement Benefits	197.66	5.26	202.92	179.42	23.50
2.	28- Civil Police	257.17	35.89	293.06	286.61	6.45
3.	37- Assistance to Municipalities and Development Works in Towns	0.13	9.35	9.48	4.88	4.60
4.	52- Forest	20.34	16.64	36.98	24.79	12.19
5.	53- Industries	37.01	---	37.01	31.25	5.76
6.	66- Sericulture	11.22	---	11.22	6.08	5.14
7.	72- Land Resource Development	24.30	27.45	51.75	45.13	6.62
8.	78- Information Technology and Technical Education	15.28	8.18	23.46	17.96	5.50
Capital Section (Voted)						
9.	27- Planning Machinery	44.94	---	44.94	12.62	32.32
10.	33- Youth Resources and Sports	16.15	10.38	26.53	15.74	10.79
11.	35- Medical, Public Health and Family Welfare	42.61	---	42.61	14.23	28.38
12.	36- Urban Development	28.43	37.44	65.87	25.66	40.21
13.	39- Tourism	10.16	3.55	13.71	3.28	10.43

These are gross figures before adjustment of recoveries in reduction of expenditure viz. Revenue expenditure Rs.14.76 crore and Capital expenditure NIL.

Chapter II Allocative Priorities and Appropriation

14.	55- Power Projects	90.40	9.37	99.77	77.11	22.66
15.	58- Roads and Bridges	130.13	15.82	145.95	96.77	49.18
16.	59- Irrigation and Flood Control	6.94	---	6.94	0.82	6.12
17.	60- Water Supply Schemes	86.55	0.74	87.29	57.38	29.91
18.	64- Housing	28.55	14.10	42.65	28.67	13.98
19.	77- Development of Under Developed Areas	25.62	15.00	40.62	21.51	19.11
20.	78- Information Technology and Technical Education	8.62	---	8.62	---	8.62
	Revenue Section (Charged)					
21.	75- Servicing of Debt	316.20	---	316.20	253.89	62.31
22.	Capital Section (Charged)					
23.	75- Servicing of Debt	729.25	---	729.25	387.21	342.04
	Total	2127.66	209.17	2336.83	1591.01	745.82

Reasons for savings were not intimated by the departments (October 2006).

Areas in which major savings occurred in the above grants/appropriations are given in the **Appendix-XI**.

In 42 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-XII**.

2.2.2 Excess requiring regularisation

i) Excess over provision during 2005-06 requiring regularisation

The excess of Rs.64.96 crore under Revenue Section and Rs.7.64 crore under Capital Section as detailed in **Appendix-XIII** requires regularization under Article 205 of the Constitution.

ii) Excess over grants in previous years not regularised

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.1768.61 crore (213 cases of Grants/Appropriations) reported during 1996-97 to 2004-05 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of November 2006. Details of such excess e.g., number of Grants/Appropriations and amount involved therein requiring regularisation are given below:

Table No.2.5 (Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	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

Audit Report (Civil) for the year ended 31 March 2006

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
Total		213		1768.61

(Source: Audit Reports and Appropriation Accounts)

2.2.3 Original budget and supplementary provisions

Supplementary provisions (Rs.427.39 crore) made during the year constituted 13 per cent of the original provision (Rs.3310.85 crore) as against 6 per cent in the previous year.

2.2.4 Unnecessary/excessive/insufficient supplementary grants

a) Supplementary provision of Rs.107.32 crore made in 19 Grants during the year proved unnecessary in view of aggregate savings of Rs.220.55 crore as detailed in *Appendix-XIV*.

b) In 43 Grants, against additional requirement of Rs.5.16 crore, supplementary grants of Rs.303.20 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh aggregating Rs.298.04 crore. Details of these cases are given in *Appendix-XV*.

c) In 17 Grants/Appropriations supplementary provisions of Rs.86.64 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.58.64 crore as per details given in *Appendix-XVI*.

2.2.5 Persistent savings

In 24 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 2003-04 to 2005-06. Details are given in *Appendix-XVII*.

2.2.6 Significant excess

In 6 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 2005-06. Details are given in *Appendix-XVIII*.

2.2.7 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.27.39 crore was incurred in 14 cases as detailed in *Appendix-XIX* without provision having been made in the original estimates/supplementary demands.

2.2.8 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 the savings are anticipated. In 13 Grants and one Appropriation, the amount of available savings of Rs.1 crore and above in each case aggregating Rs.357.96 crore was not surrendered. Details are given in *Appendix-XX*.

2.2.9 Surrender in excess of savings

In 24 Grants the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.95.44 crore, the amount surrendered was Rs.105.33 crore resulting in excess surrender of Rs.9.89 crore. Details are given in *Appendix-XXI*.

2.2.10 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 2005-06, the actual recoveries (Rs.14.76 crore) were less than the estimated recoveries (Rs.23.18 crore) by Rs.8.42 crore. This was the net result of less recoveries of Rs.10.48 crore in eight grants, and excess recovery of Rs.2.06 crore in four grants. Details are given in *Appendix-XXII*.

2.2.11 Non-receipt of explanations 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 were to furnish promptly all such information to the Sr. Deputy Accountant General (A&E) for preparation of Appropriation Accounts.

During the year out of 78 Grants/Appropriations, explanations for savings/excess were received for seven grants only.

2.2.12 Non-reconciliation of departmental figures of expenditure

Financial rules require that the departmental 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 78 controlling officers (COs), the expenditure in respect of four COs aggregating Rs.5.48 crore pertaining to 2005-06 remained unreconciled.

The extent of non-reconciliation of expenditure by the COs, however, decreased from 12 per cent in 2003-04 to 0.19 per cent of the total expenditure in 2005-06 as shown below:

Table No.2.6 (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
2003-04	79	9	12	294.71
2004-05	78	6	5	136.26
2005-06	78	4	0.19	5.48

(Source: Information furnished by A&E office)

2.2.13 Money drawn in advance to avoid lapse of budget grants

Rule 290 of the Central Treasury Rules, as adopted by the Government of Nagaland, provide 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 grants.

Information on lapse of budget grants during the year 2005-06 was called for (May 2006) from 38 Government Departments. In response, only five departments furnished (October 2006) the information on lapse of budget grants aggregating Rs.5.18 crore, as under:

Table No.2.7

(Rupees in crore)

Sl. No.	Name of the Department	Amount drawn during 2005-06	Amount remaining undischarged and lapsed
1.	Tourism	11.11	2.82
2.	Director General of Police	1.24	1.17
3.	Employment and Craftsmen Training	1.07	0.27
4.	State Council of Educational Research and Training	0.43	0.43
5.	Food and Civil Supplies	0.75	0.49
	Total	14.60	5.18

HOME DEPARTMENT

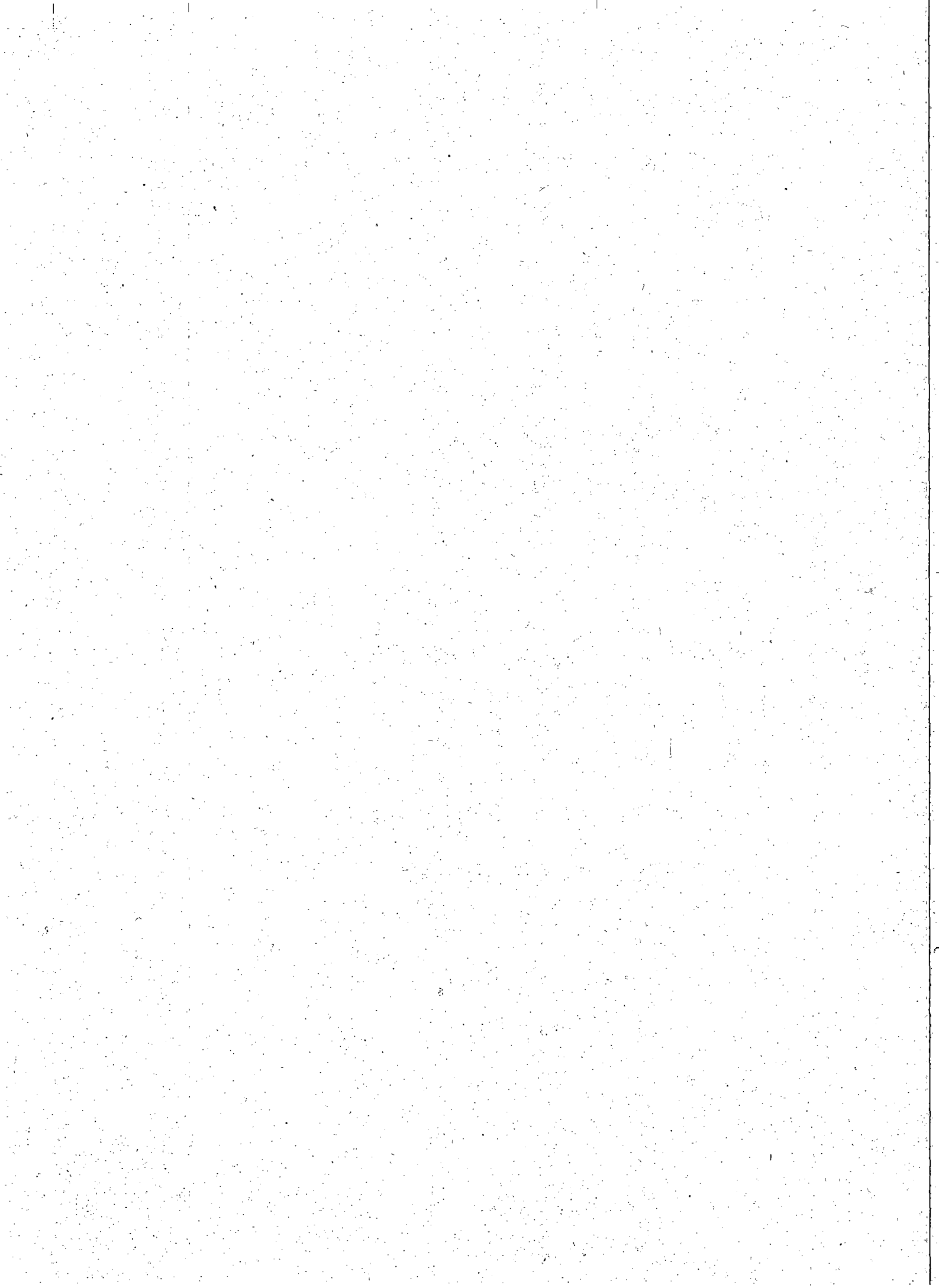
2.3 Non-submission of Detailed Countersigned Contingent bill

An amount of Rs.5.62 crore was drawn on Abstract Contingent bill by the Special Officer (Accounts), Civil Secretariat, Kohima during 2003-04 and 2004-05 against which no Detailed Countersigned Contingent bills were submitted.

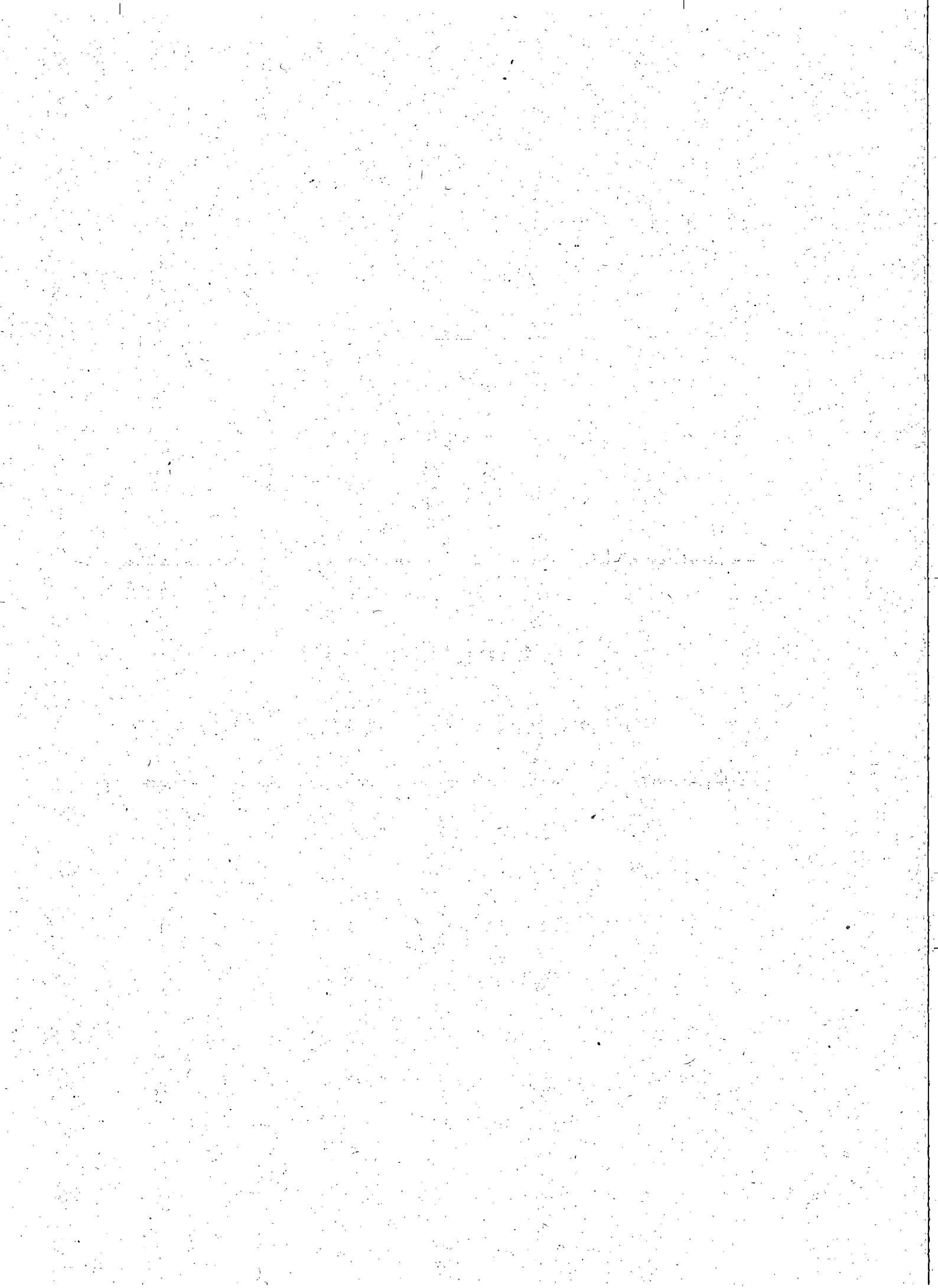
According to Rules, the Detailed Countersigned Contingent (DCC) bill in respect of any amount drawn on Abstract Contingent (AC) bill is required to be submitted to the Controlling Officer (CO) within one month of drawal of the bill, and the CO is to submit the same with his countersignature to the Accountant General within another month. The Rule further stipulates that every Drawing and Disbursing Officer (DDO) should furnish a certificate to the CO regarding that submission of DCC bills against every AC bill drawn more than one month during the month.

Test check (November 2005) of records (October 2003 to October 2005) of the Special Officer (Accounts), Civil Secretariat, Kohima revealed that DCC bills for Rs.5.62 crore (*Appendix-XXIII*) drawn on 83 AC bills during April 2003 to March 2005 were not submitted (October 2006). The amounts drawn were shown as final expenditure by the Department in all these cases. In the absence of the DCC bill against the AC bill drawn, utilisation of the funds for the purpose for which these were drawn could not be authenticated and also the possibility of misappropriation of funds could not be ruled out.

The matter was reported to the Department/Government in July 2006; reply had not been received (November 2006).



CHAPTER — III
PERFORMANCE AUDIT (CIVIL)



CHAPTER -III

PERFORMANCE AUDIT

DEPARTMENT OF HEALTH & FAMILY WELFARE

3.1 Health Care Services

The objective of health care services is to provide basic health services to the people at their doorstep to improve the standard of public health. The findings of the performance audit revealed that the objective of providing improved health care services to the people could not be achieved due to non-adherence of the prescribed purchase policy for procurement of medicines, non-testing of quality of medicines purchased, purchase of equipment without commensurate infrastructure, inadequate infrastructure and absence of monitoring and evaluation. Further a large number of health care centres continued working in dilapidated buildings, without adequate accommodation and basic facilities like water supply, labour rooms and laboratories.

Highlights

Drugs (Prices control) Order 1995 provides for 16 per cent discount on retail price of medicines procured from manufacturer or authorised distributor/dealer. Failure to purchase medicines from authorised firms/suppliers, resulted in loss of discount of Rs.2.43 crore.

(Paragraph 3.1.9)

Medicines were distributed/utilised by district hospitals and other health care centres without carrying out any quality testing.

(Paragraph 3.1.11.1)

Equipment procured at a cost of Rs.1.47 crore remained idle as infrastructure for its installation was not available.

(Paragraph 3.1.17)

Payment of Rs.4.80 crore was made for purchase of equipment without receipt of equipment.

(Paragraph 3.1.18)

Expenditure of Rs.0.50 crore was infructuous as the building for up-gradation and strengthening of emergency facilities at Medziphema CHC was not handed over by the contractor to the Department.

(Paragraph 3.1.29)

Expenditure of Rs.11.17 crore was unfruitful due to non completion of Regional Diagnostic Centre (Tuensang) and up-gradation of Naga Hospital, Kohima.

(Paragraph 3.1.30)

Expenditure of Rs.1.32 crore incurred on implementation of Central Scheme for Waste Management did not benefit to two hospitals as the amount was shown as spent without resultant benefits.

(Paragraph 3.1.32)

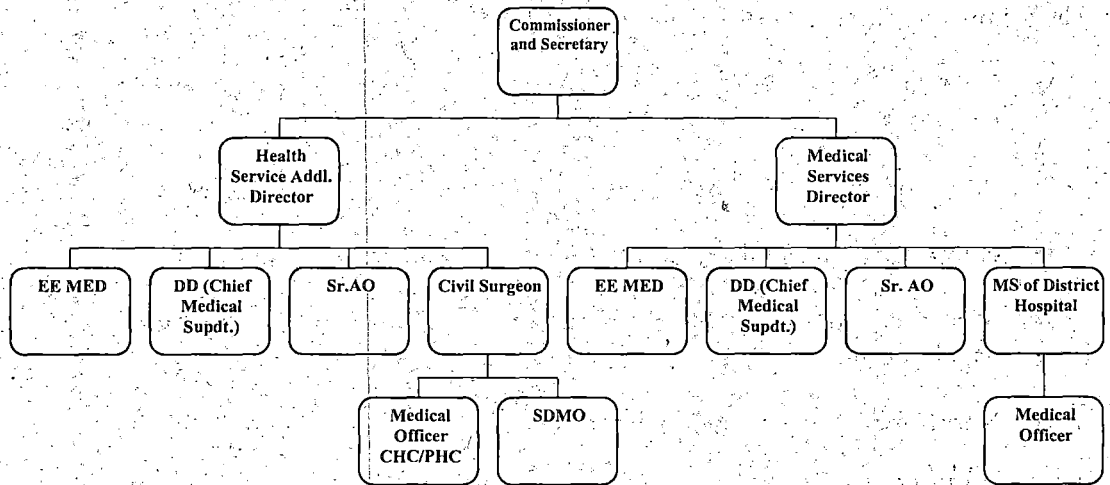
3.1.1 Introduction

Health is defined as not merely the absence of disease or infirmity but complete physical, mental and social well being. The main objective of health care services is to provide basic health services to the people at their doorstep. The State Government provides "Health Care Service" as a preventive and curative measure to the people through a network of 10 Hospitals, one Naga Hospital Authority, Kohima, 20 Community Health Centres (CHCs), 87 Primary Health Centres (PHCs), 397 Sub-Centres (SCs), 27 Subsidiary Health Centres (SHCs) and 15 Dispensaries.

3.1.2 Organisational set-up

The Health and Family Welfare Department, Government of Nagaland is headed by a Commissioner and Secretary to the Government. The implementation of the policies of the Department is entrusted to the Director, Medical Services (DMS) and the Director, Health Services (DHS). They are assisted by the Civil Surgeons, Medical Superintendent, Medical Officers and Committees of Centres which are communitised. The Medical Engineering Division (MED) at Kohima headed by an Executive Engineer oversees the construction and maintenance of buildings. The Nagaland State Drugs Control Authority is headed by a Director of Medical Services as Ex-officio Drug Controller for monitoring the quality of drugs.

The organisational structure of the Department is given below:



3.1.3 Scope of audit

The records of the two Directorates, Medical Engineering Division and three districts for the period 2001-02 to 2005-06 were test-checked in performance audit during April-August 2006. Out of the total expenditure of Rs.106.75 crore (upto March 2006), an expenditure of Rs.43.55 crore (41 per cent) was covered in the test check. Apart from Civil Hospitals and Health Centres, the relevant records maintained by the Civil Surgeons of three districts and Sub Divisional Medical Officer, Tseminyu were also examined.

3.1.4 Audit objective

The main objectives of the performance audit were to examine:

- The economy, efficiency and effectiveness of the procedure for procurement and distribution of medicines and equipment.
- The quality control system of the medicines procured.
- The system of installation and maintenance of equipment/machineries.
- The adequacy of infrastructure of Health Care Centres.
- The effectiveness of the monitoring and evaluation system.

3.1.5 Audit criteria

The following sources of criteria were used.

- Rules and instructions governing acquisition/purchase of medicines/ equipment.
- Provisions of Drugs (Prices control) order 1995.
- Norms for repair/replacement of equipment/machineries.
- Norms laid down by Government of India (GOI) for infrastructure development.
- Norms for evaluation and monitoring.

3.1.6 Audit Methodology

The performance audit began with an 'entry conference' (12 April 2006) attended by the Joint Directors, Health Services and Medical Services, and other officers wherein the audit objectives, scope and audit criteria were discussed and the inputs of the Department were obtained. The information/data collected from the Department was analysed on the basis of the audit criteria and the audit observations are then incorporated in the report. At the conclusion of audit, an exit conference was held (16 October 2006) which was attended by the Secretary, and subordinate officers responsible for implementation of the policies of the Department. The performance audit was finalised incorporating the replies of the Department during the exit conference.

There are 11 districts including the three newly created (2004-05) districts¹ in the State. Except the capital district, the selection of the other two districts, viz., Dimapur and Mokokchung was done on the basis of Probability Proportional to Size With Replacement (PPSWR). While hospitals at selected district headquarter were chosen for detailed testing, the selection of Health Centres in selected districts was done on the basis of Simple Random Sampling Without Replacement (SRSWR).

The results of the analysis are brought out in the form of audit findings in the subsequent paragraphs.

¹ Kiphire, Longleng, and Peren.

3.1.7 Procurement of Medicines

3.1.7.1 System for procurement of medicines and equipment

The Government had approved 114 manufacturing firms (November 1994) for procurement of medicines and medical equipment. However, the Department set up a purchase committee only in June 2003 to decide the policies relating to purchases of medicines and medical equipment. In Nagaland, the procurement of medicines and equipment is being done centrally. The purchases were to be made through the authorized dealers/distributors of the approved manufacturers. The Finance Department issued (August 2002) an order prescribing that all supply orders shall be made only after following the codal formalities like floating of tenders, constitution of purchase boards and adopting open tender system in all cases in which the value of the order is Rs.0.50 lakh and above. Single tender system is to be adopted only in cases of articles which are specifically certified to be of proprietary nature or in cases where only a particular firm is the sole manufacturer. The receipt of the material from the suppliers is to be accounted for only after verification by the consignment board constituted for the purpose.

3.1.7.2 Budget provision and expenditure

The DMS and the DHS purchased medicines valued at Rs.15.18 crore during the period from April 2001 to March 2006 as given below:

Table 3.1.1

(Rupees in crore)

Year	Name of the Directorate	Budget Provision	Fund Released	Expenditure
2001-02	DMS	1.25	1.25	1.25
	DHS	2.17	2.17	2.17
2002-03	DMS	0.71	0.71	0.71
	DHS	3.03	3.03	3.03
2003-04	DMS	1.79	1.79	1.79
	DHS	1.77	1.77	1.77
2004-05	DMS	1.90	1.90	1.90
	DHS	1.63	1.63	1.63
2005-06	DMS	0.19	0.19	0.19
	DHS	0.74	0.74	0.74
Total	DMS	5.84	5.84	5.84
	DHS	9.34	9.34	9.34
Grand Total		15.18	15.18	15.18

(Source: Departmental figures)

The following was observed regarding procurement of medicines:

3.1.8 System of assessing the requirement

There was no system in place for assessing the quarterly/annual quantity of medicines required to be purchased. In the absence of any assessment and justification of quantity to be purchased, it is not clear on what basis the

Department incurred an expenditure of Rs.15.18 crore on procurement of medicines. It resulted in purchase of medicines without requirement as detailed in para 3.1.11.2 below.

3.1.9 Non adherence to the provision of Drugs (Prices Control) order 1995 and purchase procedures

Paragraph 19 of the Drugs (Prices Control) Order 1995 provides that a manufacturer, distributor or wholesaler shall sell formulation (medicines) to a retailer at a discount of 16 per cent thereof in the case of schedule drugs. The Department instead of purchasing through the authorised distributors of the approved manufacturers, procured medicines valued at Rs.15.18 crore during 2001-06 from various unauthorised local firms/suppliers without observing codal formalities resulting in non-availment of discount of Rs.2.43 crore. Reasons though asked (October 2006) for were not provided by the Department except that it was done on the instructions of the Minister of Health and Family Welfare.

3.1.10 Inadmissible payment

Central Sales Tax (CST) is payable to the local supplier or authorised agent of the manufacturer if the supplier is registered under the CST Act and necessary 'C' form in support of payment of CST is produced. The Department paid CST of Rs.17.93 lakh² to the local suppliers who were neither registered under the CST Act nor authorised distributor/agent of the manufacturer. This resulted in inadmissible payment of Rs.17.93 lakh.

3.1.11 Distribution of Medicines

3.1.11.1 Quality test of Drugs

To ensure supply of quality medicines, testing is mandatory. No Drugs Testing Laboratory was established by the State by this purpose. Therefore, all categories of drug samples were to be sent to Central Drugs Laboratory (CDL), Kolkata, Regional Drugs Laboratory (RDL), Guwahati and Pharmacopeia Drugs Laboratory, Ghaziabad for quality testing. It was noticed that during the period covered by audit, no drug samples were sent for testing. It was also noticed that the stock registers maintained at Central Medical Stores, Kohima did not indicate the crucial details like batch number, manufacturing and expiry dates of medicines purchased etc. Therefore, the possibility of exposing the patients to the risk of consuming substandard/spurious drugs cannot be ruled out.

² 2002-03 :Rs.6.16 lakh (6 suppliers); 2003-04: Rs.5.29 lakh (3 suppliers); 2004-05: Rs.5.94 lakh (7 suppliers) and 2005-06: Rs.0.54 lakh (4 suppliers).

3.1.11.2 Medicines issued to field units without requirement

Medicines procured centrally were issued to different field units from the Central Medical Stores of DMS and DHS at Kohima. The DHS issued medicines worth Rs.29.88 lakh to field units (Civil Surgeons, Kohima and Mokokchung) between September 2003 and July 2005 (*Appendix-XXIV*) without receiving any demand/indent from them. The Government stated (October 2006) that the medicines were issued in a routine manner. The reply clearly indicated that, no system of assessment of requirement and distributions exists in the Department.

3.1.12 Non/Short receipts of medicines by the fields units

Cross verification of records of the field units regarding issue/receipt of medicines with the Central Medical Stores of DMS and DHS revealed that medicines issued by Central Medical Store of DMS (Rs.25.29 lakh) and DHS (Rs.20.04 lakh) between July 2001 and March 2006 were found not/short received to the extent of Rs.31.85 lakh (70.26 per cent) in the books of five field units as shown below.

Table 3.1.2

(Rupees in lakh)

Name of the field units to whom medicines issued	Value of medicines issued to each field unit by the central medical store of		Value of medicines received by each field unit from the central medical store of		Value of medicines short received by each field unit from the central medical store of	
	DMS	DHS	DMS	DHS	DMS	DHS
Civil Surgeon, Mokokchung	5.55	10.15	0.10	1.53	5.45	8.62
Medical Superintendent, Civil Hospital, Mokokchung	16.72	7.30	8.13	3.65	8.59	3.65
SDMO, Tseminyu	1.24	1.17	Nil	Nil	1.24	1.17
Civil Surgeon, Dimapur	0.96	0.99	0.04	Nil	0.92	0.99
Medical Superintendent, Civil Hospital, Dimapur	0.82	0.43	0.03	Nil	0.79	0.43
Total:	25.29	20.04	8.30	5.18	16.99	14.86

(Source: Departmental records)

The possibility of fraud and embezzlement cannot be ruled out, as uptill 5 field units had not received the stated quantity of medicines. No reply was received from the Department (November 2006). Audit observations also revealed that the Department did not have a system of reconciliation or internal control mechanism.

3.1.13 Procurement of Equipment

3.1.13.1 System of assessing the requirement

It was noticed in audit that there was no co-ordination between assessing the requirement of equipment and availability of existing infrastructure for

installation of equipment. In the absence of such co-ordination, procurement was done on ad-hoc basis, resulting in nugatory and unproductive expenditure as discussed in the succeeding paragraphs.

3.1.14 Irregular release of advance resulting in undue benefit to contractor

To provide treatment to the road accident victims, GOI sanctioned (January 2003) Rs.1.44 crore³ for upgradation and strengthening of emergency facilities at CHC, Medziphema. The Executive Engineer (EE), Medical Engineering Division, Kohima drew Rs.1.28 crore (March 2003) and transferred Rs.0.65 crore (July 2003) to DHS for procurement of equipment, furniture, ambulance etc., (utilisation of balance amount of Rs.0.63 crore is discussed in Para 3.1.30). The DHS issued supply order (September 2003) to a local supplier⁴ for procurement of equipment and furniture (Rs.0.60 crore) with a stipulation to complete the supply within 45 days. The DHS extended undue benefit to the supplier and paid (September 2003) Rs.0.20 crore as mobilisation advance though the supply order did not envisage the same. As the supplier failed to supply the material, the DHS finally cancelled (March 2006) the supply order with a direction to refund Rs.0.20 crore by 30 March 2006. However, the supplier had refunded the amount (October 2006). The balance amount of Rs.0.45 crore remained unutilised (March 2006).

Irregular release of mobilisation advance in contravention of codal provisions and eventual non supply of material for over two years resulted in avoidable and undue benefit to supplier. Meanwhile the purpose of strengthening of emergency facilities for road accident victims was defeated. The shortage of medicine also resulted in a negative impact on the health care programme of the Department. The supply order issued by the Department did not contain any clause regarding the bank guarantee provided by the suppliers. In the absence of such provision and failure to obtain bank guarantee, the Department had not safeguarded its interest in the event of non supply of equipment as per the terms of the supply order.

3.1.15 Supply of equipment

The DMS placed (March 2004 and August 2004) supply orders on local suppliers X⁵ and Y⁶ for supply of equipment valuing Rs.44.41 lakh within 45/60 days under Pradhan Mantri Gramodaya Yojana (PMGY) during the year 2003-04. The suppliers were paid an advance of Rs.26.47 lakh (Rs.18.47 lakh and Rs.8 lakh respectively) between March 2004 and February 2005. However, equipment worth Rs.17.28 lakh only was supplied between January 2005 and May 2006 and the balance equipment worth Rs.27.13 lakh was not

³ Civil works (Rs.0.60 crore), equipment and furniture (Rs.0.60 crore), ambulance (Rs.0.18 crore) and others (Rs.0.06 crore).

⁴ M/s Villie Khamo, Kohima

⁵ M/s Global Enterprises, Kohima

⁶ M/s Anyimi, Kohima.

supplied as of June 2006. Out of the equipment received, material worth Rs.11.48 lakh was not taken into stock ledger due to non-verification by the consignment board. The entire equipment of Rs.17.28 lakh was also lying idle in the store (June 2006). Thus, failure of the DMS to exercise effective control resulted in non-utilisation of equipment of Rs.17.28 lakh already received and undue benefit of Rs.9.19 lakh to the suppliers. No efforts were also made to utilise the balance amount of Rs.17.94 lakh as of June 2006. The Department had not safeguarded its interest and had also failed to incorporate bank guarantee clause in the supply order. Since the equipment was lying unattended, the warrantee period of the equipment has also expired resulting in the Department being exposed to the risk of carrying out repairs and maintenance at its own cost.

3.1.16 Purchase of equipment without requirement

To combat communicable disease “Severe Acute Respiratory Syndrome (SARS)” in the State, the Planning Commission provided Rs.1.00 crore during 2003-04 as a one time Additional Central Assistance. Accordingly, the Department framed an “Action Plan” listing out the vital medicines and equipment required for combating the disease. The Action Plan also emphasised public awareness campaigns.

Test check of records revealed, that 31 items valued at Rs.44.25 lakh⁷ of equipment not included in the action plan were purchased (between April 2004 and March 2005) by DHS and DMS. 23 essential items (*Appendix-XXV*) included in the action plan were not purchased. It was also noticed that no public awareness campaign as envisaged in the action plan was carried out.

The above action resulted in unauthorised expenditure of Rs.44.25 lakh besides, denial of the intended benefits to the people.

3.1.17 Procurement of equipment without available infrastructure

Under the Prime Minister’s package for upgradation of District Hospitals, GOI (DONER) sanctioned (February 2004) Rs.5.12 crore⁸. The State Government sanctioned and released (March 2005) Rs.4.05 crore for civil works (Rs.2.15 crore) and equipment (Rs.1.90 crore). The civil works for upgradation of 10 District Hospitals were taken up for execution in 2005-06 for completion during 2006-07. The “Purchase Committee” headed by the Chief Secretary recommended (October 2004) that the procurement of equipment under Prime Minister’s package for upgradation of District Hospitals should be made after ensuring the availability of adequate rooms/building for installation of equipment. The DMS purchased and issued machinery and equipment to 10

⁷ Rs.5.94 lakh + Rs.34.56 lakh + Rs.3.75 lakh

⁸ civil works (Rs.3.22 crore) and equipment (Rs.1.90 crore)

Districts Hospitals during 2005-06 without assessing the availability of infrastructure for installation of equipment valued at Rs.1.31 crore. The machinery/equipment though received in the districts (June 2005) could not be installed for want of necessary infrastructure. The equipment valued at Rs.0.43 crore was purchased and issued (July 2005) to Naga Hospital, Kohima and equipment valued at Rs.0.16 crore was lying in the central store.

Thus, procurement of equipment without any planning/assessing the available infrastructure for installation resulted in unproductive expenditure of Rs.1.47 crore (Rs.1.31 crore + Rs.0.16 crore).

3.1.18 Payment made without receipt of equipment

For procurement of equipment, DMS issued (between May 2004 and December 2004) two supply orders to a local supplier⁹ valuing Rs.10.99 lakh and four supply orders to a Chennai based firm¹⁰ valuing Rs.18.57 lakh under the funds provided by Planning Commission for up-gradation of District Hospitals. Scrutiny of stock registers revealed that, the suppliers did not supply the equipment (June 2006) whereas full payment of Rs.29.56 lakh was made to the suppliers (July 2004 to March 2005) by the Department. The Department had not taken any bank guarantee to secure the performance from the supplier.

The State Government awarded (May 1999) the work "Up-gradation of Naga Hospital, Kohima" to a New Delhi based firm¹¹ on turnkey basis in three phases at a cost of Rs.25 crore without ascertaining the probable cost of equipment and furniture. The contract provided for supply and installation of equipment and furniture (219 items) and training at a cost of Rs.8.75 crore and upgradation of Hospital building at a cost of Rs.16.25 crore (discussed in paragraph 3.1.32.2). As per 'Agreement' (22 May 1999), DMS paid (between May 2000 and December 2002) Rs.5 crore to the firm for supply of equipment and furniture before completion of the hospital building. Against the payment of Rs.5 crore, the firm supplied equipment/furniture including EPBX Unit, X-Ray Viewing Boxes, Incinerator etc., worth Rs.0.50 crore (March 2004). The firm stopped the work due to non-extension of contract beyond March 2004. The Department had not taken any bank guarantee to secure the performance from the supplier.

The firm neither refunded the balance of Rs.4.50 crore nor supplied the equipment as per the contract as of June 2006. The Department had not initiated any action against the firm. Thus Rs.4.80 crore (Rs.0.30 crore + Rs.4.50 crore) has been paid to suppliers without receipt of equipment. The

⁹ M/s Pele Khiezhe, Kohima.

¹⁰ M/s Vishal Surgical Equipment Pvt. Ltd., Chennai.

¹¹ M/s Sir Edward Dunlop Hospitals (I) Ltd., New Delhi.

Government had incurred a loss of interest since it has resorted to borrowings to finance expenditure on purchase of equipment.

3.1.19 Overpayment to suppliers

The DMS issued supply order to three suppliers¹² between March 2004 and December 2004 for supply of equipment for Rs.1.10 crore under PMGY (Rs.0.45 crore) and upgradation of districts hospitals (Rs.0.65 crore). The suppliers supplied (between January 2005 and May 2006) equipment valuing Rs.63.65 lakh. Scrutiny however revealed that payment was made for Rs.79.43 lakh during March 2004 to August 2005 resulting in over payment of Rs.15.78 lakh¹³.

This indicates the failure of the DMS to exercise effective control over the receipt of materials and payments made against them.

The Department stated that it will reconcile the payments with receipts.

3.1.20 Non installation of X-Ray machines and Cobalt Therapy Machine

The supply orders for supply of two 500 MA X-Ray machines (Heliophos D) with generator were issued by DHS (March 2004) and DMS (April 2005) to a Kolkata based firm¹⁴ and a local supplier¹⁵ at a cost of Rs.8.28 lakh and Rs.8.85 lakh respectively without call of tender, with a stipulation to complete supply within 60 days. The DHS and DMS directed the concerned suppliers in February 2005 and November 2005 to supply and install the X-Ray machines in hospitals at Pfutsero and Wokha respectively. Scrutiny of records revealed that payments were made to the suppliers in April 2004 and December 2005. However, there was nothing on record regarding the receipt and installation of these machines. No reply has been received in this regard. Thus, the authenticity of supply and installation of X-Ray machines in the hospitals could not be vouched in audit (April-August 2006).

The Government of India sanctioned (March 2005) and released (April 2005) Rs.2.21 crore through draft in favour of DMS for setting up cobalt therapy unit in Civil Hospital at Mokokchung. The State Government entered (August 2005) into contract with a New Delhi based firm¹⁶ for importing the 780 E 80 cobalt 60 Tele therapy unit from Canada. The contract provided for supply, installation and commissioning of cobalt therapy unit in Civil Hospital, Mokokchung at a total cost of Rs.2.20 crore (equivalent to 628014 CDNS, 1 CDNS=Rs.35.00) within 150 days from the date of receipt of mobilisation

¹² M/s Global Enterprises, Kohima, M/s Anyimi, Kohima, M/s Global Enterprises, Kohima.

¹³ Rs.15.78 lakh = Rs.5.22.lakh + Rs.3.97 lakh + 6.59 lakh

¹⁴ M/s Siemens Ltd., Kolkata.

¹⁵ M/s Global Enterprises, Kohima

¹⁶ M/s Kirlosker Theratronics (P) Ltd., New Delhi.

charges and acceptable irrevocable letter of credit (LOC). The DMS issued (August 2005) the purchase order to the New Delhi based firm for the same and paid (August 2005) Rs.0.55 crore as advance. The LOC was also issued (March 2006) in favour of Canada based firm. Despite these, the cobalt therapy unit could not be supplied/installed due to non completion of construction of building and non issue of 'No Objection Certificate' by Atomic Energy Research Bureau (AERB) for importing the equipment from Canada.

Thus, the expenditure of Rs.0.55 crore was unproductive due to non-installation of equipment and resulted in denial of intended benefits to the people in addition to loss of interest due to blockage of GON funds.

3.1.21 Mobile Medical Units (MMUs)

The Planning Commission provided Rs.1 crore in August 2003 for procurement of MMUs. Accordingly, the DMS moved (October 2003) a proposal for Rs.80.00 lakh for obtaining the sanction of the Government for procuring (i) Vehicles (Rs.35.00 lakh), (ii) medicines (Rs.30.00 lakh), (iii) Nursing sundries (Rs.3.00 lakh), (iv) Hospital linens (Rs.2.00 lakh) and (v) Equipment (Rs.10.00 lakh). The State Government discarding the proposal, sanctioned (March 2004) Rs.79.55 lakh for procurement of four ambulance (Rs.71.00 lakh) and medicines (Rs.8.55 lakh). The Government also directed to award the supply order to a local supplier¹⁷ stated to be an authorised dealer of the firm for supply of four Swaraj Mazda Ambulances. Accordingly, the DMS placed (March 2004) the supply order for supply of four ambulances with accessories¹⁸ at a cost of Rs.17.75 lakh each with a stipulation to complete the supply within one month. The DMS paid (April 2004) Rs.71 lakh to the supplier on the basis of proforma bill. There was nothing on record regarding the receipt of the vehicles.

Thus, the entire expenditure of Rs.71 lakh remains doubtful besides denial of benefits to the people. Further, the Government also diverted a fund of Rs.20.45 lakh meant for MMUs (March 2004) for sewage treatment at Nagaland Hospital, Kohima without obtaining approval from the GOI.

3.1.22 Distribution of Equipment

3.1.22.1 Non/Short receipt of equipment by the field units

All equipment were centrally procured by both DHS and DMS during the period 2001-02 to 2005-06 for subsequent distributions to field units.

¹⁷ M/s V. Angami, Dimapur.

¹⁸ First Aid Box, Oxygen Cylinder, ECG Machine, Defrillator Monitor, B.P. Instrument, Medicine Cabinet, Water Filter, Fridge and Nebulizer.

Cross verification of records of six units with the records of Central Medical Store of DMS and DHS revealed that equipment issued by DMS (Rs.88.57 lakh) and DHS (Rs.22.65 lakh) between July 2001 and March 2006 were found short received to the extent of Rs.30.97 lakh as shown below in the stock accounts of the six field units.

Table 3.1.3

(Rupees in lakh)

Name of the field units to whom equipment issued	Value of equipment issued to each field unit by the central medical store		Value of equipment received by each field unit from the central medical store		Value of equipment short received by each field unit from the central medical store	
	SARS	PMGY	SARS	PMGY	SARS	PMGY
Civil Surgeon, Mokokchung	0.32	10.22	0.09	7.80	0.23	2.42
Medical Superintendent, Civil Hospital, Mokokchung	7.89	14.83	5.98	5.74	1.91	9.09
Civil Surgeon, Kohima	0.94	9.66	0.80	6.00	0.14	3.66
Naga Hospital Kohima	2.27	26.29	0.80	17.08	1.47	9.21
Civil Surgeon, Dimapur	---	6.62	---	6.52	---	0.10
Medical Superintendent, Civil Hospital, Dimapur	18.80	13.38	18.80	10.64	---	2.74
Total:	30.22	81.00	26.47	53.78	3.75	27.22

(Source: Departmental records)

The possibility of fraud and embezzlement cannot be ruled out as 6 field units had not received the stated value/number of equipment. No reply was received from the Department (November 2006). Audit observations also reveals that the Department did not have a system of reconciliation or internal control mechanism. The shortage of equipment also resulted in a negative impact on the health care programme of the Department.

3.1.23 Physical verification of stores

Under Rule 116 of General Financial Rules, annual stock taking and reconciliation is a mandatory requirement of any store management as the entire planning of procurement depends on existing stock level. The discrepancies between the actual holding and book balance are to be reconciled to make correct index of stock. However, it was noticed that the Department had not carried out any physical verification of stores during 2001-02 to 2005-06 (review period). This resulted in discrepancies as pointed out in the preceding paragraphs.

3.1.24 Infrastructure Development

3.1.24.1 Budget provision and expenditure

Budget provision and expenditure there against under Capital Section from 2001-02 to 2005-06 were as given below:

Table 3.1.4

(Rupees in crore)

Year	Budget Provision	Expenditure	Savings (-) Excess (+) (percentage in brackets)
2001-02	12.50	2.25	(-) 10.25 (82)
2002-03	12.81	8.29	(-) 4.52 (35)
2003-04	54.69	18.85	(-) 35.84 (66)
2004-05	55.16	42.43	(-) 12.73 (23)
2005-06	42.61	14.23	(-) 28.38 (67)
Total:	177.77	86.05	(-) 91.72 (52)

(Source: Appropriation Accounts)

Audit scrutiny revealed that:

- Against the provision of Rs.177.77 crore during the period of 2001-06, the Department spent Rs.86.05 crore (48 per cent). The reasons for savings of Rs.91.72 crore (52 per cent) were neither stated nor on record. This indicated that the budget provision was unrealistic.

- Rs.12.50 crore for civil works was provided in the budget under PMGY as Capital Outlay for the years 2001-2006. Against this, Rs.2.21 crore for civil works under PMGY pertaining to the year 2002-03 were kept in Civil Deposits (March 2003) at the instance of Finance Department due to financial constraints which remained unspent (June 2006). This not only resulted in blocking of Government money but also adversely affected the infrastructure development.

- Rs.1.72 crore out of PMGY fund (for civil works) was diverted during 2004-05 towards payment of salary (Rs.1.57 crore) and work charge salary (Rs.0.15 crore). The unauthorised diversion of fund hampered the development of infrastructure.

3.1.25 Inadequate infrastructure

According to the norms prescribed by the GOI for health care centres in hilly/tribal areas, there should be one SC for a population of 3,000, one PHC for a population of 20,000 and one CHC for a population of 80,000. The number of CHCs, PHCs and SCs as per National norms for the population of the State (19,90,036) as per 2001 census and the available CHCs, PHCs and SCs are shown below:

Table 3.1.5

Category of centres	Projected numbers to be set up as per norms (Target)	Numbers in position as per statement submitted by Director Health Services (DHS)	Shortfall	
			Numbers	Percentage
SCs	663	397	266	40
PHCs	100	87	13	13
CHCs	25	20	5	20

(Source: Information furnished by Department)

The position in the three test checked districts was as follows:

Table 3.1.6

District	Population	CHCs			PHCs			SCs		
		Required as per norm	Actual position	Shortfall (-)/ Excess (+)	Required as per norm	Actual position	Shortfall (-)/ Excess (+)	Required as per norm	Actual position	Shortfall (-)/ Excess (+)
Kohima	219318	3	3	--	11	12	(+) 1 (9)	73	39	(-) 34 (47)
Dimapur	309024	4	2	(-) 2 (50)*	15	6	(-) 9 (60)	103	47	(-) 56 (54)
Mokokchung	232085	3	3	--	12	11	(-) 1 (8)	77	51	(-) 26 (34)
Total	760427	10	8	(-) 2 (20)	38	29	(-) 9 (24)	253	137	(-) 116 (46)

(Source: Information furnished by Department. *Figures in bracket indicates the percentage.)

Shortfall of health care centres as revealed from the above table indicated inadequacy of health care infrastructure in these three districts resulting in poor coverage of basic health care needs of the people.

3.1.26 Discrepancy in existing Centres

The Department provides health care services in the State through 87 PHCs, 397 SCs and 20 CHCs. The Department however was not aware of the accommodation of three PHCs and 42 SCs (*Appendix-XXVI*). As all these centres were not housed either in Government buildings, rented or buildings donated either by village community/Panchayat, the possibility of non existence of centres cannot be ruled out.

3.1.27 Centres in dilapidated buildings

Test check of three districts revealed that, 70 health care centres (56 SC; 12 PHC and two CHC) (*Appendix-XXVII*) were in dilapidated buildings. Out of these, 54 centres (43 SCs, nine PHCs and two CHCs) require major repairs and 16 centres (13 SCs and three PHCs) require new constructions. The Department has not carried out any repairs/construction works, despite availability of funds. Thus, the people of the State were denied proper and adequate health care facilities.

3.1.28 Non availability of basic facilities

Test-check of centres in three districts revealed that four PHCs and five CHCs were functioning without basic facilities like water supply, labour room,

laboratory etc. The absence of these basic facilities in the PHCs and the five CHCs indicate that there was little or no impact of the health care programme. The details are given below:

Table 3.1.7

Name of the district	Name of the centre	Water supply	Toilet	Labour room	Laboratory	Store room	Beds	
							Required as per norm	Available
Kohima	Sechu, PHC	NA ¹⁹	NA	NA	NA	NA	4-6	2
	Chiephobozou, CHC	NA	---	---	---	---	30	12
	Viswema, CHC	---	---	---	---	---	30	18
	Tesophenyu, CHC	NA	NA	NA	NA	NA	30	2
	Tesminyu, CHC	---	---	---	---	---	30	12
Mokokchung	Mangsenyimti, PHCs	NA	NA	NA	NA	NA	---	---
	Mengmetong, PHC	NA	NA	NA	NA	NA	---	---
Dimapur	Medziphema CHC	NA	---	---	---	---	30	12
	Kuhoboto PHC	---	---	NA	NA	---	4-6	1

(Source: Records of centres)

3.1.29 Irregular increase in scope of work

To provide treatment to accident victims, the GOI sanctioned (January 2003) Rs.1.44 crore for up-gradation and strengthening of emergency facilities at CHC, Medziphema. Out of the amount sanctioned Rs.0.63 crore was for civil works. The EE, Medical Engineering Division, Kohima awarded (April 2003) the work "construction of double storied RCC building including site leveling, electrification etc." to a local contractor at a cost of Rs.0.67 crore to be completed by October 2004. The contractor²⁰ completed the work (April 2005) at higher cost (Rs.0.85 crore) due to increase in plinth area without the approval of the Government. Against Rs.0.85 crore, the Department paid Rs.0.50 crore to the contractor (September 2003). The building was not handed over to the Department by the contractor as of June 2006.

The Audit observation reveals that scope of work was irregularly increased by contractor due to EEs failure to monitor and measure work in progress as well as before making payments of running accounts bills. Thus even after a year of completion of the building the matter of taking over of the building has not been settled and the purpose for which it was constructed was defeated.

3.1.30 Unfruitful expenditure

Construction of two Regional Diagnostic Centres (RDCs) at Civil Hospitals, Mokokchung and Tuensang was taken up under the award of Eleventh Finance Commission (EFC) at a cost of Rs.6 crore (Rs.3 crore for each centre). The DMS signed the deed of agreement (February 2002) and awarded

¹⁹

Not available

²⁰

M/s Vililie Khamo, Kohima

(February 2002) the work to a Kolkata based contractor²¹ on turnkey basis. As contemplated in the deed of agreement, Rs.3 crore for each centre including civil works (electrification, sanitation etc.), supply and erection, commissioning of machineries and equipment etc., was scheduled to be completed by 2002-03.

Against the allocation of Rs.3 crore (comprising Rs.0.47 crore for civil works including electrification, sanitation, etc., and Rs.2.53 crore for supply and erection, commissioning, etc., of machineries and equipment) for each RDC. The RDC at Mokokchung was completed at a cost of Rs.3 crore and made functional (May 2005). The contractor incurred an expenditure of Rs.1.89 crore for RDC at Tuensang on civil works and equipment. However, the contractor neither handed over the building for RDC at Tuensang nor installed machineries/equipment. There is also no possibility of making the RDC at Tuensang functional as the funds provided under the award of EFC lapsed in March 2005. Thus, failure on the part of the Department to utilise the funds provided under EFC within March 2005, rendered the RDC at Tuensang incomplete/non-functional after spending Rs.1.89 crore* (civil works and equipment) besides denying the people of the Tuensang of the benefits. This resulted in unfruitful expenditure of Rs.1.89 crore besides people were deprived of the benefits.

As part of the Prime Minister's special package to North Eastern States, the project "Upgradation of Naga Hospital, Kohima (NHK)^v" was taken up in three phases for execution under Non-lapsable Central Pool of Resources (NLCPR) with an estimated cost of Rs.25 crore for providing better health care to the people. The State Government awarded (May 1999) the work to a Delhi based firm²² on turnkey basis. Due to non completion of the work within the targeted date (May 2001), the contract was renewed (May 2002) and extended upto March 2004. The contractor could not complete the work except phase-I (office for hospital and a female ward) for Rs.9.28 crore by March 2004. The Department paid Rs.9.28 crore to the supplier in March 2004. The Technical Committee, NHK also objected (December 2003) to extending the contractual period beyond March 2004. The State Government neither rescinded the contract nor asked the contractor to complete the remaining work. Thus, non-completion of the work within the stipulated time frame resulted in unfruitful expenditure of Rs.9.28 crore and deprived the people of better health care facilities.

²¹ M/s Sarkar Diagnostic Research Centre, Kolkata.

* Rs.4.89 crore-Rs.3 crore.

^v 30 items of works viz, construction of additional hospital buildings, male wards, additions & alterations of existing buildings and equipments etc.

²² M/s Sir Edward Dunlop Hospitals (I) Ltd., New Delhi.

3.1.31 Incomplete project

The project "Construction of 500 Bedded Referral Hospital at Dimapur" funded by Government of India (DONER/NEC) was taken up (1986-87) for execution in two phases at an estimated cost of Rs.34.30 crore. The project was targeted to be completed in 1992-93 (Phase-I) and in 1993-94 (Phase II). The project cost was subsequently (1995) revised to Rs.142.58 crore with a stipulation to complete the work by June 1998. This was later (1997) rerevised to Rs.192.40 crore with the due date of completion being 2000. But the project could not be completed till (March 2006), despite spending Rs.70.54 crore, due to funds constraint. The Department finally handed over (March 2006) the incomplete project to Christian Institute of Health Services and Research (CIHSR), Chennai on lease basis. The terms and conditions specified in the lease deed could not be verified in Audit (August 2006) due to non-submission of the same. It is not clear as to why the project was handed over to a private party after spending an amount of Rs.78.54 crore for upgradation of infrastructure at Referral Hospital, Dimapur. Thus, due to delay in implementation and eventual abandonment of the project, the State was deprived of a 500 bedded hospital and the purpose for which the project was started was also defeated.

3.1.32 Implementation of central scheme for Waste Management

To provide facilities for Hospital Waste Management in Naga Hospital, Kohima (NHK) and Civil Hospital, Dimapur, GOI sanctioned (March 2002) Rs.1.34 crore (Rs.0.67 crore each) for installation of incinerator, autoclave, shredder, wheel barrows for transportation of waste and other equipment like needle shredders, trolleys, protective gear for staff etc., including civil and electrical work (Rs.2.50 lakh each) and training of staff (Rs.1.00 lakh each). The works were taken up (October 2002) through two local contractors²³ without entering into any agreement. Hence the same could not be examined in Audit. The DMS stated (July 2006) that the works were completed in July 2004 (NHK) and in November 2004 (Civil Hospital, Dimapur). As provided in GOI guidelines regarding taking stock of equipment, it was observed that no stock register was maintained. The reply of the DMS could not be verified with reference to the equipment taken in stock, since no stock register was maintained. Also no progress report was sent to GOI despite repeated reminders (April 2005 and December 2005) by the GOI. The Director, Naga Hospital Authority, Kohima while confirming the facts stated (July 2006) that the hospital authority was not aware of the status of the equipment as they were not intimated anything in this regard. Thus, it is evident that the central scheme of waste management in these two hospitals did not take off and the entire expenditure of Rs.1.32 crore remains doubtful. Besides, no training was also imparted to the staff.

23

M/s Premier Enterprises, Kohima (Civil Hospital, Dimapur) and M/s Athu-o Angami, Kohima (Naga Hospital, Kohima).
Rs.66.20 lakh each including civil work as well as electrification and supply/installation of equipment

3.1.33 Monitoring and evaluation

There is no system or prescribed procedure of monitoring in the Department. No monitoring cell was created in the Directorate to monitor the activities of the Department. The non submission of progress reports to GOI; absence of periodical physical verification of stores; non-reconciliation of receipts and issue of materials from the Central Stores to the field units etc., indicated non-existence of any monitoring system. During the period covered in audit, no evaluation was carried out by the Department or other agency to gauge the performance of the Department in providing health care services to the people.

3.1.34 Conclusion

The aim of providing basic health services to the people at large at their doorstep remained a distant dream due to

- No system in place to judge the requirement of medicines, equipment/machinery to be purchased.
- Procurement of medicines/equipment from unauthorized suppliers.
- No mechanism for checking the quality of medicines procured.
- No reconciliation of records of the central depots and districts for the distribution of medicines.
- Infrastructure not in place for the installation of equipment/machinery.
- Shortage of health care centre when compared to norms set up by GOI.
- Dilapidated infrastructures at health care centres.

3.1.35 Recommendations

Based on the above audit observations, the Government may consider taking the following action:

- Drug purchase policy/purchase manual may be made and followed to regulate the purchase of medicines and equipment.
- Facilities for testing the medicines should be set up.
- Adequate number of health care centres with prescribed infrastructural facilities should be set up as per National Norms.
- Effective step to be taken to make the Trauma Centre at Medziphema operational immediately.
- Monitoring cell in the Directorate needs to be constituted to monitor the activities of the Department.
- There has to be a full proof system for distribution of right quantity of medicines and hospital equipment purchased.

DEPARTMENT OF SOCIAL WELFARE AND WOMEN
DEVELOPMENT

3.2 Integrated Child Development Services (ICDS) Scheme

The Integrated Child Development Services (ICDS), a Centrally Sponsored Scheme, was launched in the State in 1975. As of March 2006, only 79 per cent tribal population of the State could be covered under the ICDS scheme. 16 per cent children of the State in the under six years age group were yet to be covered under the scheme. The nutritional content of the foodstuff provided to the beneficiaries was not regularly tested in the recognized testing laboratory. Implementation of other components of the scheme such as immunisation, nutrition and health education, medical check-up and referral services as well as prevention of vitamin 'A' deficiency were virtually non-existent. The Government had entrusted the Nagaland University to conduct evaluation study of the scheme but no report was submitted by the University as of October 2006.

Highlights

Out of the total tribal population of 17,74,026, the Department covered only 13,94,268 tribal population (79 per cent) as of March 2006. Out of 2,89,678 children under six years age group in the State, the Department implemented the scheme amongst 2,43,014 children (84 per cent) during 2001-02 to 2005-06.

(Paragraph 3.2.9)

The Department failed to identify malnourished children in the under three years age group to be covered under PMGY component.

(Paragraph 3.2.9)

Creation of Anganwadi centres in excess of norms resulted in extra expenditure of Rs.3.67 crore towards payment of honorarium to Anganwadi workers and Helpers.

(Paragraph 3.2.10)

The total Additional Central Assistance of Rs.27.19 crore for nutrition meant exclusively for children below the age of three years under Pradhan Mantri Gramodaya Yojana was diverted for implementation of the State Plan Scheme of Supplementary Nutrition Programme under ICDS which covered children in the age group of zero to six years, pregnant women and nursing mothers.

(Paragraph 3.2.13)

An amount of Rs.0.59 crore was spent on civil works not covered under ICDS.

(Paragraph 3.2.14)

The Department distributed nutritional food without testing the calorie and protein content of foods.

(Paragraph 3.2.16)

Five CDPOs did not receive ICDS materials valued at Rs.0.70 crore against material worth Rs.0.74 crore issued by the Central Store, Dimapur.

(Paragraph 3.2.17)

The records relating to health check up and referral services were not maintained at Anganwadi Centres. In the absence of primary records, it was not possible to assess the benefits of immunization programme, health check up and referral service.

(Paragraph 3.2.19)

The Department made no efforts for preventing blindness caused by vitamin 'A' deficiency by administering vitamin 'A' solution to the children under six years of age.

(Paragraph 3.2.22)

3.2.1 Introduction

The Integrated Child Development Services (ICDS), a Centrally Sponsored Scheme, was launched in the State in 1975. The scheme envisaged delivery of an integrated package of services comprising:

- Supplementary Nutrition (SN);
- Immunization;
- Health Check-up;
- Referral Services;
- Nutrition and Health Education; and
- Non Formal Pre-School Education.

The objective of the scheme was to reduce the incidence of mortality, morbidity, malnutrition, school dropout, improve nutritional and health status of children in the under six years age group and enhancing the capacity of the mother to look after the normal health and nutritional needs of the child. The focal point of the scheme was Anganwadi, which was managed by honorary workers selected from local community at the project level. The immunisation, health check-up and referral services were to be delivered at the Anganwadi

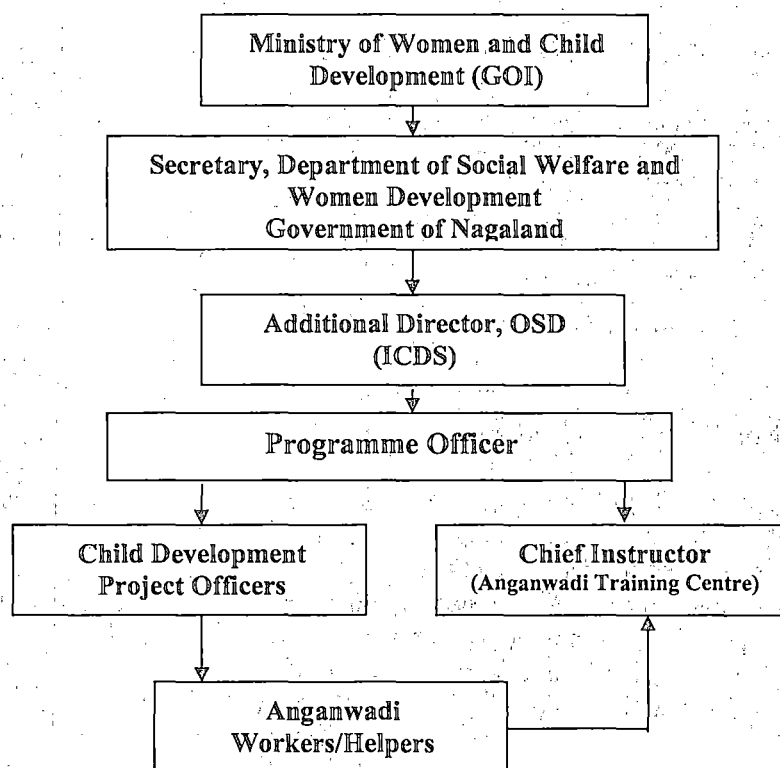
Centres through the network of health services at the Primary Health Centres (PHCs).

The ICDS scheme is also linked with nutrition component of Pradhan Mantri Gramodaya Yojana (PMGY) launched during 2000-01 as 100 per cent Centrally Sponsored Scheme (CSS) with the objective of achieving sustainable human development at the village level. The PMGY envisaged an Additional Central Assistance (ACA) for various components of Basic Minimum Services including nutrition. The nutrition component of the PMGY had been specifically outlined with the objective of eradicating malnutrition amongst children below three years by supplementary feeding.

In addition, the State is also implementing World Bank assisted ICDS training programme-Project UDISHA since April 1999 with a view to create awareness of ICDS activities to the various groups such as Village Council Members, Gaon Burahs and Women Organizations and to train the community as a whole to optimize their involvement in the scheme activities.

3.2.2 Organisational Setup

The Scheme is implemented by the Department of Social Welfare and Women Development. The Nodal Officer is the Secretary, assisted by an Additional Director, Programme Officer (ICDS) in the Directorate and 54 Child Development Project Officers (CDPOs) at the district level. The organisational set up of the Department is given below:



3.2.3 Scope of Audit

The performance audit of the scheme was carried out from April to July 2006 covering the period from 2001-02 to 2005-06. Three¹ out of 11 districts (three were created in 2004-05) were selected for test check (27 per cent) by applying the method of Probability Proportional to Size with Replacement (PPSWR). Anganwadi Centres in the sample districts were selected by using the method of Simple Random Sampling Without Replacement (SRSWR). Out of total expenditure of Rs.86.89 crore during 2001-02 to 2005-06, Rs.54.50 crore (63 per cent) was covered in the Performance Audit.

3.2.4 Audit objectives

The main objectives of the performance audit were to examine:

- the method for identification of the target group;
- the plan drawn up to achieve scheme objectives;
- the survey for identification of malnourished children, pregnant and nursing mothers and other women in the 15-45 age group years;
- the adequacy of training provided to the ICDS functionaries; and
- the effectiveness of monitoring, evaluation and assessment of the scheme.

3.2.5 Audit criteria

Audit examination was based on the following criteria:

- norms and guidelines prescribed by GOI;
- year-wise action plan;
- norms prescribed for infrastructure development;
- action plans for training under UDISHA programme; and,
- norms for monitoring, evaluation and impact assessment.

3.2.6 Audit methodology

The performance audit began with an entry conference (25 April 2006) with the Under Secretary, Director, and other officers of the Department. The audit objectives, criteria, methodology and scope of performance audit were discussed in detail in the meeting. At the end, an exit conference (13 October 2006) was held which was attended by the Secretary and other subordinate officers responsible for implementation of the scheme. The audit findings were discussed and were finalized after incorporating the views of the Government.

¹ Kohima (Capital), Dimapur and Mokokchung

3.2.7 Financial arrangement

The funds for implementation of the Scheme were made available by the GOI to the State Government which in turn releases it to the Department of Social Welfare and Women Development.

According to the scheme guidelines, the State Government was required to make provision for meeting supplementary nutrition requirements of children in the under 6 years age group, pregnant women and lactating mothers out of the State's own resources. However, since 2005-06 the GOI is providing support to the States/UTs at half the rate of the financial norms for various categories of beneficiaries or 50 per cent of the actual expenditure on supplementary nutrition, whichever is less.

3.2.8 Programme performance

3.2.8.1 Financial Performance

The central assistance released by the GOI and expenditure incurred during 2001-02 to 2005-06 are given below:

Table: 3.2.1

(Rupees in crore)

Year	Budget provision	Funds released by GOI	Funds released by State	Expenditure	Saving (-) Excess (+) (4-5)
1	2	3	4	5	6
2001-02	19.28	19.07	19.07	19.07	-
2002-03	21.66	23.76	23.76	23.76	-
2003-04	23.21	14.86	14.86	14.86	-
2004-05	19.92	13.59	13.59	13.59	-
2005-06	21.96	23.38	23.38	15.61	(-7.77)
Total	106.03	94.66	94.66	86.89	(-7.77)

Source: Information furnished by the Department.

Against the total budget provision of Rs.106.03 crore, the GOI released Rs.94.66 crore during 2001-02 to 2005-06. The Department had incurred an expenditure of only Rs.86.89 crore during the above period leaving an unspent balance of Rs.7.77 crore (8 per cent) as of March 2006. The Government stated (October 2006) that the amount will be utilized during 2006-07.

3.2.9 Coverage

As per 2001 census, the total population in Nagaland was 19,90,036 with the tribal population being 17,74,026 (89 per cent). Though the Department implemented the ICDS scheme in all the districts, only 13,94,268 (79 per cent) tribal and 2,16,009 non-tribal population was covered under the scheme as of March 2006.

There were 2,89,678 children in the age group of under six years age group in the State. The Department could cover 2,43,014 children (84 *per cent*) under the ICDS scheme upto March 2006. Further, the Department could not identify the children in the under three years age group to be covered under nutrition component of PMGY.

The Government stated (October 2006) that every effort would be made by the Department for 100 *per cent* coverage of all the eligible beneficiaries.

The number of beneficiaries identified and covered under the three major components of the scheme namely: supplementary nutrition, immunization and non-formal pre-school are given in *Appendix-XXVIII*. It would be seen that in each of the years 2001-02 to 2005-06, total beneficiaries identified were covered except with regard to immunization, where shortfall was 90 *per cent* during 2001-02 to 2003-04.

The correct identification of beneficiaries through survey and periodic updating of data is crucial for the success of the scheme. Records of the 35 Anganwadi centres test-checked revealed that none of the centres had maintained records relating to survey for identification and categorisation of beneficiaries for all the five years.

Thus, due to non-maintenance of proper survey records by the Anganwadi centres, procedure followed for selection of beneficiaries could not be vouchsafed in audit and it could not be verified whether the people covered under the project were the targeted beneficiaries.

3.2.10 Anganwadi centre opened in disregard of norms

According to the scheme, one Anganwadi centre is to be created for every 1000 persons in the rural/urban areas and for 700 persons in tribal areas. As per the above criteria, 237 centers in urban/rural and 1992 centers in tribal areas were to be created. However, the Department had created 2770 Anganwadi centres (urban/rural: 253 centres and tribal area: 2517 centres) as of March 2005.

The creation of excess Anganwadi centres (ranging between 471 to 541) resulted in extra expenditure of Rs.3.67 crore towards payment of honorarium to Anganwadi Workers and Helpers during 2001-02 to 2004-05 as detailed below:

Table: 3.2.2

Year	AW centres created	AW centres should have been created	Excess creation	Honorarium paid (Rupees in crore)	Remarks
2001-02	2700	2229	471	0.85	Rate of
2002-03	2720	2229	491	0.88	Honorarium
2003-04	2770	2229	541	0.97	@Rs.1000.00 pm
2004-05	2770	2229	541	0.97	for AWWs and
Total				3.67²	@Rs.500.00 for AW Helpers

(Source: Departmental figures)

3.2.11 Construction of Anganwadi Centres

The GOI released Rs.12.75 crore³ to the State Government for construction of 1020 Anganwadi centres during 2001-02 to 2005-06: at the rate Rs.1.25 lakh per centre having a room not less than 5x5 metre area, one room of the size of 9 sqm, for storage, a child friendly toilet and provision for safe drinking water.

The Department constructed 865 centres* at a total cost of Rs.10.45 crore and 155 centres are under construction (physical progress 40 per cent as of March 2006).

In this regard, the following irregularities were noticed:

- Though the Department stated that construction of 865 centres was completed by March 2006, completion reports were received only in respect of 126 centres from the concerned CDPOs.
- Neither the concerned Executive Engineer (Housing Department, incharge of this construction works) nor the Junior Engineer (JE) of the Department ever carried out spot verification at any stage of the construction of the above centres.
- The JE in his verification statement on the completion of 126 centres pointed out that most of the centres were not constructed as per specifications, which was also corroborated from the photographs taken on the construction of those centres.

²

(Rupees in crore)		
471xRs.1000x12	0.57	0.85
471xRs.500x12	0.28	
491xRs.1000x12	0.59	0.88
491xRs.500x12	0.29	
541xRs.1000x12	0.65	0.97
541xRs.500x12	0.32	
541xRs.1000x12	0.65	0.97
541xRs.500x12	0.32	
Total		3.67

³ In 2001-02: Rs.2.50 crore; 2002-03: Rs.2.50 crore; 2003-04: Rs.3.87 crore and 2004-05: Rs.1.94 crore and 2005-06: Rs.1.94 crore=Rs.12.75 crore

* In 2001-02: 200 centres; 2002-03: 200 centres; 2003-04: 310 centres and 2004-05: 155 centres=865. 71

- None of the centres constructed was provided with child friendly toilet and provision for safe drinking water as mentioned in each sanction order issued by the GOI.
- As per the work order issued to a contractor, 200 centres were to be constructed at a total cost of Rs.2.32 crore at the rate Rs.1.16 lakh (tendered rate). However, the Department paid Rs.2.50 crore to the contractor between September 2003 and December 2005. Thus, the Department made an excess payment of Rs.0.18 crore to the contractor.

The Department failed to ensure secured rooms for storage of foodstuff/ICDS materials in the newly constructed Anganwadi Centres, safe drinking water and proper hygiene to all the ICDS beneficiaries.

The Department stated (October 2006) that though toilet could not be provided within the Anganwadi Centres due to fund constraints, the villagers have been requested to construct toilets near the Anganwadi Centres in the form of community contribution. It was further stated that containers and water filters have been provided in every centre for storage of drinking water.

The reply is not tenable because the Government/Department did not take up the matter with the GOI at any stage for releasing more funds for providing toilet and safe drinking water facilities to the Anganwadi Centres.

3.2.12 Supplementary Nutrition

To improve the health and nutritional status of malnourished children, supplementary nutrition is provided for a period of 300 days in a year under the scheme to all the children below six years of age and to nursing and expectant mothers from low income families. The supplementary nutrition should contain 300 calories and 10 gm. of protein per child, 500 calories and 15-20 gm. of protein per pregnant woman and 600 calories and 20 gm. of protein for severely malnourished child. Weaning food weighing 75 gm. per beneficiary has also been prescribed for children in the age group of six months to one year.

The State Government discontinued* the supplementary nutrition programme from 2000-01 to 2004-05 due to fund constraints. However, the same programme had been revived under the State Plan from 2005-06.

3.2.13 Supplementary nutrition under PMGY

The allocation under PMGY was an additional central assistance (ACA) given specifically to prevent malnutrition among children in the under three age group.

* As noticed from the Administrative Reports of the Department 2001-02 onwards.

The year-wise allocation of ACA against 'Nutrition' under PMGY, provision made in the budget and expenditure incurred during 2001-02 to 2005-06 is given in the table below:

Table: 3.2.3

(Rupees in crore)

Year	Budget provision	GOI allocation	Fund released by GON against GOI allocation	Fund released by GON against SNP under State Plan	Total (4+5)	Expenditure			Remarks
						SNP under State Plan	Nutrition under PMGY	Total	
1	2	3	4	5	6	7	8	9	10
2001-02	6.79	6.79	6.79	Nil	6.79	Nil	12.79	12.79	Rs.6.00 pertained to previous year
2002-03	6.80	6.80	6.80	Nil	6.80	Nil	6.80	6.80	
2003-04	6.80	6.80	6.80	Nil	6.80	Nil	6.80	6.80	
2004-05	9.80	6.80	6.80	Nil	6.80	Nil	6.80	6.80	
2005-06	9.50	9.88	9.88	10.79	20.67	10.20	9.88	20.08	
Total	39.69	37.07	37.07	10.79	47.86	10.20	43.07	53.27	

Source: Information furnished by the Department

Scrutiny of records revealed that the State had utilised the ACA released by the GOI during 2001-02 to 2004-05 towards procurement of food items for all groups of children (under six years), pregnant women and lactating mothers for supplementary nutrition programme (SNP) under ICDS scheme. This indicated that the entire funds of Rs.27.19 crore received under PMGY during 2001-02 to 2004-05 were diverted for implementation of SNP. Thus, the objectives of eradicating malnutrition amongst children below three years by increased nutritional coverage of supplementary feeding under PMGY remained unachieved. GOI approval was not obtained (November 2006) for this diversion of funds.

3.2.14 Diversion of fund

An amount of Rs.0.59 crore was spent during 2003-04 for construction of CDPOs office buildings and purchase of fencing materials at Chazouba and Noksen which were not covered under the scheme. The Government stated (October 2006) that, the diversion was with the approval of the State Government. However, the scheme being centrally sponsored, the approval of the GOI was required.

3.2.15 Improper maintenance of foodstuff distribution registers

The scheme provided for distribution of food viz., soya biscuits, powder milk, extruded snacks, and processed food viz., 'Paushahar and Paustic Ahar' for 300 days in a year to identified beneficiaries. Scrutiny of records of the 35 Anganwadi centres test-checked revealed that none of the centres maintained the feeding registers for the past five years. In the absence of records, it was not possible for audit to assess the quantum of food stuff distributed and the

extent of benefits that accrued to the beneficiaries. On this being pointed out, the Government in October 2006 issued necessary instructions to all CDPOs/Supervisors to maintain the required records properly.

3.2.16 Purchase of foodstuff without quality assurance

The foodstuff (soya biscuits, powder milk, extruded snacks, and processed food viz., 'Paushahar and Paustic Ahar') purchased for consumption of the ICDS beneficiaries should contain specified calories and proteins and it should be ascertained through frequent analysis of food samples tested in a recognised food testing laboratory of the State Government or GOI.

It was however noticed that, during the entire period covered in audit, only seven food samples were tested (April 2003) by the Deputy Technical Advisor to the GOI, Ministry of Human Resources Development, Quality Control Laboratory, Food and Nutrition Board, Kolkata. Though the finding was satisfactory, the frequency of testing was not sufficient to provide a realistic view on the quality of foodstuff provided to the beneficiaries.

In the absence of regular testing by the Department, quality of food stuff procured under the programme, containing lesser calories and proteins could not be ruled out.

3.2.17 Non-receipt of material by the Child Development Project Officers (CDPOs)

The ICDS material viz., maps, phenyl, bound register, cooking pots, steel almirah, jigsaw puzzle, water colour tube, plastic chair etc., worth Rs.0.74 crore was issued to five CDPOs from the Central Store, Dimapur during 2001-02 to 2005-06. Cross check of the records revealed that material valued at Rs.0.70 crore were not received by the five CDPOs during the above period. The details of materials issued by Central Store, Dimapur and received by the above CDPOs are shown in the *Appendix-XXIX*. The absence of these materials with the CDPOs indicate that they were restricted in carrying out their duties and this in turn had a negative impact on child development programme. Thus the purpose of incurring an expenditure of Rs.0.74 crore was defeated.

3.2.18 Immunisation

Immunisation of all children below 6 years of age against diphtheria, whooping cough, tetanus, polio and tuberculosis and of expectant mothers against tetanus was to be carried out through the PHCs. The number of beneficiaries identified between 3,48,420 and 3,49,190 and covered between 34,700 and 34,180 during 2001-02 to 2003-04 under immunisation as claimed and reported by the Department (details in *Appendix-XXVIII*) indicated shortfall in achieving target between 87 per cent to 90 per cent during the above period.

Scrutiny of records in the test-checked centres revealed that, no records of immunization activities was maintained. In the absence of records for immunization, it could not be ascertained whether the benefits shown to have been provided to the beneficiaries were actually provided.

3.2.19 Health check-up and Referral Services

In addition to immunization, the package of services included health check-up and referral services which include (i) ante-natal care of expectant mothers, (ii) post-natal care of nursing mothers and care of new born babies and (iii) care of children under six years of age.

Routine checks are to be carried out by the Lady Health Visitor (LHV) and Auxiliary Nurse-cum-Midwife (ANM) attached to the PHC and records thereof are to be kept in an ante-natal card and maintained for post-natal care of nursing mothers. A minimum of two visits at their homes were required to be made within 10 days after the delivery, to check the general health of the mother and the infant and records of the deliveries were to be kept in the post-natal cards for watching post-natal care.

The total number of LHVs and ANMs and their visits could not be ascertained from records.

The Anganwadi workers were also required to identify expectant mothers and malnourished children with problems requiring specialized treatment and refer them to PHC or city hospital. A record of these cases was to be maintained at the Anganwadi centre with referral slips. These records were not maintained in any of the 35 centres test-checked. It was observed that Rs.21 lakh was paid as honorarium to the AWWs during 2001-06.

In the absence of these records the achievement of this objective of the scheme could not be verified in audit.

3.2.20 Nutrition and Health Education

Nutrition and health education was to be imparted to all the women in the age group of 15 to 45 years with priority to nursing and expectant mothers through publicity, special camps, home visits by Anganwadi workers, short courses, demonstration of cooking/feeding and utilization of programmes of the Ministries of Health and Family Welfare and Agriculture.

Such mass-media publicity, special campaign, short camps *etc.*, were not organized during 2001-02 to 2005-06. The Department had not laid down any norms with regard to home visits and demonstrations of cooking/feeding. 35 Anganwadi centres test-checked did not maintain any records of field visits relating to nutrition and health education. It was observed that Rs.21 lakh was paid as honorarium to the Anganwadi workers during 2001-06.

This indicated that the Department did not impart any awareness of nutrition and health education to the targeted beneficiaries.

3.2.21 Non-formal Pre-School Education

The scheme envisaged providing the benefit of non-formal pre-school education to children in the age group of 3-6 years through Anganwadi centres. In each Anganwadi, the strength of such children was to be 40. The Anganwadis were to establish links with elementary schools so that a child could move from Anganwadi to school with necessary emotional and mental preparation.

The year-wise identification of children and enrolment in the non-formal pre-school scheme during 2001-02 to 2005-06 as submitted by the Department were as under:

Table: 3.2.4

Year	No. of Anganwadi Centres	Children identified under pre-school category	Children actually enrolled under pre-school category	Shortfall in enrollment	Percentage of shortfall
2001-02	2700	130960	77188	53772	41
2002-03	2720	130500	81782	48718	37
2003-04	2770	131750	79813	51937	39
2004-05	2770	131900	82861	49039	37
2005-06	3035	133230	92049	41181	31

(Source: Data furnished by the Department)

It would be seen from the above that the shortfall in enrollment of children of 3-6 years of age in the pre-school education ranged between 31 to 41 per cent during 2001-02 to 2005-06. The Department's claim could not be substantiated as the records of the 35 Anganwadi centres test-checked did not indicate the actual number of children admitted in the elementary schools.

Thus due to non-maintenance of detailed records of the pre-school education by the Anganwadi centres, the number of drop out children could not be worked out and the impact of this aspect of the scheme could not be determined.

3.2.22 Supply of vitamin 'A' solution

According to the norms prescribed by the Department of Women and Child Development under National Prophylaxis Programme, one lakh International Units (IU) of Vitamin 'A' solution were to be administered to infants at nine months age under ICDS scheme. Children in the age group of one to five years were to receive two lakh IU Vitamin 'A' solution every six months, with priority in respect of children below three years of age.

The Anganwadi workers of the centres test-checked stated (April-July 2006) that they did not receive any Vitamin 'A' solution from their Department during 2001-02 to 2005-06. It was also stated that they procured the required quantity of Vitamin 'A' solution from the near by PHCs as and when required. However, they could not produce any record indicating requisition of Vitamin 'A' solution from the PHCs and administration of the same to the targeted beneficiaries.

Thus due to non-maintenance of records by the Anganwadi centres, it could not be ascertained in audit whether any Vitamin 'A' solution was administered to the ICDS beneficiaries.

3.2.23 Purchase of medicine kits in excess of requirement

The Department procured 15099 medicine kits at a total cost of Rs.0.90 crore during 2001-02 to 2005-06 against the actual requirement of 13995 medicine kits without proper assessment. Thus, there was an excess procurement of 1104 medicine kits valued Rs.6.62 lakh⁴.

The Government stated (October 2006) that additional medicine kits were procured for training purpose and for replacement of damaged kits during transportation to distant places over rough terrain. However, the number of 1104 medicine kits is much in excess for meeting the above requirements as seen in the case of 35 Anganwadi centres mentioned in Para 3.2.24.

3.2.24 Tardy distribution of medicine kits

The distribution of medicine kits to the Anganwadi centres test-checked during 2001-02 to 2005-06 was as under:

Table: 3.2.5

Name of CDPO	No. of AW Centres test checked	Actual requirement of medicine @ one kit each year	Actual distribution of medicine kits to AWCs					Total
			2001-02	2002-03	2003-04	2004-05	2005-06	
Jakhama	5	25	1	1	2	1	4	9
Nuiland	5	25	nil	nil	5	13	nil	18
Dimapur (U)	14	70	nil	11	11	12	3	37
Kobulong	6	30	nil	5	5	5	nil	15
Ongpangkong (S)	5	25	nil	5	5	5	nil	15
Total	35	175	1	22	28	36	7	94

(Source: Departmental figures)

The above table reveals that, against the actual requirement of 175 medicine kits for 35 centres, only 94 medicine kits were provided to the centres during 2001-02 to 2005-06. The inadequate supply of medicine kits to the Anganwadi

⁴ 1104 kits x Rs.600.00 per kit=Rs.6.62 lakh.

centres by the Department led to deprival of the benefit of first aid services to the ICDS beneficiaries. The Government accepted the facts (October 2006).

3.2.25 Activities on Information, Education and Communication (IEC)

According to the scheme, an amount of Rs.25,000 per annum per project was to be earmarked for IEC activities for creating awareness of the ICDS scheme.

Scrutiny of records revealed that an amount of Rs.0.68 crore was spent on purchase of maps, fruit charts, vegetable charts, animal charts, transportation and translation of various topics into local dialects for distribution to CDPOs.

However, the records of CDPOs test-checked did not indicate receipt of any IEC materials during 2001-02 to 2005-06. The non-supply of these materials to the CDPOs indicate that they were restricted in carrying out their duties and this in turn had a negative impact on the child development programme. Thus the purpose for incurring an expenditure of Rs.0.68 crore was defeated.

3.2.26 ICDS training programme –Project UDISHA

For the success of the ICDS scheme, community participation is an essential ingredient. Thus, it is imperative to sensitise and train the community to optimize their involvement. The World Bank sponsored ICDS training programme-Project UDISHA was thus introduced in the State in April 1999 with a view to develop all the functionaries of ICDS into agents of social change, creating awareness on ICDS activities to various target groups such as Village Council Members, Gaon Burahs and Women Organisations and to sensitise and train the community to optimize their involvement.

The funds released by the GOI and expenditure incurred during 2001-02 to 2005-06 are given below:

Table: 3.2.6

(Rupees in lakh)

Year	Fund released by GOI	Amount sanctioned by GON against GOI release	Expenditure	Saving (-) Excess (+)	Remarks
2000-01	41.00	41.00	Nil	-	Entire amount transferred to Civil Deposit.
2001-02	10.00	10.00	51.00	-	Included Rs.41.00 lakh withdrawn from Civil Deposit.
2002-03	40.00	40.00	28.84	(-)11.16	
2003-04	23.07	23.07	23.07	-	
2004-05	40.00	40.00	40.00	-	20.00 transferred to Civil Deposit
2005-06	25.00	25.00	25.00	-	
Total	179.07	179.07	167.91		

Source: Information furnished by the Department.

It would be seen from the above table that there was a saving of Rs.11.16 lakh (28 per cent) during 2002-03. The reasons for savings were neither stated nor found on record.

The targets and achievements with regard to conducting training programmes of various ICDS functionaries during 2001-02 to 2005-06 are shown in **Appendix-XXX**.

While the target was to train 29 CDPOs on job and refresher courses during 2001-02 to 2005-06, no CDPOs was trained. Out of 73 Supervisors to be trained on the job and refresher courses during 2001-02 to 2005-06, only 35 supervisors were trained in 2003-04 and no target was fixed for training of CDPOs and Supervisors for job and refresher courses in 2002-03, 2004-05 and 2005-06. The target of 105 Anganwadi workers was fixed for job training during 2002-03 against which only 90 were trained and the shortfall in achieving the target was 14 per cent. Against the target of 240 (120 each year) Anganwadi workers to be imparted training on refresher course during 2002-03 and 2003-04, only 86 workers were trained during that period and the shortfall in achieving the target was 64 per cent in each year. The Department's claim of providing orientation training to 4325 Anganwadi helpers during 2001-02 to 2005-06 could not be verified in audit due to non-maintenance of records by the Anganwadi centres.

The non-training of the required number of CDPOs, Supervisors and Anganwadi workers on job and fresher courses during 2001-02 to 2005-06 and non-fixation of training targets during 2002-06 indicate the casual approach of the Department to the programme which eventually had a negative impact on the execution of the programme of integrated child development in the State.

3.2.27 Monitoring and evaluation

For ensuring effective programme planning, implementation and monitoring, the GOI prescribed the submission of periodical reports viz., monthly progress reports by AWWs/Supervisors/CDPOs, monthly monitoring report, checklist of supervisor's visit, half early and quarterly progress report etc. The CDPOs/Supervisors are required to undertake field visits to the AW centres for at least 18 days in a month with 10 nights outside Headquarters. A Supervisor is expected to visit each AW centre at least once in a month and liaise with lady Health Visitors for a joint visit to one AW centre once a week, and make at least one night halt every week in a village located at a distance of more than 5 Kms. from the Circle Headquarters.

Except for submission of various reports to the State Government/GOI on the implementation of programme, other areas like, field visits by the Supervisors, ANM, CDPOs, health check-up and referral services, maintenance of vital records like immunisation etc were not monitored by the Department. The visitor's register maintained by the Anganwadi Centres test-checked revealed that the centres were never visited by any officer from the Directorate during

the period 2001-02 to 2005-06 except by the CDPOs and Supervisors of the concerned centres and the frequency of visits by them were also very negligible.

The evaluation of the scheme was entrusted to the Nagaland University, Kohima by the Department. However, no report has been submitted by them as of October 2006.

The monitoring system thus, remained ineffective and the over all impact of implementation of the scheme remained unevaluated.

3.2.28 Conclusion

The overall implementation of the scheme in the State was characterised by:

- Lack of quality control mechanism;
- Failure to provide adequate infrastructure for the programme;
- Absence of proper survey and lack of updated data for identifying beneficiaries;
- Poor record keeping; and
- Failure to provide benefits to the targeted groups as envisaged in the programme.

3.2.29 Recommendations

- The Department needs to carry out proper survey and update the data on a regular basis to identify the beneficiaries.
- Adequate steps should be taken to test the quality of supplementary nutrition items before distribution.
- Infrastructure requirement needs to be assessed and steps taken to plan and implement projects to upgrade it as per requirements.
- Records of Immunization, health check-up and referral services at Anganwadi centres should be maintained and monitored.
- Effective steps should be taken for monitoring and supervision as laid down in the guidelines of the scheme.

DEPARTMENT OF SCHOOL EDUCATION

3.3 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan was launched all over the country from January 2001 onwards. However, in Nagaland, the programme started only in 2003-04. The basic data on educational indicators was available only from 2003-04. The Perspective Plans required for all the districts and the State for the period up to 2010 had not been prepared. The issues relating to out of school children, children with special needs and girls education are yet to be addressed by the State. The infrastructure facilities in the State were dismal and construction works were carried out without any technical inputs. The State Implementation Society (SIS) has also not framed any time-bound programme to train 65 per cent of untrained teachers and 45 per cent under-qualified teachers thus, making quality education a distant dream. With these basic inputs not in place, the objective of ensuring that all children complete five years of primary education by 2007 and eight years of elementary schooling by 2010 will be difficult.

Highlights

The State had not prepared a perspective plan for all the districts and the State for the period up to 2010.

(Paragraph 3.3.1)

The State Government did not release its matching share of Rs.4.93 crore in 2002-03, Rs.2.38 crore in 2003-04; Rs.2.81 crore in 2004-05 and Rs.5.46 crore in 2005-06 which led to non-release/short-release of central share in the subsequent years.

(Paragraph 3.3.7)

According to the survey in August 2003, the three districts test checked were grossly deficient in infrastructure as 76 per cent schools had no drinking water facilities, 94 per cent had no electricity, 55 per cent had no verandah, 97 per cent had no toilet for girls and 92 per cent of schools had no urinal and 86 per cent of school buildings had dilapidated wall, roof and floor.

(Paragraph 3.3.8.1)

43 per cent of the teachers were not adequately qualified for teaching purposes and 65 per cent of teachers were not trained to perform the job.

(Paragraph 3.3.11 & 3.3.12)

SSA funds of Rs.10.65 lakh were diverted for distribution of free text books in Kiphire under Tuensang district though the State was providing funds for the same purpose.

(Paragraph 3.3.15.1)

There were 192 habitations without primary schools within one kilometer. The State covered only 32 per cent of the 60,803 out of school children assessed in 2003-04 by arranging Alternative Education (AE) through two NGOs. Out of school children covered by Alternative Education (AE), only 75.55 per cent were brought into the mainstream upto 2005-06 in three test checked districts.

(Paragraph 3.3.17)

There were 72 upper primary schools eligible for Teaching Learning Equipment (TLE) grant of Rs.50, 000 as one time assistance. None of the Upper Primary schools were selected for the grant. Instead Rs.63 lakh was released to 126 Government High Schools and Higher Secondary Schools.

(Paragraph 3.3.22)

3.3.1 Introduction

Sarva Shiksha Abhiyan (SSA) aimed to provide useful and relevant elementary education to all children in the 6 to 14 age-group by 2010 with active participation of the community and school management committees in order to bridge social, regional and gender gaps. The main objectives of SSA are:

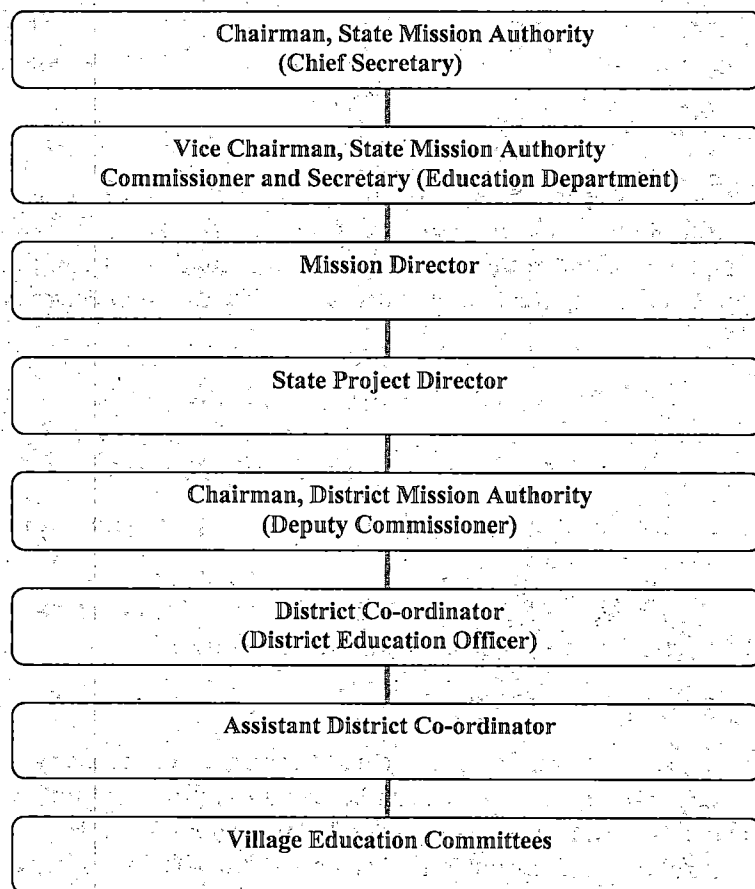
- to have all children in school by 2003, (revised to 2005 in March 2005 complete five years of primary schooling by 2007 and eight years of elementary schooling by 2010)
- to focus on quality elementary education with emphasis on education for life
- to bridge all gender and social category gaps at the primary stage by 2007 and at elementary level by 2010
- Universal retention by 2010.

Though the main focus of Sarva Shiksha Abhiyan is on capacity building through training, community based data collection and its analysis, the State did not have any basic data on educational indicators such as total child population, enrollment, drop out rate etc. up to 2003-04. As per data made available in 2003-04, there were 4,01,653 children in the age group of 6-14 years. Of this, 2,68,031 children (67 per cent) were enrolled. The data available during 2003-04 was also not updated in the subsequent years. In the absence of updated data, it was not possible to comment on the retention of children enrolled in the system. Perspective Plans for each district and the

State for the period upto 2010 have not been prepared. Audit scrutiny was carried out on the basis of Annual Plans.

3.3.2 Organisational set-up

The State Implementing Society (SIS) consists of the State Mission Authority (SMA) with the Chief Secretary as the Chairman and the Commissioner and Secretary, School Education, as the Vice Chairman. The Mission Director, an officer of the level of Deputy Secretary, acts as the Chief Executive, who is assisted by the State Project Director. The District Mission Authority (DMA) is headed by Deputy Commissioner as the Chairman and the District Education Officer as the District Coordinator who is also the chief executing officer assisted by one Assistant District Coordinator in each district. At the village level, the Village Education Committee (VEC) is the agency which co-ordinates with the schools in implementing the activities of Sarva Shiksha Abhiyan. The organisational set-up of the programme is given below:



3.3.3 Scope of Audit

The performance audit covered the progress of various activities of SSA for the period 2000-06 in the State of Nagaland in general and the three districts

(Kohima, Phek and Dimapur) in particular. Out of the total expenditure of Rs.68.68 crore, Rs.20.28 crore was covered (30 *per cent*) in audit.

Random Sampling method was adopted for selection of samples for test check. Records of the State Mission Authority, three selected District Mission Authorities out of eight, nine Educational Block Resource Centres (EBRC) (one urban and two rural blocks in each selected district) out of 41 in the State and 53 schools (two primary, middle and high schools from each selected block) out of 1724 in the State were test checked.

3.3.4 *Audit objectives*

The audit objectives were to see whether:

- the programme was planned and executed properly in line with the overall objectives at the State and district level.
- adequate infrastructure was in place.
- the technical inputs envisaged in the guidelines for civil works were followed.
- the teachers were adequately qualified and trained to impart quality education.
- the problem relating to 'out of school children' and 'children with special needs' were addressed properly to achieve the objective of 100 *per cent* retention by 2010.
- the performance was effectively monitored to plug any loopholes in the implementation of the scheme.

3.3.5 *Audit criteria*

In order to assess the extent of achievement of the programme with respect to economy, efficiency, and effectiveness, the main criteria used were;

- plans prepared to achieve the objectives of SSA.
- norms/standards prescribed for infrastructure development.
- norms prescribed for training of teachers and teaching and learning equipment grants.
- norms for distribution of free text books and other innovative learning activities.
- norms for evaluation and monitoring.

3.3.6 *Audit Methodology*

The performance audit began with an entry conference (7 July 2005) attended by the Secretary, School Education Department besides other implementing officers wherein, the audit objectives, scope and audit criteria were discussed. This was supplemented by discussions between the senior officers of the Department and the Accountant General (Audit). At the end, an exit conference was held (27 September 2005) which was attended by the Secretary and other subordinate officers responsible for implementation of the scheme. The review was finalised after taking into account the points put forth by the department during the exit conference.

The Social and Rural Research Institute (SRI), a specialist unit of Indian Market Research Bureau International (IMRB) was commissioned by Audit for assessing the impact of SSA from the perspective of the beneficiaries and their parents.

The audit observations on the basis of analysis of data of selected samples in comparison with the criteria set for achieving the objectives are incorporated in the succeeding paragraphs.

3.3.7 *Financial Arrangements*

The details of the funds released by the Government of India and the State Government during 2000-01 to 2005-06 were as under:

Table 3.3.1

(Rupees in crore)

Year	Project Approval Board Approved	Fund Released			Expenditure
		GOI	State Share	Total	
2000-01	Nil	0.30	0.02	0.32	Nil
2001-02	Nil	0.81	Nil	0.81	0.20
2002-03	19.71	9.73	Nil	9.73	2.03
2003-04	29.51	Nil	5.00	5.00	10.15
2004-05	34.40	20.88	5.79	26.67	27.51
2005-06	33.85	23.23	3.00	26.23	28.79
Total	117.47	54.95	13.81	68.76	68.68

(Source: Financial statement furnished by State Mission Authority)

From the above table, it can be seen that the funds received were less than the total approved outlay. Despite the short receipt, the State was unable to utilise the whole amount, indicating that it was not adequately prepared to utilise the funds released.

As per the financial norms of SSA, cost of implementation of the programme was to be shared by the central and the State Governments in the ratio of 85:15 during the IXth Plan and 75:25 during the Xth Plan (2002-07). The table below

shows that the State Government did not release its matching share of Rs.4.93 crore, Rs.2.38 crore, Rs.2.81 crore and Rs.5.46 crore during the years 2002-03, 2003-04, 2004-05 and 2005-06 respectively. This adversely affected the fund flow from the Centre and subsequent release to the districts during 2003-04 and 2004-05.

Table 3.3.2

(Rupees in crore)

Year	Funds to be released by		Funds actually released		Amount of Short release	
	GOI (75%)	State (25%)	GOI	State	GOI	State
2000-01	Nil	Nil	0.30	0.02	Nil	Nil
2001-02	Nil	Nil	0.81	Nil	Nil	Nil
2002-03	14.78	4.93	9.73	Nil	5.05	4.93
2003-04	22.13	7.38	Nil	5.00	22.13	2.38
2004-05	25.80	8.60	20.88	5.79	4.92	2.81
2005-06	25.38	8.46	23.23	3.00	2.15	5.46
Total	88.09	29.37	54.95	13.81	34.25	15.58

(Source: Appraisal report of the Department)

3.3.8 Civil works

3.3.8.1 Infrastructure Survey

In the three selected districts (Kohima, Dimapur and Phek) there were 682 schools. The State had conducted an infrastructure survey (August 2003) only in 500 schools. The reasons for shortfall in survey were not stated to Audit. A summary of the survey findings are given below:

Table 3.3.3

District	Total No. of schools	Total No. of schools where survey was conducted	No. of schools with no drinking water facility	No. of schools with no electricity	No. of schools with no boundary wall	No. of schools with no verandah	No. of schools with no toilet for girls	No. of schools with no urinal	No. of school building with dilapidated wall, roof and floor
Kohima	270	217	162	202	204	111	208	198	181
Dimapur	238	143	125	136	138	81	139	133	129
Phek	174	140	95	131	139	81	137	127	119
Total	682	500	382	469	481	273	484	458	429
Percentage			76	94	96	55	97	92	86

(Source: School Survey Reports 2003-04)

The survey report gives a dismal picture of the infrastructure facilities existing in the State, as 76 per cent of schools had no drinking water facility, 94 per cent had no electricity, 55 per cent had no verandah, 96 per cent had no boundary wall, 97 per cent had no toilet for girls, 92 per cent had no urinal and 86 per cent school buildings had dilapidated walls/roofs and floors. The SIS did not take up infrastructure components found deficient as discussed above, except construction of 10 school buildings (Kohima: 3; Dimapur: 5;

Phek: 2) 19 one room extension; (Kohima: 3; Dimapur: 8; Phek: 8) 11 two room extension (Kohima: 5; Dimapur: 4; Phek: 2) and 307 boundary wall construction (Kohima: 142; Dimapur: 78; Phek: 87) during 2002-03.

As per the SRI Report, about 42.20 *per cent* of Government Primary Schools and 33.30 *per cent* of upper primary schools (UPS) had constructed new buildings. About 9.6 *per cent* of primary schools (PS) and 4.30 *per cent* of UPS had utilised the fund for drinking water facility. 71.30 *per cent* of PS, 93.60 *per cent* of UPS and 98.90 *per cent* of High Schools with UPS did not have electricity. 12.80 *per cent* of PS, 5.30 *per cent* of UPS Primary schools and 1.10 *per cent* of Higher Secondary with UPS had constructed separate toilets for girls. 38.30 *per cent* of PS, 14.90 *per cent* of UPS and 1.10 *per cent* of Higher Secondary Schools with UPS had constructed urinals. 12.50 *per cent* of PS had dilapidated/unstable structures.

The SRI had covered all the eleven districts of the State and their report depicts the entire picture of implementation of SSA in the State. Audit has covered only three districts and hence there are some differences in the conclusions. The differences are also due to different methodology adopted in collection and analysis of data.

In reply, the State Mission Authority while admitting the facts stated (October 2005) that the year-wise activities were taken up on the basis of funds made available for the purpose.

3.3.9 Shortfall in achievement of targets

The GOI issued from time to time, guidelines for management structures for civil works such as preparation of infrastructure plans, designs, specifications and technologies, barrier free construction for children with special needs, and quality construction and quality control measures etc. In compliance with the above guidelines, the SMA had issued instructions to the District Mission Authority that the estimates for construction and repair of School buildings were to be prepared by the engineering wing of the Education Department or any competent technical personnel. For all practical purposes, the engineering wing of the Education department was to supervise and issue completion certificates of all the works. The district-wise civil works taken up for the entire State at a cost of Rs.18.20 crore are detailed in *Appendix-XXXI*.

Test check revealed that the estimates were neither prepared by the designated competent agencies nor were the works supervised. The works stated to have been completed, were also not supported by completion certificates from the competent authority, but were based on the utilisation certificates submitted by the VEC in the three selected districts. In the absence of any report on supervision by technical personnel, Audit could not verify the authenticity and effectiveness of the implementation.

The target of civil works for the year 2002-03 as provided in the annual work plan and achievement for the three districts test checked are given below.

Table 3.3.4

Item	Physical target				Achievement				Shortfall
	Kohima	Dimapur	Phek	Total	Kohima	Dimapur	Phek	Total	
One Room	3	8	8	19	2	7	8	17	2
Two room	5	4	2	11	3	3	2	8	3
Full Government Primary School	2	4	1	7	Nil	2	1	3	4
Full Government Middle School	1	1	1	3	Nil	1	1	2	1
Boundary Wall	142	78	87	307	26	65	18	109	198
Educational Block Resource Centre construction	1	2	1	4	Nil	2	1	3	1
	Total target			351	Total achievement			142 (40%)	209

(Source: Statement furnished by the District Mission Authority¹)

The above table reveals that only 40 per cent civil works taken up during 2002-2003 could be completed. The expenditure on civil works for the three districts during that year was Rs.2.32 crore (Kohima: Rs.0.89 crore; Dimapur: Rs.0.80 crore; Phek: Rs.0.63 crore). The SMA stated that the delay in completion of the civil works was due to delay in release of funds by the GOI and the subsequent release by the SMA and District Mission Authorities to the VEC. The civil works targeted during 2004-05 and 2005-06 could not be completed due to late release of funds to the District Mission Authorities.

In reply, the SMA stated (October 2005) that the technical inputs and supervision of the civil works as per the guidelines is now being complied with.

3.3.10 Construction of Boundary Wall

The GOI had issued guidelines (October 2002), emphasizing the technical inputs as an essential ingredient for achieving quality construction, which should also conform to the best standards available in the area having least possible cost of maintenance. The technical inputs were to be for proper planning, designing, proper technical training of the community, adopting sound cost effective construction technologies/techniques and adequate supervision.

The SMA spent an amount of Rs.1.23 crore for construction of boundary walls in 307 schools in the three districts during 2002-03, details of which are shown below:

¹ Expenditure for the year 2002-03 in respect of Dimapur: Rs.79.45 lakh/ Kohima: Rs.89.30 lakh/ Phek: Rs. 62.25 lakh.

Table 3.3.5

Name of the district	Physical target	Expenditure (Rs.)	Number of works claimed to be completed	Shortfall	Date of fund release by State Mission Authority	Date of fund release by District Mission Authority
Kohima	142	56,80,000	26	116 (82 %)	(a) 09-04-2003 Ist Installment	(a) .(i) 09-02-04 Ist Installment
					(b) 21-07-2004 IInd Installment	ii) 16-03-04 IInd Installment b) NA
Dimapur	78	31,20,000	65	13 (17 %)	(a) 09-04-2003 Ist Installment	(a).(i) 04-12-03 Ist Installment
					(b) 21-07-2004 IInd Installment	(ii) 15-03-04 IInd Installment (iii) 09-09-04 IIIrd Installment
						b) NA
Phek	87	34,80,000	18	69 (79 %)	(a) 09-04-2003 Ist Installment (b) 21-07-2004 IInd Installment	Oct-Dec 2003
Total	307	1,22,80,000	109	198 (64%)		

(Source: Departmental figure)

Note: The funds are shown to have been spent when the money is released to the VECs for carrying out construction works. However the completed works are on the basis of Utilisation Certificates (UCs) received from the VEC.

Out of 87 schools in Phek district, only 18 schools/VECs submitted UCs. Scrutiny of these UCs revealed that the construction of boundary walls were certified by the VECs to have been completed within the amount of Rs.12, 000 each released as the first installment. The District Mission Authority, however, released the subsequent installment of Rs.5.04 lakh to the same schools during October and November 2003. The reason for release of second installment when the work was completed with the amount released in the first installment by 18 schools was not on record. The State and District authority also did not verify the authenticity of the claim and the quality of the work claimed to have been completed with Rs.12,000 against Rs.40,000 as estimated on an average. The second installment (Rs.18.20 lakh) was also released to 69 other schools though UCs were not submitted by them.

All the 78 schools in Dimapur district submitted the UCs. Scrutiny revealed that 13 schools had diverted an amount of Rs.2.93 lakh out of Rs.31.20 lakh, towards items other than the construction of boundary walls. There was no record to substantiate the compliance of the technical inputs envisaged in the guidelines issued by the GOI. In the absence of any system for monitoring and evaluation of the construction works, the effectiveness and efficiency of the works could not be assessed in audit.

As per SRI report, 86.20 per cent of PS and 92.50 per cent of UPS and 98.90 per cent of high schools had not carried out construction of boundary wall.

In reply, the Authority stated (October 2005) that the funds diverted for repair and maintenance would be adjusted in the subsequent allotment for the same purpose.

In respect of Kohima district, the Utilisation Certificates were not produced to Audit.

3.3.11 Under-qualified teachers

As per the norms prescribed by the GON, the minimum qualification for a primary teacher in the State is Higher Secondary. Test check of records in the three selected districts revealed that, on an average, the qualification of 43 per cent of the primary teachers was below the prescribed norm as detailed below:

Table 3.3.6

Name of the District	Total number of primary teachers	Total no. of teachers in upper primary schools having primary section	Total Primary and Upper Primary teachers	Number of teachers having qualification less than the prescribed norm	Percentage of under qualified teachers to total primary and upper primary teachers
Kohima	925	227	1152	506	44
Phek	496	155	651	314	48
Dimapur	934	84	1018	404	40
Total	2,355	466	2,821	1,224	43

(Source: Survey Report 2003-04)

The above table shows that, a large number of under qualified teachers are deployed to teach students of the primary level. The National Institute of Education Planning and Administration report published in 2004 also confirms the presence of 43 per cent of under qualified teachers in primary and upper primary level in the State.

Due to absence of any time bound programme to train these under qualified teachers the objective of imparting quality education at the elementary level was compromised.

3.3.12 Teachers training

According to Para 1.8 of the framework for implementation of SSA, provision was made for 20 days in-service course for all teachers, 60 days refresher course for untrained teachers already employed as teachers and 30 days orientation for freshly trained recruits every year.

The total number of untrained teachers vis-à-vis the total teachers in Government Primary and Middle Schools prior to 2003-2004 was not available on record. The number of teachers trained during 2002-06 as reported by the Department is as under:

Table 3.3.7

Type of training	2002-03		2003-04		2004-05		2005-06	
	Total teachers	Teachers trained	Total teachers	Teachers trained	Total teachers	Teachers trained	Total teachers	Teachers trained
20 days	NA	752	10583	2986	10215	8174	11333	7308
30 days	NA	NIL	513	NIL	496	Nil	685	Nil
60 days	NA	231	2100	2030	5642	300	2690	728

(Source: Statements furnished by the State Mission authority)

During the years 2002-03 to 2003-04, teachers training was entrusted to the State Council of Educational Research and Training (SCERT) for which, an amount of Rs.1 crore was released on different occasions during 2002-04. Out of the above amount, Rs.98.38 lakh was utilised for training of 3,673 teachers by the SCERT. The balance amount of Rs.1.62 lakh was not returned. An amount of Rs.47.06 lakh was also released (November 2003 to March 2004) to the Director of School Education for imparting training to five categories of teachers (Physical Education, Carpentry, Knitting, Hindi and Language teachers). Teachers training entrusted to SCERT was discontinued due to non-submission of UCs in time. Thereafter the Educational Block Resource Centres (EBRCs) were entrusted with imparting 20 days training to in-service teachers from 2004-05.

Thus, an amount of Rs.2.67 crore was incurred by the SCERT/DSE on teachers training during 2002-03 and 2003-04. However, according to the Appraisal Report of SMA for the year 2003-04, 65 per cent of teachers in the State still remained untrained against the National Council of Teacher Education norms even after incurring an expenditure of Rs.2.67 crore during 2002-03 to 2003-04. Audit observed that the Department did not prepare any time bound programme to train the untrained teachers.

The SRI report did not make a specific comment on teachers training, but admitted that only 38.40 per cent of the parents were satisfied with the quality of education.

In reply, the SMA stated (October 2005) that as a result of the audit observation, a Committee had been constituted (November 2005) by the State with the Commissioner and Secretary of the Education Department as Chairman to look into the matter relating to teachers training.

3.3.13 Excess expenditure on training

As per norms, the unit cost of Rs.70 per day per teacher and the number of days for each type of training should be strictly adhered to, which includes the cost of development of training modules and teachers' guides.

The SMA incurred an expenditure of Rs.1.47 crore during 2002-03 and 2003-04 for imparting training to 5,183 teachers against the target of 10,177 teachers during the period. Out of 5,183 teachers claimed to have been trained,

1,395 teachers were imparted training for 4 days and 10 days against the target of 20 days training during 2003-04 after incurring an expenditure of Rs.19.53 lakh. The actual expenditure on training for 1395 teachers during 2003-04 as calculated in audit comes to Rs.4.99 lakh* only on the basis of Rs.70 per day. Thus, there was an excess expenditure of Rs.14.54 lakh when calculated with reference to the actual number of training days. By shortening the duration of training, the SMA compromised the imparting of required teaching skills to the teachers.

In reply, the State Mission Authority stated (October 2005) that, though the expenditure was booked for the whole 20 days training, the duration of the training was reduced to meet other contingent expenses. The reply is not tenable, as the overall ceiling of Rs.70 per day per teacher and the number of training days was to be strictly adhered to in terms of the scheme.

3.3.14 *Overstatement of expenditure under Teachers Training*

Scrutiny of records revealed that during the year 2003-04, against the target of 3,050 in-service teachers and 2,100 refresher/untrained teachers training, the SMA reported imparting training to 2,986 in-service teachers and 2,030 refresher/untrained teachers.

Scrutiny of the report submitted by the State Council of Educational Research and Training and the Education Department revealed that training was actually imparted only to 2,824 in-service and 1,401 refresher/untrained teachers. The above fact revealed that the number of teachers actually trained was inflated by 162 (in-service teacher) and 629 (refresher/untrained teachers) which has resulted in overstatement of expenditure by Rs.11.07 lakh*.

The reason for the difference in the figure of teachers actually trained and claimed to have been trained was not furnished to Audit. The defective and incorrect reporting indicates ineffective control and lack of monitoring of expenditure.

3.3.15 *Free Text Books*

3.3.15.1 *Diversion of funds*

According to Para 25.6 of Financial Management and Procurement, it should be ensured that the State was not already providing free text books to any class

* 774 X 4 X 70 =Rs.	2,16,720.00
300 X 4 X 70 =Rs.	84,000.00
133 X 10 X 70 =Rs.	93,100.00
188 X 8 X 70 =Rs.	<u>1,05,280.00</u>
	Rs. 4,99,100.00
* 162 X 20 X 70 = Rs.	2,26,800.00
629 X 20 X 70 = Rs.	<u>8,80,600.00</u>
	Rs. 11,07,400.00

of children. In cases where the text books were provided by the State, it should not be provided under SSA.

The Government of Nagaland has a State scheme of providing free text books to all students from class I to IV and from classes I to VIII in two districts viz, Tuensang and Mon. The funds released from the State plan for distribution of free text books for the two districts (Tuensang and Mon) and the actual expenditure incurred by these districts during the year 2003-04 were Rs.70.49 lakh and Rs.68.64 lakh respectively.

A test check revealed that, an amount of Rs.10.65 lakh was released to the Deputy Inspector of Schools, Kiphire under Tuensang District in March 2004 from SSA funds for distribution of free text books, which was not permissible under SSA norms, as the State Government was providing free text books to the students of classes I to VIII in that district.

As per SRI report, 75 per cent of primary schools and 81.50 per cent of upper primary schools were provided free text books. Altogether 13 per cent of students did not receive free text books.

In reply, the SMA, while admitting the facts stated (October 2005) that ex-post-facto sanction was sought (September 2004) from the GOI to regularise the diversion, but the response to this from GOI had not been received (October 2005).

3.3.16 Distribution of cash instead of Text books

Test check revealed that during 2003-04 and 2004-05, except in a few schools, Rs.150 was disbursed to each student in cash instead of providing text books, as detailed below:

Table 3.3.8

Name of the district	Year of receipt of fund	No. of Schools test checked	No. of Schools issued free test books	No. of schools where cash payment was made	No. of schools which could not produce the records	No. of schools where the amount was not utilized
Dimapur	2004	11	2	9	-	-
Phek	2004	12	12	-	-	-
Kohima	2004	12	5	1	6	-
Dimapur	2005	11	1	10	-	-
Phek	2005	12	8	4	-	-
Kohima	2005	12	1	3	6	2

(Source: Departmental figures)

Further scrutiny revealed that the money was released to the schools only in the month of April, whereas the school session begins in the month of February in the State. In Kohima district, six schools out of the 12 schools test checked, could not produce any records relating to distribution of free text books or payment of cash to students.

In reply, the Authority accepted the facts. It was also stated (October 2005) that disbursement of cash was considered to be a reimbursement of the cost of books already purchased by the students. The reply is not tenable, as the disbursement of cash in lieu of text books was against the GOI guidelines, besides this amount is not sufficient to meet the cost of text books and may not be utilised for the purpose by the intended poor beneficiaries.

Due to distribution of cash the Department suffered a loss on account of rebate and royalty on text books. The same could not be assessed due to non production of records.

3.3.17 Alternative and Innovative Education (AIE)/Education Guarantee Scheme (EGS)

One of the major objectives of SSA was to bring all children in school by 2003, either through formal schools or Education Guarantee Centres (EGC), Alternate Schools (AS), back to school camps, etc.

There were 192 habitations in 2003-04 and 111 habitations in 2005-06, which did not have primary schools within one kilometer. These areas were proposed to be covered under Alternative and Innovative Education/Educational Guarantee Schools (AIE/EGS). There were 60,803 out of school children in the State as per a survey conducted by the SMA in 2003-04, constituting 14 per cent of the total child population of 4,21,593. To cover the out of school children, the SMA released Rs.2.68 crore to two Non-Governmental Organisations (NGOs) i.e., Nagaland Baptist Church Council; Rs.2.67 crore and BOSCOM: Rs.1.39 lakh. Against 60,803 children the NGOs covered only 19,585 children at a cost of Rs.2.68 crore under AIE, by conducting residential and non-residential camps, which constituted only 32 per cent of the total out of school children assessed in 2003-04 leaving a balance of 41,218 children. No action was taken by the Department against the NGOs for excess expenditure of Rs.1.82 crore^o.

Details of out of school children covered in the three test checked districts during the period of implementation were as under:

Table 3.3.9

District	No. of out of school children	No. of children targeted to be covered by NGOs	Actually covered	Percentage of achievement	Actual no. of children enrolled in mainstream	Percentage of achievement to actually covered children
Kohima	11,901	4,515	3,420	75.74	3041	88.92
Dimapur	13,230	5,118	5,227	102.13	3599	68.85
Phek	4,093	1,877	1,782	94.93	1239	69.53
Total	29,224	11,510	10,429	90.60	7879	75.55

(Source: Departmental figure)

^o Rs.2,68,00,000 ÷ 60,803 children = Rs.440.76 per child x 41,218 children = Rs.1.82 crore

The information furnished by the two District Mission Authorities (Kohima and Phek) in respect of Alternative and Innovative Education undertaken by Nagaland Baptist Church Council, revealed that only 4,280 students (82 per cent) out of 5,202 children in two districts were enrolled in the regular schools. No records were furnished to Audit in respect of the NGOs (BOSCOM), which was engaged to cover the out of school children in Dimapur. To cover the balance out of school children in the State, arrangements were made with 25 NGOs, incurring an expenditure of Rs.5.91 crore during 2005-06. The basis of calculation was not made available to audit. No action was taken by the Department against the NGOs for excess expenditure.

However, the SMA could enroll only 7879 children (75.55 per cent) in the above districts in the mainstream.

In reply, the SMA stated (October 2005) that the uncovered habitations and the unattended out of school children would be covered during the next year.

3.3.18 Drop out rate

The SMA had not prepared any plan or conducted any survey to assess the drop out rate in the State. Therefore, basic data on dropouts was not made available to Audit.

3.3.19 Up-gradation of Primary Schools to Upper primary Schools.

As per norms, new UPS were to be opened with a ceiling of one UPS for every two PS. The State required upgradation of 723 PS. However, the State could not upgrade any of these to UPS. The State, despite maintaining a very healthy teacher pupil ratio (1:25) as compared to the national level (1:40), 38 PS were still with a single teacher. No effective steps had been taken to address these areas.

3.3.20 Computer Education

Computer education is an important component of the SSA, which planned to provide Rs.15 lakh to each district annually for the purpose under innovative activities with estimated budget provision of Rs.2.25 crore (Rs.1.20 in 2003-04 crore and Rs.1.05 crore in 2004-05). The main objectives of computer based education at elementary level were to create computer awareness among the children at elementary level, make teaching and learning more effective and interesting, and also to empower the teachers to generate supplementary material in digitised form and improve the quality of education.

Computer education was launched in the State only in 2004-05. The reason for delay was stated to be non-approval of the innovative component by the Project Approval Board in 2002-03 and non-release of funds in 2003-04.

As per SRI report, only 12.80 per cent PS and 4.30 per cent UPS were provided computers. And only 8.50 per cent of PS and 3.20 per cent of UPS were given computer training.

3.3.21 Training of teachers on Computer Aided Learning

During the first phase, a target was fixed to impart training to 80 teachers (5 teachers from each school) with 10 nodal officers and 256 teachers in the second phase. Against the target of 80 teachers in the first phase, only 52 teachers were trained (November 2004) in computer aided learning after incurring an expenditure of Rs.1.12 crore till the date of audit, resulting in a short fall of 35 per cent. No time frame was prescribed for imparting training in the second phase. No assessment/evaluation of the impact of the training was conducted.

In reply, the Authority stated (October 2005) that the teachers training for the first phase has been completed. The reply is not tenable, as audit scrutiny revealed that only 65 per cent teachers were trained.

3.3.22 Irregular release of Teaching and Learning Equipment grant

As per the Manual on Financial Management and Procurement under SSA, an one time grant of Rs.50,000 for procurement of Teaching and Learning Equipment (TLE) is admissible for upgradation of EGS to regular schools, setting up of new primary schools and for primary schools which are not covered under Operation Black Board (OBB).

According to the Survey 2003-04, there were 72 UPS not covered under OBB, out of which, 21 UPS fall under the three districts test checked (Dimapur-11, Kohima -1, and Phek-9). Instead of providing the grant to new, upgraded and existing UPS not covered under OBB, grants amounting to Rs.63 lakh were released to 126 Government High and Higher Secondary Schools against the GOI norms. Test check of records in three districts revealed that, out of Rs.9 lakh released to 18 Government High Schools, only one school could fully utilise the funds (6 per cent); the remaining seventeen schools diverted Rs.6.83 lakh (76 per cent) for other purposes such as construction, repair and renovation of schools, etc.

As per SRI report, only 28.70 per cent of primary schools and 8.50 per cent of upper primary schools and 1.10 per cent of High schools utilised the TLE grant.

In reply, the SMA stated (October 2005) that the grant was also admissible to High Schools as the middle section was also attached to those schools. The contention is not tenable as the grant was meant for providing TLE to new Middle Schools and not to the High Schools which is expected to be equipped with the basic TLE required for the Middle Section.

3.3.23 Monitoring and Evaluation

As per Scheme guidelines, there is a three tier system of supervision and monitoring viz., National level, State level and District level. The National Level Team having a representative from the GOI is to conduct two supervisions in a year. At the State level, the SIS is to evolve a monitoring format indicating the process and quality indicators in order to track the quality of programme implementation. At the district level, there was no specific reporting norm/standard on monitoring by the nodal officer in-charge of elementary education. However, Coordinators of the EBRCs in each block was to visit at least two schools every month and submit report to the SMA. The Nagaland University was also entrusted with the responsibility of monitoring the implementation of the scheme on a quarterly basis.

During the years 2002-05, the National Level Team conducted supervision only once in each year. The SIS did not evolve a monitoring format indicating the process and quality indicators in order to track the quality of programme implementation. The reports of the Coordinators of EBRCs were never submitted to the SMA. It was reported that the Nagaland University had submitted (April 2004) one report as of September 2005. However, the report was not produced to audit.

3.3.24 Conclusion

The implementation of SSA in the State could not make the desired impact due to:

- Non-availability of basic data on educational indicators such as dropouts, children with special needs, etc.
- Educational Management Information System (EMIS) not being functional.
- Non-preparation of perspective plan.
- Majority of teachers remaining untrained and under qualified.
- Poor quality of infrastructure.
- Non-redressal of issues relating to out of school children and children with special needs.

3.3.25 Recommendations

The following recommendations are made:

- Perspective Plan up to 2010 needs to be prepared and annual operational plans should be derived from the perspective plan. Special

intervention in the areas of shortfall need to be identified and remedial action taken accordingly.

- Effective planning and implementation is required to impart training to all the untrained teachers and upgrade the qualifications of the under-qualified teachers to achieve the objective of quality elementary education.
- Considering the poor infrastructure in the State, the basic facilities need to be given priority. The technical inputs as envisaged in the guidelines needs to be provided for ensuring proper and quality construction.
- Specific need-based training of community leaders and field functionaries needs to be carried out in order to achieve the objective of the programme.
- Efforts should be made to address the issues relating to out of school children and children with special needs.

POWER DEPARTMENT

3.4 Billing and collection of revenue in Power Department with specific emphasis on Transmission & Distribution Losses

Performance review of Billing and collection of revenue in Power Department revealed T&D losses in excess of norms, non-revision of tariff, short billing and inadequate efforts in collection of arrears, etc.

Highlights

The State Government had not set up Regulatory Commission. Fixation of tariff at rates lower than the purchase cost (average) resulted in loss of potential revenue of Rs.153.64 crore.

(Paragraph 3.4.7 & 3.4.8)

Transmission and Distribution losses in excess of the prescribed norms resulted in loss of potential revenue of Rs.100.50 crore.

(Paragraph 3.4.10)

Short billing of 100.38 MU resulted in loss of potential revenue of Rs.17.83 crore.

(Paragraph 3.4.12)

Out of Rs.34.50 crore being arrears of revenue, Rs.14.63 crore was treated as bad debts by the concerned divisions without the approval of the Government.

(Paragraphs 3.4.15 & 3.4.17)

Non-installation of 'Digital Energy Meters' led to blocking of funds amounting to Rs.37.01 lakh.

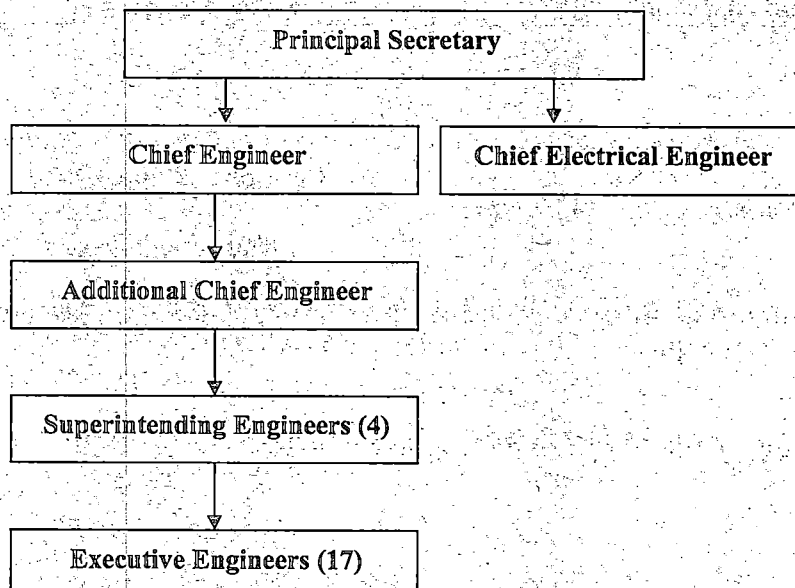
(Paragraph 3.4.18)

3.4.1 Introduction

The Department of Power, Nagaland, was established in 1964 to provide power supply to public, industry and agriculture sectors in the State. Power generation being very negligible in the State (about one *per cent* of the total requirement of power of the State), the major requirement (about 99 *per cent*) is being met by purchasing power from the Central PSUs such as North Eastern Electric Power Corporation Ltd. (NEEPCO), National Hydroelectric Power Corporation Ltd. (NHPC) and Power Grid Corporation of India Ltd. (PGCIL). The Department is responsible for transmission, distribution of power and maintenance of transmission and distribution network in the State.

3.4.2 Organisational setup

The Department is headed by the Principal Secretary to the Government of Nagaland who is assisted by one Chief Engineer, one Chief Electrical Inspector in the rank of Chief Engineer, one Additional Chief Engineer, four Superintending Engineers and 17 Engineers. The organisational structure of the Department is given below:



3.4.3 Scope of audit

The performance review conducted during the period April 2006 to June 2006 covers examination of overall efficiency of the Department in billing of all categories of consumers for energy sold, collection of revenue and its accountal with specific emphasis on Transmission and Distribution loss during 2001-02 to 2005-06. Out of 11 districts having 11 electrical divisions, two transmission divisions, three districts covering five divisions (38 *per cent* of the total number of divisions) were selected for test check in audit.

3.4.4 Audit objectives

The audit objectives were to ascertain whether:

- the fixation/revision of tariff was efficient and effective and conforms to the norms fixed by the Department;
- billing process was carried out efficiently and effectively;
- collection of revenue was prompt and accountal of the same was appropriate;
- T&D losses were identified and steps taken to limit them within the norms prescribed by the Central Electricity Authority; and
- internal control system was efficient and effective.

3.4.5 Audit criteria

The following Audit criteria were adopted for assessing the achievement of audit objectives:

- Provisions of the Electricity Act, 2003;
- Guidelines/ instructions issued by the State Government;
- Tariff orders and instructions issued by the Department for billing for power supplied to consumers;
- guidelines issued by the Department regarding collection of revenue and its accountal; and
- norms for T&D losses as prescribed by the Central Electricity Authority.

3.4.6 Audit methodology

The following mix of audit methodologies were adopted for achievement of the audit objectives:

- orders/distribution codes and commercial and revenue manual/orders and tariff structure;
- annual reports, performance reports etc.;
- agreements executed with consumers, billing files of consumers;
- targets and achievements of revenue and effectiveness in recovery of revenue from consumers and T&D losses;

Audit findings

Audit findings arising from the performance review were reported to the Department/ Government in October 2006 and also discussed in the exit conference with the officers of the Department held on 17 October 2006 which was attended by the Addl. Chief Engineers and other officers of the Department. The views expressed in the meeting have been taken into consideration while finalising the Performance review.

Audit findings are discussed in the succeeding paragraphs.

3.4.7 Purchase and Sale of Power

The table below shows the power purchased by the Department from outside agencies, power generated in the State, total power available for sale and power actually sold during the period 2001-02 to 2005-06.

Table 3.4.1

Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
Purchase of Power (in MU)	239.80	257.50	280.93	271.08	325.14
Generation of Power in the State (in MU)	8.06	23.65	3.50	3.50	3.75
Total Power available for sale (in MU)	247.86	281.15	284.43	274.58	328.89
Units sold (in MU) ²	104.10	125.62	135.56	139.15	161.67
Number of consumers	137389	140000	149634	149634	161604
Revenue realised per unit (in paise)	196	165	194	167	175
Average cost per unit (in paise)	367	332	404	285	282
Loss per unit (in paise)	171	167	210	118	107
Loss of revenue (Rs. in crore)	17.80	21.13	28.47	16.42	17.30

(Source- Departmental figures)

² The difference between the units available for sale and units actually sold is due to transmission and distribution losses as detailed in para 6.2.9.

Despite increase in number of consumers and units sold, the loss per unit persisted (total loss suffered during 2001-02 to 2005-06 amounted to Rs.153.64 crore) which was mainly due to fixation of tariff below the purchase cost, non-revision of tariff, excessive transmission and distribution losses and deficiencies in billing and collection of revenue.

3.4.8 Tariff

The State Government had not set up the State Electricity Regulatory Commission as envisaged under Section 82(1) of the Electricity Act, 2003. In the absence of the Commission, the State Government is fixing and regulating the tariff under the provisions of Electricity Act. The Department had not revised the tariff to reduce revenue losses during the period covered by audit. The tariff was, however, revised in April 2006.

3.4.9 Deficit between expenditure and revenue realised on sale of power

The difference between the revenue expenditure and revenue realised was very high. The year-wise position of deficit is shown below:

Table 3.4.2

	(Rupees in crore)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue expenditure	59.38	58.37	80.90	94.52	99.43
Revenue realized	20.36	20.86	26.30	39.49	39.74
Deficit	39.02	37.51	54.60	55.10	59.69
Percentage of deficit to expenditure	66	64	67	58	60

It would be seen from the above table that the percentage of deficit ranged between 58 and 67 per cent. No remedial action i.e., fixation of a rational and realistic tariff, reduction of transmission and distribution losses, modern metering, billing and collection system, replacement of equipment etc., was taken by the Department to address this issue.

3.4.10 Transmission and distribution losses

Against the norm of 15.5 per cent of transmission and distribution (T&D) losses as prescribed by the Central Electricity Authority (CEA), T&D losses during the period from 2001-02 to 2005-06 ranged between 49.32 and 58 per cent of the total power available for sale as detailed below:

Table 3.4.3

	2001-02	2002-03	2003-04	2004-05	2005-06
Total power available for sale (MU)	247.86	281.15	284.43	274.58	328.89
Power sold (MU)	104.10	125.62	135.56	139.15	161.67
Transmission & Distribution losses (MU)	143.76	155.63	148.87	135.43	167.22
Percentage of T&D losses to total power available for sale	58.00	55.32	52.34	49.32	50.84
T&D losses in excess of 15.5 per cent (MU)	105.34	111.95	104.78	92.87	116.24
Loss (Rupees in crore)	19.17	18.80	21.38	18.48	22.67

(Source- Departmental figures)

Out of the total losses, the Department considers losses ranging between 16.50 and 23 *per cent* as technical losses on account of resistance, thermal, inductance and corona losses. The balance T & D losses are considered as commercial losses which are attributed to theft of energy, defective meters, tampering of meters, by-passing meters, billing problems, etc.

Due to higher T&D losses over and above the CEA norms of 15.5 *per cent*, the Department suffered loss of potential revenue of Rs.100.50 crore on account of loss of 531.18 MU power during the period from 2001-02 to 2005-06. Considering that 99 *per cent* of total power requirement of the State was purchased from outside the State during 2001-06 at an average cost per unit between Rs.2.82-Rs.4.04, the State cannot afford to have such high T&D losses.

Audit could not also assess the impact of the annual increase in the cost of establishment on the loss of revenue since the information relating to cost of establishment was not furnished.

3.4.11 Billing and collection

As per the procedure prescribed in the Commercial and Revenue manuals, billing is done monthly on the basis of consumption recorded in the meter installed at the premises of the consumers. Computerised billing system has been introduced only in two divisions (Kohima and Dimapur) out of 11 divisions.

3.4.12 Loss of revenue due to short billing of energy charges

Test check of the records of the divisions by Audit where computerised billing system has been introduced (Dimapur and Kohima) revealed that there was loss of revenue of Rs.17.83 crore due to short billing of 100.38 MU against 353.07 MU sold to the consumers of different categories during the period 2001-02 to 2005-06 (*Appendix-XXXII*). The Department stated (October 2006) that short billing was due to incorrect meter reading, average billing due to defective meters and tampering of meters by the consumers. It was noticed in audit that the Department has not initiated any corrective measures to reduce losses and increase revenue.

3.4.13 Defective/inoperative meters

As per the conditions of supply of Electrical Energy, if a meter is faulty, assessment is to be made on the basis of average consumption for the previous three months.

Test check of four selected Divisions (Kohima, Dimapur, Dimapur Transmission and Mokokchung) by Audit revealed that, out of 83904 meters installed in the premises of different types of consumers, 28320 meters (33.75 *per cent*) remained out of order during the last five years as detailed below:

Table 3.4.4

Name of Division	Total No. of meters installed as on March 2006	No. of defective meters (cumulative figure)				
		2001-02	2002-03	2003-04	2004-05	2005-06
Kohima Electrical Division	26488	5334	5834	6232	6515	6989
Dimapur Electrical Division	32126	7544	7596	8565	8556	9370
Dimapur Transmission Division	9676	3256	3293	3357	3502	3502
Mokokchung Electrical Division	15614	7994	8123	8279	8438	8459
Total	83904	24128	24846	26433	27011	28320

(Source- Departmental figure)

The Department did not replace the defective meters but continued to bill the consumers on average basis. The Department in reply stated (October 2006) that the defective meters could not be replaced/repared due to non-availability of new meters/accessories. The Department, however, did not initiate any action to analyse/segregate the amount collected against working meters and on average basis against defective meters to assess the losses. Under these circumstances, the actual loss could not be quantified in audit.

3.4.14 Collection and remittance of revenue

3.4.14.1 Target and achievement

The target fixed for collection of revenue and achievement thereof during the period for 2001-02 to 2005-06 is shown below:

Table 3.4.5

(Rupees in crore)

Year	Target	Achievement	Excess (+) Shortfall (-)
2001-02	19.00	20.36	(+) 1.36
2002-03	22.73	20.86	(-) 1.87
2003-04	25.00	26.30	(+) 1.30
2004-05	32.00	39.49	(+) 7.49
2005-06	38.00	39.74	(+) 1.74

(Source- Departmental figure)

The Finance Department of the State Government sets the target for collection of revenue by the Department and accordingly the Department further sets the target for revenue earning Divisions on the basis of (i) number of consumers, (ii) connected load, (iii) approximate energy to be supplied to the consumers under a Division and (iv) extent of the revenue arrears of the Divisions. It was noticed in Audit that the targets fixed were not realistic as the Government while fixing the targets did not take into account the actual outstanding arrears due for collection. The achievement was more than the targets in four out of five years as figures of power supplied to other states were also included in the achievements. Thus, the figures of achievement as shown above were not realistic.

3.4.15 Arrears of revenue

The amount of revenue recoverable from different categories of consumers remaining unrealised at the end of each year during 2001-02 to 2005-06 is detailed below:

Table 3.4.6
(Rupees in crore)

Year	Amount of Arrears
2001-02	28.42
2002-03	27.57
2003-04	30.07
2004-05	32.37
2005-06	34.50

From the above table, it would be seen that arrears of revenue due for collection increased from Rs.28.42 crore in 2001-02 to Rs.34.50 crore in 2005-06. The Department had not taken any concrete action to streamline the system of collection of the arrears of revenue.

3.4.16 Disconnection of power supply

Under Section 56 of the Electricity Act, 2003 if the consumer fails to pay the arrears within 15 days after receipt of notice, power supply is to be disconnected. Test check of records of Electrical Division, Kohima revealed that the arrears of revenue increased from Rs.4.22 crore in 2001-02 to Rs.6.04 crore at the end of March 2006. The Division had, however, not issued notice to any consumer for disconnection of power supply. As a result, there was no deterrent effect on the consumer to pay his electricity bills in time.

3.4.17 Bad debts

Test check of records revealed that arrears of revenue amounting to Rs.14.63 crore were declared as bad debts by the following Divisions:

Table 3.4.7

Division	Revenue (Rupees in crore)
Kohima	2.26
Dimapur	6.72
Mokokchung	0.42
Changtongia	3.72
Tuensang	0.24
Wokha	0.06
Phek	0.95
Chumukedima	0.26
Total	14.63

(Source- Departmental figure)

It was noticed in Audit that the Divisions declared the above arrears of revenue as bad debts without the approval of the State Government. Effective

steps were not taken to realize/reduce revenue arrears. This was especially necessary because the State's own generation of power reduced from 8.06 MU in 2001-02 to 3.75 MU in 2005-06 and purchase of power from outside increased from 239.80 MU in 2001-02 to 325.14 MU in 2005-06. No criteria was fixed to determine the bad debts.

3.4.18 Non-utilisation of Digital Energy Meters

For reliable, accurate energy reading and improved collection of revenue, the Department proposed to replace the old electro-mechanical meters by installing digital energy meter (electronic) both for LT/HT consumers. Accordingly, 11178 digital energy meters of different capacities were procured during 1999-2000 and 2000-01 out of which, only 9318 meters (August 2004) were installed in different divisions and the remaining 1860 meters valued at Rs.37.01 lakh were lying idle in Electrical Store Division, Dimapur (March 2006). Procurement of digital energy meters (electronic) without proper planning resulted in idle investment of Government funds.

3.4.19 Excess expenditure due to non-availing of rebate

An amount of Rs.6.06 crore was offered as rebate by the Central PSUs for payment of the bills within due date for purchase of 1499.02 MU (2001-02 to 2005-06) of energy. Against this, the Department could avail of rebate of Rs.5.62 crore by making timely payments and balance rebate of Rs.44 lakh could not be availed as the payments were delayed. Thus, failure on the part of the Department for timely payment resulted in non-availment of rebate of Rs.44 lakh.

3.4.20 Misappropriation of cash

According to Rule 6 of Receipts and Payment Rules, all money received by or tendered to the Government officers on account of revenue or receipts or dues of the Government shall without undue delay be deposited in full in the accredited bank for inclusion in the Government account.

Analysis of cash book in two Divisions (Kohima Electrical Division and Dimapur Transmission Division) revealed that revenue of Rs.16.46 lakh³ was misappropriated in three cases during 2001 and 2005, out of which, Rs.0.46 lakh was recovered and Rs.16 lakh remained un-recovered till March 2006. This indicates lack of proper financial control at the Division/Sub-division level.

³ Kohima Electrical Division, Rs.4.53 lakh + Rs.6.42 lakh and Dimapur Transmission Division Rs.5.51 lakh = Rs.16.46 lakh - Rs.0.46 lakh = Rs.16 lakh.

3.4.21 Delay in deposit/remittance

Test check of four selected divisions (Kohima, Dimapur, Mokokchung Electrical Divisions and Dimapur Transmission Division) revealed that revenue of energy charges ranging from Rs.4.61 lakh to Rs. 52.43 lakh were retained in cash by the Divisions at the end of each month (*Appendix-XXXIII*). Retention of money in cash and delay in deposit into Government account not only amounts to financial irregularity but also leaves scope for misappropriation.

3.4.22 Internal control and Monitoring

Effective internal control mechanism, monitoring system and evaluation of performance are essential for smooth running of the Department. The Department of Power had not streamlined the internal controls and monitoring mechanism which has resulted in huge accumulation of arrears of revenue, meters lying defective, not repaired or replaced for years together, delay in deposit of revenue, misappropriation of revenue, etc.

The Department had constituted Meter Inspection Testing Cell (MITC) in all the Divisions to carry out surprise inspection of meters and report to the office of the Chief Engineer. The MITC detected 1411 cases of pilferage of energy and imposed a fine of Rs.11.88 lakh in two divisions (Dimapur and Kohima) out of the three Divisions test checked. It was observed by Audit that no norms or targets have been fixed for the MITC's. In the absence of any norms or targets, there was no basis for monitoring the performance of these MITC's.

3.4.23 Conclusion

The performance of the Department for generation, transmission and distribution of power in the State was found to be deficient due to non-setting up of State Electricity Regulatory Commission, non-revision of tariff on time, ineffective billing system, non repair of faulty meters, T&D losses in excess of norms, and ineffective collection of revenue. Also due to higher T&D losses over and above the CEA norms of 15.5 *per cent*, the Department suffered loss of potential revenue of Rs.100.50 crore on account of loss of 531.18 MU power during the period from 2001-02 to 2005-06.

3.4.24 Recommendations

- Timely revision of tariff needs to be carried out keeping in view the rising cost of purchase of power.
- Effective steps need to be taken for timely repair and replacement of defective meters.
- Effective measures should be taken to reduce the T&D losses.

- Effective steps should be taken for collection and accountal of revenue with special emphasis on collection of arrears of revenue.
- Internal control and monitoring system needs to be strengthened/streamlined and made more effective.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

PHYSICAL CHEMISTRY

LECTURE NOTES

BY

PROFESSOR

JOHN V. KATZ

CHICAGO, ILLINOIS

1963

CHICAGO, ILLINOIS

UNIVERSITY OF CHICAGO PRESS

CHICAGO, ILLINOIS

1963

CHICAGO, ILLINOIS

UNIVERSITY OF CHICAGO PRESS

CHICAGO, ILLINOIS

1963

CHICAGO, ILLINOIS

UNIVERSITY OF CHICAGO PRESS

CHAPTER — IV

AUDIT OF TRANSACTIONS

THE UNIVERSITY OF CHICAGO LIBRARY

1960

1960

CHAPTER-IV

AUDIT OF TRANSACTIONS

FINANCE DEPARTMENT

4.1 Fraudulent drawal of pension

An amount of Rs.13.19 crore was paid by two treasuries and one sub-treasury by irregularly honouring Pension Payment Orders and Gratuity Payment Orders which were not authorised by the Accountant General.

Fraudulent drawal of pension was reported in para 3.8 of the Audit Report of the Comptroller and Auditor General of India, Government of Nagaland (GON) for the year ended 31 March 2001. The matter was brought to the notice of the GON from time to time (October 2005 to July 2006). To check such fraudulent drawal of pension etc., the GON was requested (January 1998) to direct all the Treasury Officers in the State to personally collect the authorities (Treasury copies) for payment of pension, gratuity, commutation value etc. from the office of the Sr. Deputy Accountant General (A&E). Further, a system of re-confirmation of the genuineness of pension claims was introduced (December 2003) in consultation with the GON, wherein the employee's copy of all finalised pension authorities are to be collected personally by the nodal officers nominated by the Head of the Departments.

During central audit of the vouchers for payment of pension, gratuity etc., for the period October 2004 to March 2006, 743 cases¹ of fraudulent drawals involving Rs.13.19 crore were noticed in two treasuries and one sub-treasury (out of 12 treasuries and 8 sub-treasuries) of the State. The modus operandi of the fraudulent drawals of pension involved using identical forms as are used by the AG's office, forging signatures, using fictitious names and false authority numbers.

Thus, the failure on the part of the GON to take effective and timely measures to prevent fraudulent drawals despite the matter being brought to their notice from time to time compounded by the failure of the treasury officers to exercise statutory checks/controls prescribed by rules resulted in fraudulent drawal of pensionary benefits amounting to Rs.13.19 crore.

¹ Dimapur Treasury-343 cases involving Rs. 6.14 crore
Phek Treasury-91 cases involving Rs.1.67 crore
Phutsero Sub-treasury-309 cases involving Rs. 5.38 crore.

The matter was reported to the Government/Department July 2006. Replies had not been received (November 2006).

4.2 Avoidable payment

Finance Department failed to avail the re-set package of high interest borrowings from HUDCO in time resulting in avoidable payment of interest of Rs.1.86 crore besides unproductive commission charge of Rs.0.84 crore paid to middleman.

GON takes interest bearing loans from various financial institutions including Housing & Urban Development Corporation Ltd. (HUDCO) for implementation of various developmental schemes in the State at interest rates ranging between 6 *per cent* and 18.75 *per cent*.

To rationalise the interest on earlier loans with the current trend of rates of interest, the Regional Chief, HUDCO offered (July-August 2004) a special package to the GON for re-setting higher interest rate loans on the total principal amount outstanding as on 30 June 2004.

The offer *inter alia* provided that the principal amount outstanding with interest at rates higher than 8.25 *per cent* as on 30 June 2004 would be re-set at 8.25 *per cent* subject to the condition that re-setting charge at 50 *per cent* of the differential amount of interest for one year between the amount calculated at old rates and the re-set rate (8.25 *per cent*) had to be paid for availing the benefits of the offer from the quarter ending September 2004. Accordingly, HUDCO preferred a demand (August 2004) of re-setting charge of Rs.1.86 crore² being 50 *per cent* of the differential amount of interest between high rates and re-setting rate on total outstanding loan (Rs.105.98 crore) bearing interest rates ranging from 9.38 *per cent* to 12.59 *per cent* as on 30 June 2004.

Scrutiny of records of Finance Department, GON revealed that the Government instead of acting on the special offer made by HUDCO engaged (October 2004) a private agency (M/s Allianz Securities Ltd., New Delhi) through a Memorandum of Understanding (MOU) in January 2005 for re-structuring of all Government loans, received from different financial agencies including HUDCO. The MOU provided *inter alia* that (i) the agency shall negotiate with the financial institutions for re-structuring their high interest bearing outstanding loans to an interest rates ranging between 8.50 *per*

² Principal outstanding for schemes with interest at higher rate than 8.25 <i>per cent</i> as on 30 June 2004	Rs.105.98 crore
Total interest for the schemes at higher rate other than 8.25 <i>per cent</i> on principal outstanding	Rs. 12.46 crore
Interest @ 8.25 <i>per cent</i>	Rs. 8.74 crore
Differential amount (Rs.12.46 crore – Rs.8.74 crore)	Rs. 3.72 crore
Re-setting charge @ 50 <i>per cent</i> of differential amount (50% of Rs.3.72 crore)	Rs. 1.86 crore

cent to 9 per cent, (ii) in respect of HUDCO, the term of negotiation for payment of re-setting/repayment premium shall be 50 per cent of the amount of interest saving for one year or one per cent of the outstanding balance of high interest loan, whichever is higher, (iii) the agency shall be paid a professional fee @ 25 per cent of the savings in the first year accruing to Government.

Further scrutiny revealed that Government finally availed the re-setting offer extended by HUDCO in July-August 2004 from the quarter January-March 2005 paying re-setting value in February 2005. For arranging re-setting of interest rates with HUDCO the Government paid Rs.0.84 crore (February 2005) to M/s Allianz Securities Ltd., being professional charges.

Had the HUDCO offer been availed at the first instance (July 2004-September 2004) Government would have saved an amount of Rs.1.86 crore being savings on account of differential amount of quarterly interest payment arising out of re-setting for two quarters viz., July-September and October-December. Further, injudicious engagement of the private agency for negotiation with term higher than HUDCO's offer led to avoidable payment of Rs.0.84 crore as commission from the State exchequer.

Thus, failure to avail the re-set package by HUDCO in time resulted in avoidable payment of interest of Rs.1.86 crore besides an unproductive commission charge of Rs.0.84 crore paid to middleman.

The Government accepted the facts (July 2006) and stated that due to shortage of expert officers in the Finance Department to examine the extent of benefit of the offer made by HUDCO, the Government appointed a professional firm as Sole Advisor. The reply is weak and not tenable as the Finance Department has been negotiating for various loans from financial institutions on behalf of the Government.

SCHOOL EDUCATION DEPARTMENT

4.3 Fraudulent drawal of Pay and Allowances

Deputy Inspector of Schools, Longleng had fraudulently drawn Rs.4.78 crore as pay and allowances of teachers by drawing amounts for employees in excess of actual deployment and double drawal in case of some employees.

The State Mission Authority functioning under the Director of School Education, Nagaland, carries out a survey at periodical intervals to ascertain the deployment of teachers under each district. As per the

survey report of 2003-04 there were 719 teachers under the Deputy Inspector of Schools (DIS), Longleng.

Test check of the vouchers in respect of the DIS, Longleng (Central Audit) revealed that, against the actual deployment of 719 teachers, the DIS Longleng had drawn pay and allowances for teachers ranging from 1051 to 2140 during the period from March 2004 to March 2005 (an excess number of teachers ranging from 332 to 1421 per month). This resulted in excess drawal of Rs.4.56 crore during the period (*Appendix-XXXIV*) as the concerned Treasury Officer, Tuensang did not carry out statutory checks before allowing payment to the DIS. Further scrutiny revealed that, in the pay bills for the month of May 2004, the names of 168 employees had appeared two to three times and the payment was made accordingly involving an amount of Rs.21.80 lakh.

Thus, the Deputy Inspector of Schools Longleng fraudulently drew an amount of Rs.4.78 crore (Rs.4.56 crore + Rs.0.22 crore) by inflating the number of employees and also duplicating the names of the employees.

The Government in reply (August 2006) accepted the facts and stated that action was being taken to investigate the matter by the Police. The investigation report is awaited (November 2006).

4.4 Distribution of Free Text Books

4.4.1 Introduction

The GON is implementing a State Plan Scheme of providing free text books to the students of pre-primary to Class VIII in four districts (Mon, Tuensang, Longleng and Kiphire) and pre-primary to class IV in seven districts (Mokokchung, Kohima, Wokha, Zunheboto, Phek, Peren and Dimapur) in Government Schools. The State Council of Educational Research and Training (SCERT) is responsible for prescribing the syllabus for the schools in Nagaland. The SCERT had directed the Education Department to procure books directly from the publishers and claim 15 *per cent* discount. Further, the publishers were to pay 5 *per cent* as royalty for all the text books developed by the SCERT. For this purpose, an amount of Rs.1.77 crore was sanctioned for the year 2005 by the GON. The supply of text books and their distribution was completed in April 2005.

4.4.2 Irregularities in implementation of the scheme

4.4.2.1 Excess expenditure due to procurement of text books from a local firm and loss of revenue as royalty

Test check (December 2005) of the records of the Director of School Education, Kohima revealed that text books for free distribution to the

students of pre-primary to Class VIII four districts were procured (1,46,757³ sets of books) from a local supplier 'X'⁴ (March 2005) at a cost of Rs.1.77 crore. The supply orders were issued (February 2005 and March 2005) to the local supplier without following the codal formalities like, calling tenders etc., instead of procuring directly from the publisher. This resulted in an avoidable excess expenditure of Rs.26.51 lakh⁵ and undue benefit to local firm due to non-availment of a rebate of 15 per cent from the publisher. The Education Department also did not collect the royalty of 5 per cent from the publishers which resulted in potential loss of Government revenue to the tune of Rs.8.83 lakh⁶.

On this being pointed out, the Department admitted the fact and stated (October 2006) that the books were procured from a local firm as per the direction of the Government. The reply is weak and not tenable as the Director of School Education could not furnish any documents from the Government confirming forgoing of rebate and royalty.

4.4.2.2 Excess payment to the Supplier

The GON made a provision of fund of Rs.1.40 crore in 2004-05 to cover the entire targeted students in Nagaland for supply of free text books. The Director of School Education proposed (August 2004) to the GON that the fund of Rs.1.40 crore provided would be utilised in 1st phase to cover 82 per cent targeted student in seven districts and remaining 18 per cent would be covered in 2nd phase for which an additional Rs.37 lakh would be required. Accordingly, the GON accorded expenditure sanction of Rs.1.40 crore (February 2005) in 1st phase and Rs.37 lakh (March 2005) in 2nd phase towards procurement of text books which were drawn in February-March 2005. Supply order was issued for 1,18,054 sets of books in the first phase and 28704 sets of books in the second phase.

Test check (December 2005) of the delivery challans revealed that against the supply order for 1,18,054 sets of books in the first phase, the supplier had supplied only 1,11,413 sets of books and it was also certified by the respective District Education Officers and Deputy Inspectors of Schools. The supplier preferred the bill (February 2005) for an amount of Rs.1.40 crore for 1,18,054 set of books and the full claim was paid. This resulted in excess payment of Rs.12.29⁷ lakh to the supplier for 6641 sets of books.

In reply (December 2005), the Department while accepting the facts stated that, the supplier was directed to supply the remaining books (July 2005). As

3 82% of 80,829 = 66,280 + 51,773 + 28,704 = 1,46,757
 4 M/S Biltek, Kohima
 5 15% of Rs.1,76,76,334
 6 5% of Rs. 1,76,76,334
 7 Calculated at an average cost price of Rs.185 per set
 i.e., Rs.185 x 6,641 = Rs.12,28,585 = Rs.12.29 lakh

of November 2006 there was no record to prove that the shortfall was made good.

4.4.2.3 Infructuous expenditure

During the second phase, the remaining 18 *per cent* in the seven districts were to be covered (requiring 14,549 sets of books)*. The Department however, placed an order for 28,704 sets of books and distributed only 9704 sets of books to the seven targeted districts. Scrutiny of the delivery challans revealed that the excess sets of books (19,000) were shown to have been distributed to four districts (Mon, Tuensang, Kiphire and Longleng) whereas, 100 *per cent* of students in these districts were covered during the first phase. Thus, the expenditure of Rs.28.39 lakh (*Appendix-XXXV*) incurred on procuring books for students covered in the first phase was duplication and resulted in infructuous expenditure to the Government.

The Department (October 2006) accepted the facts. Reply of the Government had not been received (November 2006).

4.5 Wasteful expenditure due to deployment of excess teachers

Wasteful expenditure of Rs.9.91 crore due to deployment of 1297 teachers in excess of prescribed norms in Government Primary, Middle and High Schools in three Deputy Inspector of Schools and one Government High School.

According to the norms prescribed by the State Government (April 1993), a maximum of five teachers in Primary School and 11 teachers in Middle School are to be deployed. Further, the State Government in its notification issued in January 2002 prescribed a norm of a maximum of 10 Graduate teachers (both Arts graduate and Science graduate) in Government High Schools (Class V to X) and requirement of additional teachers was to be determined in the teacher pupil ratio of 1:25.

Mention was made in Para 4.7 of the report of the Comptroller and Auditor General of India for the year ending March 2004 regarding deployment of teachers in excess of the prescribed norms in Government Primary Schools (GPS) and Government Middle Schools (GMS) up to March 2004 by the Deputy Inspectors of Schools, Dimapur and Kohima. However, no corrective action was taken by the Government.

◦ Test check of records of the three Deputy Inspectors of Schools (DIS) viz., Dimapur (July 2005); Tuensang (September 2005) and Meluri (August 2005) covering the period from March 2004 to July 2005; September 2004 to September 2005 and July 2002 to August 2005 respectively revealed that 3155 teachers were deployed in 422 Schools against 1913 (based on teacher student

* Total requirement : 82 *per cent* of 80,829 =62,280 in 1st phase and 18 *per cent* of 80,829 = 14,549 in 2nd phase.

ratio of 1:25) required as per prescribed norms. The deployment of 1242 teachers in excess of norms resulted in changing the teacher student ratio to 1:15 and incurred wasteful expenditure of Rs.9.38⁸ crore during the period (July 2002 to September 2005). In the absence of authenticated number of children in the records of the three DIS test checked vis-a-vis excess number of teacher the possibility of embezzlement could not be ruled out.

• Test check (January 2006) of records of the Head Master, N.I. Jamir Government High School, Ongpangkong (January 2001 to December 2005) revealed that 21 untrained teachers were deployed against requirement of 10 teachers as per prescribed norms during the period of audit. The deployment of 11 teachers in each of the five years (2001 to 2005) in excess of the prescribed norms resulted in wasteful expenditure of Rs.0.53⁹ crore during the period.

Thus, deployment of 1297¹⁰ teachers by the Department in contravention of the prescribed norms resulted in wasteful expenditure of Rs.9.91 crore (Rs.9.38 crore + Rs.0.53 crore) on salary and allowances of the teachers.

The Department accepted the facts (May 2006) and stated that deployment of teachers in excess of norms was made due to public pressure. The Government also endorsed (July 2006) the views of the Department. The reply is not tenable since the deployment is clearly against the norms prescribed.

4.6 Extra expenditure

Against the actual deployment of 82 adhoc teaching and non-teaching staff, the Deputy Inspector of Schools, Noklak had drawn pay and allowances for adhoc staff ranging from 89 to 126 persons resulting in extra expenditure of Rs.26.96 lakh.

The Deputy Inspector of Schools (DIS), Noklak deployed 82 Adhoc teaching and non-teaching staff (79 teachers and 3 Group-D) in different schools under its jurisdiction during the period from February 2004 to July 2005.

Test check of records (August 2005) revealed that the DIS had drawn and disbursed pay and allowances of Rs.1.27 crore against adhoc employees ranging between 89 and 126 persons during the period from February 2004 to July 2005 as seen from the records of the DIS. The excess deployment of adhoc employees ranging from 7 to 44 resulted in extra expenditure of Rs.26.96¹¹ lakh (*Appendix-XXXVI*).

8 Calculated on the minimum pay (GPS teacher Rs.4000 and GMS teachers' Rs. 5000/p.m) + DA @ 61 % + HRA @ 7.5% + MA Rs.100.

9 Calculated on the minimum pay (GPS @ Rs.4000 and GMS @ Rs.5000/p.m) + DA @ 63% + HRA @ 7.5% + MA Rs.100. Calculated on the minimum emolument of under graduate teachers of Rs. 8125 in 2002-03; Rs.9624 in 2003-04 & 2004-05 and Rs.9791 in 2005-06.

10 Calculated on the gross pay of the junior most staff @ Rs.6240 in 2001, Rs.9205 in 2002, Rs.9490 in 2003 and Rs.10257 in 2004 and 2005.

11 1242+55 (11 x 5)=1297.

12 Calculated on the basis of average pay and allowances drawn in each month

The Department in reply (May 2006) stated that adhoc employees appointed by the Directorate are within the sanctioned strength of the district. The Government also endorsed (July 2006) the views of the Department. The reply is not tenable as there were only 82 adhoc employees on records as certified by the DIS.

HORTICULTURE DEPARTMENT

4.7 Centrally Sponsored Scheme fund misappropriated/unaccounted

An amount of Rs.5.58 crore under Technology Mission for Integrated development of Horticulture in North Eastern States was misappropriated/unaccounted for and Rs.55.70 lakh remained unutilized till July 2006.

The GOI approved (October 2003) the Scheme of Integrated Development of Horticulture in a mission mode in North Eastern States considering the potential of horticulture for socio-economic development of the region. On the basis of the GOI sanction (August 2003) the Small Farmers' Agri-Business Consortium, Delhi released a grant of Rs.37.87 crore in 16 installments (August 2003 to July 2006) through the Managing Director, Nagaland Small Farmers' Agri-Business Consortium (SFAC), to the Department of Horticulture under the scheme Mini-Mission II of the Technology Mission.

Test check (August 2006) of records of the Director of Horticulture, Kohima, revealed that an amount of Rs.37.87 crore was received (August 2003 to July 2006) from the Managing Director, SFAC, Nagaland for different components of the scheme.

Scrutiny of the cash book revealed that, the closing balance as on 31 July 2006 was shown as Rs.14.96 crore as against the closing bank balances of Rs.9.38 crore¹². It could be seen that the actual cash balance was understated by Rs.5.58 crore. The Department stated that these amounts were paid as advances to the Officers/Officials of the Department being travel expenses and advances to suppliers for supply of different materials without recording these

12

Sl.No.	Name of the Bank	Account No.	Actual Cash balance at the end of July 2006
1	Vijaya Bank, Kohima	1036	Rs.8,64,16,467
2	Vijaya Bank, Kohima	1003	Rs.561
3	Bank of Baroda, Kohima	1001098	Rs.55,69,560
4	Bank of Baroda, Kohima	1001471	Rs.18,12,017
Total			Rs.9,37,99,605

transactions¹³ in the Cash Book as of July 2006. Out of Rs.5.68 crore paid as advances, only Rs.9.71 lakh was adjusted (July 2006), leaving Rs.5.58 crore (**Appendix-XXXVII**) unadjusted for periods ranging from one to six years. In the absence of any details of expenditure of Rs.5.58 crore, the possibility of the money being misappropriated cannot be ruled out. Out of the bank balance of Rs.9.38 crore, an amount of Rs.55.70 lakh was parked (February 2004 to July 2006) in a current bank account¹⁴ without any transactions which affected the implementation of the scheme in the State and also denied the beneficiaries of the intended benefit to that extent. The Government also sustained an interest liability of Rs.11.49 lakh¹⁵ as the State Government resorts to borrowing of money from various Financial Institutions for developmental works.

On this being pointed out, the Government in reply (October 2006) accepted the fact and stated that out of Rs.5.58 crore, Rs.2 crore had been adjusted in October 2006 and efforts are being made to adjust/regularise the remaining amount. The veracity of the claim is yet to be verified in Audit (November 2006).

4.8 Diversion of funds

Technology Mission for Integrated Development of Horticulture fund of Rs.48.86 lakh (including Rs.17.95 lakh earmarked for Supervisory Level Training Centre) was diverted towards purchase of vehicles.

A Centrally Sponsored Scheme "Technology Mission for Integrated Development of Horticulture in the North-Eastern States" was launched by the GOI in 2001-02 with the aim of promoting horticulture and foster socio-economic development. This scheme is being implemented in Nagaland from the year 2002-03. According to the scheme guidelines, provision of Rs.8.50 lakh was made for purchase of two diesel jeeps with trailer for setting up of the State Bio-Control Laboratory and New Model Floriculture Centre under Mini Mission II. A provision of Rs.20 lakh (October 2003) was also made towards construction of Supervisory Level Training Centre.

Test check (May 2005 and August 2006) of the records of the Director, Horticulture, Kohima, revealed that, against the specific provision of Rs.8.50

13

Year	Amount paid as advances	Amount recovered/adjusted	Balance to be recovered
2001-02	19,000		19,000
2002-03	22,69,450		22,69,450
2003-04	13,42,581		13,42,581
2004-05	34,64,035		34,64,035
2005-06	3,87,72,198	9,71,000	3,78,01,198
2006-07	1,09,65,309		1,09,65,309
Total	5,68,32,573	9,71,000	5,58,61,573

14

Bank of Baroda A/C No.1001098, Kohima Branch.

15

Calculated at the borrowing rate of 8.25 per cent per annum.

lakh for procurement of two diesel jeep with trailer, the Department procured nine light vehicles at a cost of Rs.57.36 lakh¹⁶ between March 2004 and March 2006 by diversion of funds.

Further scrutiny of the records/status report on the implementation of the scheme prepared by the GON revealed that the Department instead of utilising the amount of Rs.20 lakh earmarked for Supervisory Level Training Centre diverted Rs.17.95 lakh (excludes Rs.8.50 lakh mentioned above) towards procurement of four vehicles during 2003-04. Further test check revealed that Horticulture Technology Mission funds of Rs.39.41 lakh were diverted towards procurement of five more vehicles during 2005-06. The records/documents such as invoice/bills, actual payee receipts from the dealers and the Registration Certificates of the vehicles etc., in support of the procurement of five vehicles were not furnished to audit. The necessity of procuring these vehicles and the officers to whom these were allotted was not intimated to audit.

Thus, diversion of scheme funds of Rs.48.86 lakh¹⁷ not only violated Government directives but also frustrated the objective of developing horticulture to promote socio-economic development of the State to that extent. The benefit desired to be obtained by setting up of the Supervisory Level Training Centre could not be achieved. In addition, the possibility of Rs.39.41 lakh being misappropriated could not be ruled out.

The matter was reported to the Department and Government in July 2006 and September 2006; reply had not been received (November 2006).

4.9 Excess payment to suppliers

The department made excess payment of Rs.10.55 lakh by allowing higher rate over the supply order.

The Directorate of Horticulture, Nagaland, Kohima issued supply orders (January 2005) to 21 local suppliers for supply of 211 MT ginger seeds at the rate of Rs.15 per Kg under the scheme Horticulture Technology Mission 2004-05.

Test check (August 2006) revealed that the Department paid Rs.42.20 lakh to the suppliers in June 2005 for procurement of 211 MT ginger seeds @ Rs.20 per kg instead of Rs.31.65 lakh @ Rs.15.00 per Kg without assigning any reasons for allowing higher rate than the rate specified in the supply order. Scrutiny of the Actual Payee Receipts (APRs) revealed that the payment of Rs.42.20 lakh was received by the respective District Horticulture Officers on behalf of the suppliers. However, APRs from the suppliers were not produced to audit.

¹⁶ Rs.17.95 lakh out of Rs.20 lakh and Rs.39.41 lakh out of HTM fund
¹⁷ Rs.57.36 lakh – Rs.8.50 lakh = Rs.48.86 lakh

Thus, entertainment of rate higher than the rate specified in the supply order for procurement of ginger seeds resulted in excess payment of Rs.10.55 lakh. The Government in reply (October 2006) stated that the rates were revised from Rs.15 to Rs.20 per kg during February 2005 and payment was made accordingly. The reply is not tenable as the Department did not issue any supply order at the revised rate.

HOME (POLICE) DEPARTMENT

4.10 Blocking up of fund resulting in loss of interest

The Project Engineer, Police Engineering Project, Chumukedima Division, Dimapur irregularly drew Rs.10.26 crore and kept Rs.1.26 crore in civil deposit and Rs.9 crore in current account resulting in avoidable interest liability of Rs.92.01 lakh.

Rule 290 of the Central Treasury Rules provide that, money shall not be drawn unless it is required for immediate disbursement. It is also prohibited to withdraw money from the treasury to avoid lapse of budget grant.

Test check (March 2005) of records of the Project Engineer, Police Engineer Project, Chumukedima Division, Dimapur revealed that against the Finance Department drawal authorities (March 2005) for Rs.10.26 crore¹⁸ for construction of Police housing at Saijang, Zhadima and Kohima, procurement of furniture, payment of work charged salaries and repair and maintenance of buildings, the Divisional Officer drew (March 2005) Rs.10.26 crore through self cheque and deposited (March 2005) Rs.1.26 crore (HUDCO loan) in Civil Deposit and Rs.9 crore¹⁹ in two current accounts²⁰ of State Bank of India in favour of the Executive Engineer.

Thus the Division, in violation of the Rules locked up Rs.10.26 crore (Rs.1.26 crore upto October 2005 and Rs.9 crore upto October 2006) from March 2005 to October 2006 as detailed above. This resulted not only in denial of the intended benefit but Government also sustained avoidable interest liability of Rs.92.01 lakh²¹ as the State Government resorts to borrowing funds from various financial institutions for funding its other development activities. Had the Division deposited the fund in Government account in March 2005, instead of keeping in Civil Deposit and Current Deposit Accounts, the GON would have borrowed less from outside sources and thereby saved payment of interest on loan to that extent.

¹⁸ Rs.0.02 + Rs.4.97 crore +Rs.5.27 crore

¹⁹ Includes Rs.7.34 crore HUDCO loan.

²⁰ SBI, Dimapur (C/A No.01000050451) Rs.4,00,82,000

SBI, Chumukedima (CA/No.01000050624) Rs.4,99,09,000

²¹ Rs.1,26,00,000 x 6.14 x 7/1200=Rs.4.51 lakh

Rs.9,00,00,000 x 6.14 x 19/1200=Rs.87.50 lakh.

Thus, drawal of funds in anticipation of future demand and their continued retention in civil deposit/current accounts resulted in avoidable interest liability of Rs.92.01 lakh to GON.

The Department in reply (July 2006) stated that the money kept in the civil deposit (Rs.1.26 crore) were withdrawn in August and October 2005 and paid to the contractors for works executed and Rs.9 crore is still retained in the current bank accounts (October 2006). The reply is not tenable as drawal of fund in anticipation of future requirement is against the provision of Rules.

The matter was reported to the Government in June 2006; reply had not been received (November 2006).

HOME (GENERAL ADMINISTRATION) DEPARTMENT

4.11 Extra expenditure due to deployment of excess staff

Extra expenditure of Rs.13.41 lakh due to deployment of peons in excess of prescribed norms in Civil Secretariat.

The Special Officer (Accounts), Civil Secretariat, Nagaland appointed 570 peons (an excess of 182 peons) against the sanctioned strength of 388 peons between March 2004 and September 2005). To examine the persistent trend of appointment without sanctioned post in the Civil Secretariat, a High Powered Committee was appointed (April 2001) by the GON. The Committee inter-alia recommended deploying 488 peons (100 peons on fixed pay) against the sanctioned strength of 388 peons. Accordingly, a Selection Committee was appointed (July 2001) and the senior most 100 peons were selected (October 2001) out of the 182 excess peons, on fixed pay.

Test check (November 2005) of the records (March 2004 to September 2005) of the Special Officer (Accounts), Civil Secretariat, Kohima revealed that the Department continued to deploy 115 to 173 office peons on fixed pay against the approved posts of 100 during the period from March 2004 to September 2005 resulting in entertainment of excess peons ranging from 15 to 73 (*Appendix-XXXVIII*) on fixed pay in contravention of the norms approved by the Government.

Thus, due to deployment of peons in excess of the recommendation of the High Powered Committee, the Government incurred an extra expenditure of Rs.13.41 lakh.

The Government accepted the facts (September 2006) and stated that the recommendation of the HPC was an interim measure and appointment of office peons in excess was necessitated due to the increased activities/expansion/bifurcation and creation of new branches.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.12 Unproductive expenditure

Augmentation of Water supply project at Mokokchung town at a total cost of Rs.9.92 crore remained non operational even three years after its completion due to non payment of land compensation resulting in cost overrun of Rs. 1.33 crore and loss of potential revenue of Rs.25.69 lakh. The Government also incurred an additional expenditure of Rs.1.05 crore on repairs due to deviation from approved specifications.

GON sanctioned Rs.10 crore (November 2000) for the project "Augmentation of water supply at Mokokchung town Phase-III" with the twin objective of providing safe drinking water to the citizens and generating revenue. The work was scheduled to commence from 2000 and completed by March 2002.

Test check (June 2005) of the records of the Executive Engineer, Public Health Engineering Department (PHED), Mokokchung revealed that, against the Detailed Project Report (January 1999) at an estimated cost of Rs.10 crore, the GOI conveyed approval (May 1999) with modified design and specifications for Rs.8.59 crore. The GOI specification include use of Ductile Iron (DI) cement mortar pipe with effective internal diameter 200 mm K9 (ISO 4179) with cement mortar lining in the inside surface in the high gravity zone. The project commenced in January 2001 and was completed in February 2005 at a cost of Rs.9.92 crore. Against the GOI specifications, the Department used 200 mm DI pipe K7 and K10 in the high pressure zone. During trial run, the DI pipe joints in the high pressure zone (4600 meters) could not take the pressure and broke down. The Department incurred an additional expenditure of Rs.1.05 crore (October 2004) to replace the defective DI pipe by a Galvanized Mild Steel pipe. Thus, deviation from the specified materials resulted not only in additional expenditure of Rs.1.05 crore on repairs but also led to cost overrun of Rs.1.33 crore²².

Further scrutiny of records revealed that, against the actual requirement of Rs.1.22 crore²³, the Department projected only Rs.40 lakh²⁴ for acquisition of land in the catchment area. As of June 2005, the Department had paid only Rs.0.04 crore leaving Rs.1.18 crore outstanding towards land compensation. This resulted in the project being non-operational for four years (upto June 2006) after its completion, as the landowners had gone to Court for payment of land compensation.

Thus, the project scheduled to be completed by March 2002 could only be completed in February 2005 and is yet to be commissioned (June 2006). This

²² Rs.9.92 crore – Rs.8.59 crore = Rs.1.33 crore

²³ At the rate of Rs.15,000 per acre.

²⁴ 400 acres @ Rs.10,000 per acre.

resulted in cost overrun of Rs. 1.33 crore and loss of potential revenue of Rs.25.69 lakh²⁵ from April 2002 to March 2005.

The Government (July 2006) accepted the facts and stated that payment of land compensation is under consideration.

POWER DEPARTMENT

4.13 Undue benefit to contractor/Irregular payment

The Department paid Rs.74.94 lakh to the contractor without actual execution of work (against the work order of Rs.70.52 lakh) and loss of potential revenue of Rs.1.67 crore due to non-completion of the project.

The Chief Engineer (CE) Power prepared an estimate (July 2002) for Rs.1.10 crore for construction of 33 KV line from Changtongya to Longleng²⁶ under System Improvement (SI) scheme with the objective of minimising transmission losses, improve voltage regulation and earn a revenue of Rs.1.67 crore²⁷ in two years. The project is funded by National Bank for Agriculture and Rural Development (NABARD). The work was awarded to contractor 'X'²⁸ for Rs.70.52 lakh²⁹ in September 2003.

According to clause 3 of the work order, 20 per cent of the contract value was to be made on submission of bill(s) along with 50 per cent progress report duly verified by the Executive Engineer (EE). The balance 80 per cent was to be made on satisfactory completion of the works subject to submission of 5 per cent of the contract value within 15 days from the date of issue of work order as security in the form of Bank guarantee. Clause, 4, 7 and 8 of the work order further stipulated that if the contractor failed to commence and complete the work within the stipulated period, the security deposit³⁰ will be forfeited and penalty @ 10 per cent of the contract value will be imposed and the contract shall be rescinded. The work was scheduled to commence within one month from the date of issue of the order and completed within February 2004 which was extended up to November 2004.

Test check (September 2005) of records of the EE (Elect), Changtongya revealed that loan of Rs.74.94 lakh (NABARD) approved in March 2004 was withdrawn and kept in Civil Deposit (July 2004). The amount was withdrawn

25 2002-03-Rs.13.85 lakh
2003-04-Rs.7.20 lakh
2004-05-Rs.4.64 lakh

26 (32 kms for Rs.96.00 lakh), 1.6 MVA, 33/11KV substation at Longleng (Rs.10.40 lakh) and Duty Room at Longleng Substation (Rs.3.50 lakh)

27 In the first year- Rs.56.26 lakh and by the second year -Rs.167.16 lakh

28 M/s.Shyama Power(India) Private Ltd, Naga Cottage ,Circular Road, Dimapur

29 Construction of 33 KV line-21 kms (Rs.58.35 lakh); 1.6 MVA, 33/11 KV substation-1 (Rs.9.53 lakh); Duty Room-1 (Rs.2.64 lakh).

30 5 per cent of the total value of work order for Rs.70.52 lakh= Rs.3.53 lakh

and paid to the contractor in March 2005. In June 2005 the EE (Elect.) intimated the contractor that the work had been delayed and not been fully executed. Audit scrutiny of the Measurement Book (MB) also revealed that the work was not fully executed. However, in violation of the terms and conditions of the work order, the contractor was paid Rs.74.94 lakh against the value of the work order of Rs.70.52 lakh despite non-completion of work.

The Department also failed to forfeit the security deposit of Rs.3.53 lakh and withhold 10 *per cent* penalty of Rs.7.05 lakh at the time of payment resulting in undue financial benefit of Rs.15 lakh³¹ to the contractor. The progress reports duly verified by the EE as stipulated in the work order were not produced to audit in support of the progress of work.

Thus, the lack of proper planning and monitoring resulted in payment of Rs.74.94 lakh without execution of full work (Rs.4.42 lakh in excess over the work order value). The Department incurred a total loss of Rs.15 lakh (Rs.10.58 lakh + Rs.4.42 lakh) due to payment in excess of contract value and failure to invoke clause 4, 7, and 8 of the agreement. By keeping Rs.74.94 lakh in civil deposit from July 2004 to February 2005 without utilisation the Department also paid avoidable interest. Same could not be calculated as rate of interest was not made available. Had the Department withdraw funds from NABARD on the basis of actual release of payment to contractor, the burden of interest could have been substantially reduced. The Department also sustained a loss of potential revenue of Rs.1.67 crore as envisaged in the project report due to non-completion of the project.

The matter was reported to the Department/Government in June 2006; reply had not been received (November 2006).

TRANSPORT DEPARTMENT

4.14 Unproductive expenditure

Computerised Automobile Service Equipments procured at the cost of Rs.41.04 lakh could not be utilised due to its non-installation after three and half years of its procurement. Rs.4.50 lakh was also paid as installation charges without carrying out the work.

The GON sanctioned Rs.45.54 lakh (July 2003) for purchase of Computerised Automobile Service Equipment including installation charges of Rs.4.50 lakh for Transport Special Pool Workshop at Kohima.

Test check (November 2005) of the records of the Special Officer (Accounts) Civil Secretariat, Kohima revealed that the Transport and Communication

³¹ Rs.4.42 lakh + Rs.3.53 lakh + Rs.7.05 lakh = Rs.15 lakh.

Department issued supply order (January 2003) to a firm³² with a stipulation to complete supply and installation within 30 days from the date of issue of the order which was subsequently extended upto August 2003. The firm supplied the equipment in August 2003 and was paid Rs.45.54 lakh in September 2003 (Rs.41.04 lakh) and October 2003 (Rs.4.50 lakh). The equipment received could not be installed till the date of Audit (November 2006) for want of proper site.

Thus, the lack of planning by the Department resulted in unproductive expenditure of Rs.45.54 lakh (Rs.41.04 lakh+Rs.4.50 lakh). The Department also failed to avail of the benefits of warranty period due to its non-installation.

The Government (August 2006) in reply accepted the fact except release of installation charges. The reply is not tenable as the cash book entry clearly indicated that installation charge was paid to the firm in October 2003.

PUBLIC WORKS DEPARTMENT

4.15 Excess payment to suppliers and Diversion of funds

The Executive Engineer, Public Works Department (Housing) Education Division Kohima failed to recover the full amount of mobilization advance from suppliers' final bill resulting in excess payment of Rs.17.85 lakh. Non-lapsable Central Pool of Resources (NLCPR) fund of Rs.10.52 lakh was diverted towards payment of workcharged salaries.

The GON sanctioned an amount of Rs.32.24 crore (in three installments) for construction of 449 Government Primary Schools and 117 Government Middle School buildings in Nagaland during October 2000 to March 2003. Accordingly, the Executive Engineer (EE), Public Works Department (PWD), Housing, Education Division, Kohima issued (July 2000) supply orders for procurement of pre-fabricated steel structures with CGI sheets and other accessories. The terms and conditions of the supply order allowed mobilisation advance @ of 10 *per cent* of the total supply order on production of Bank guarantee which was subsequently revised to 25 *per cent* (October 2000).

Further, according to Clause IX of Chapter 4 of the guidelines for administration of NLCPR fund issued (November 2002) by the GOI, no staff component, either work-charged or regular shall be created by the Project Implementing Authorities from NLCPR funds. All such requirements shall be met from re-deployment of surplus manpower in the Department

32 *R.S.Enterprises, Dimapur.*

Test check (January 2005) of records of the EE, PWD (Housing) Education Division, Kohima (August 2000 to December 2004) revealed that supply orders were issued to firms 'X',³³ 'and Y'³⁴ in July 2000 for supply of 250³⁵ and 295³⁶ units of pre-fabricated steel structures with CGI sheets and other accessories (complete set) for an amount of Rs.12.40 crore (Rs.5.68 crore and Rs.6.72 crore). As provided in the terms and conditions, the department released (October 2000) the mobilisation advance of Rs.3.10 crore (Rs.1.42 crore and 1.68 crore) after obtaining the Bank guarantees.

The mobilisation advance was adjusted from the suppliers' bills (July 2000 to May 2002). However, further scrutiny of records revealed that the adjustment was made for Rs.2.92 crore only (Rs.1.37 crore and Rs.1.55 crore). Since the final payment to the suppliers had already been made, the failure to recover the full amount of mobilisation advance from the suppliers' bill resulted in excess payment of Rs.17.85³⁷ lakh.

Further test check revealed that the EE paid (October 2000 to November 2001) Rs.10.52 lakh to 63 work-charged staff/employees out of NLCPR funds.

This resulted in diversion of NLCPR fund of Rs.10.52 lakh in contravention of the GOI guidelines.

In reply the Department stated (July 2006) that the expenditure was within the provision of the estimate and the detailed project report and no new posts were created but the fund was utilized for payment of salaries of the existing work charged employees. The reply is not tenable as the expenditure is in violation of GOI the guidelines.

The matter was reported to the Government in June 2006; reply had not been received (November 2006).

POWER DEPARTMENT AND FINANCE DEPARTMENT

4.16 Diversion of funds

Accelerated Power Development and Reforms Programme fund of Rs.1.93 crore was diverted towards other schemes and purposes.

GOI launched (February 2001), the Accelerated Power Development Programme (APDP) which was rechristened as Accelerated Power

33 *M/s. Nezone Enterprises, Dimapur.*

34 *M/s. Angami Trading Co. Dimapur.*

35 $60' \times 20' = 200 \text{ units} \times \text{Rs. } 1,70,000 = \text{Rs. } 3,40,00,000$ and $120' \times 20' = 50 \text{ units} \times \text{Rs. } 3,40,000 = \text{Rs. } 1,70,00,000$

36 $60' \times 20' = 235 \text{ units} \times \text{Rs. } 1,70,000 = \text{Rs. } 3,99,50,000$ and $120' \times 20' = 60 \text{ units} \times \text{Rs. } 3,40,000 = \text{Rs. } 2,04,00,000$

37 *M/s. Nezone Enterprises, Dimapur Rs.5.25 lakh*

M/s. Angami Trading Co. Dimapur Rs.12.60 lakh

Development and Reforms Programme (APDRP) in March 2003. The objectives of the programme were to renovate, modernise, update the old power plants, upgrade and strengthen the sub-transmission and distribution network including energy accounting and metering in the distribution circles, and to reduce the transmission, distribution and commercial losses in a phased manner. In Nagaland the programme started during the year 2001-02.

According to paragraph 10 (iv) of the programme guidelines, funds provided under APDRP should not be diverted for any other schemes or purposes.

The GOI released Rs.70.47 crore in six installments during the period from March 2001 to January 2006. Out of this, the GON released Rs.54.46 crore in nine installments during the period from August 2001 to March 2006 (*Appendix-XXXIX*).

Test check of records (September 2006) revealed that out of Rs.54.46 crore released by the GON, the Department of Power diverted an amount of Rs.1.53 crore³⁸ for payment of salaries for work charged employees (October 2002 to March 2003) and clearing past liabilities of Likhimro Hydro Electric Project (December 2004).

Further scrutiny of the vouchers received from Dimapur Treasury for the month of March 2006 revealed that the GON, Finance Department diverted Rs.0.40 crore³⁹ from the unreleased amount of Rs.16.01 crore⁴⁰ pertaining to APDRP fund towards renovation of guest house and construction of six bedded dormitories at Wazeho Mini Cement Factory under Nagaland State Mineral Development Corporation.

Thus, Rs.1.93 crore was spent in contravention of the APDRP Scheme Guidelines.

The Government accepted the facts (October 2006).

38 Rs.63.24 lakh (work charged payment)+ Rs.89.30 lakh (past liability)

39 Rs.9.36 lakhs (Guest house)+ Rs.30.55 lakhs (Dormitory)

40 Rs.70.47 crore - Rs.54.46 crore

**HOME (POLICE & GENERAL ADMINISTRATION/
HEALTH & FAMILY WELFARE DEPARTMENTS**

4.17 Failure of senior officials to enforce accountability and protect interests of Government

6771 paragraphs relating to 1426 Inspection Reports involving Rs.1193.48 crore had not been settled as of September 2006.

Accountant General (Audit), Nagaland arranges to conduct periodical inspection of Government Departments to test check the veracity of transactions and verify the maintenance of important accounting and other records, as per the prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities detected during inspections are not settled on the spot, these IRs are issued to Heads of Offices inspected, with a copy to the next higher authorities. The Head of Offices and next higher authorities are required to ensure compliance with the observations contained in the IRs and rectify defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of heads of departments by the office of the AG to facilitate monitoring of the audit observations therein.

Review of the IRs (issued upto September 2006) revealed that 6771 paragraphs pertaining to 1426 IRs involving Rs.1193.48 crore remained outstanding at the end of September 2006. The corresponding figures for the preceding two years are given below:

Particulars	At the end of		
	September 2004	September 2005	September 2006
Number of IRs pending settlement	1152	1215	1426
Number of outstanding audit observations	5610	5720	6771
Amount involved (Rupees in crore)	88.85	934.90	1193.48

The position of IRs and audit observations pending settlement in respect of three major defaulting departments is given below:

Name of Department	Inspection Reports	Audit observations	Amount involved (Rupees in crore)	Year to which observations relate	No. of IRs to which first replies have not been received
Home (General Administration)	121	795	50.39	1986-87 to 2005-06	47
Home (Police)	117	588	83.08	1986-87 to 2005-06	21
Health & Family Welfare	134	897	68.76	1988-89 to 2005-06	53

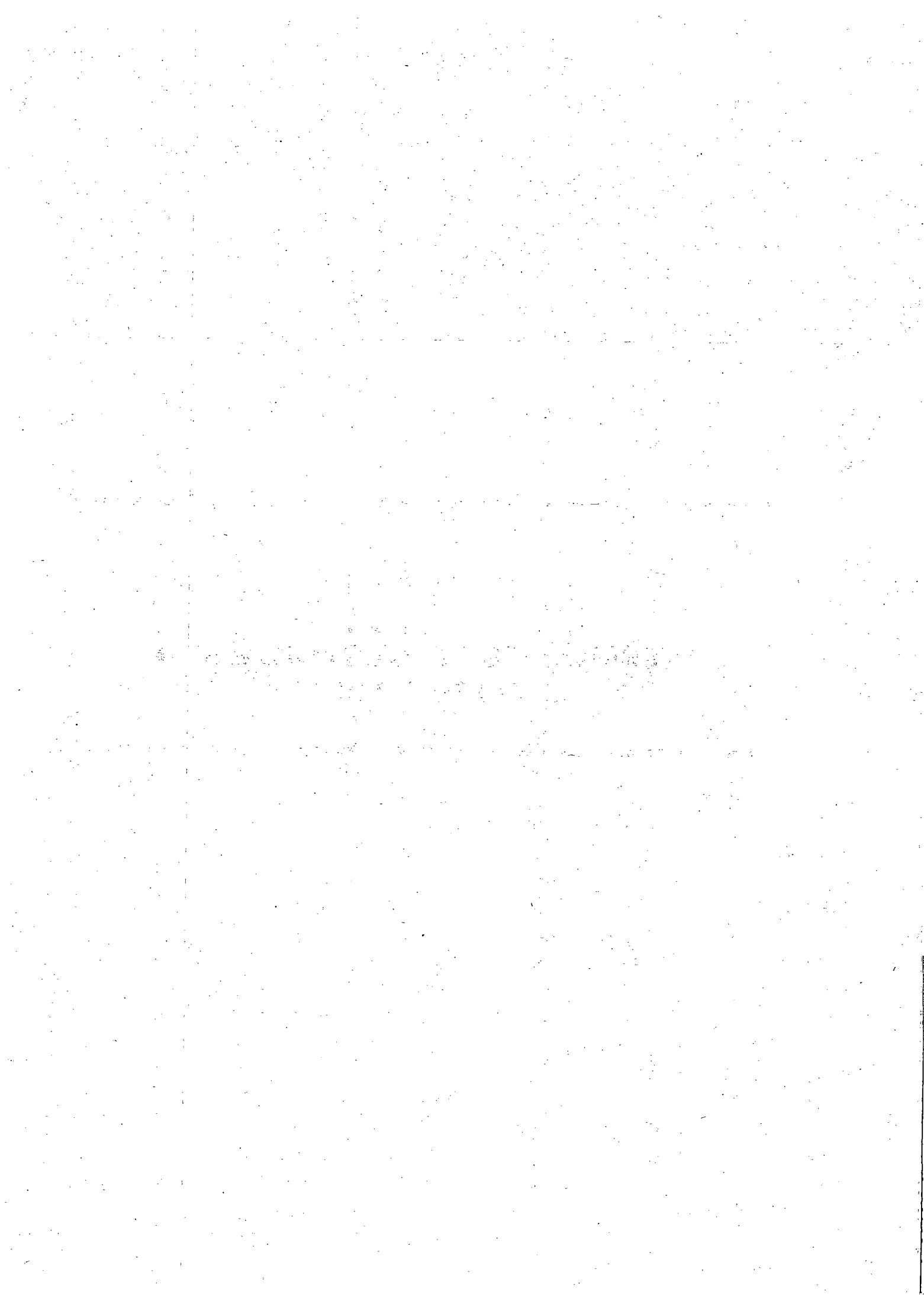
The above position indicates failure of the departmental offices in initiating action with regard to deficiencies, omissions and irregularities pointed out in the IRs of the AG. The head of the offices who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers of the department take prompt and timely action to settle the paras.

It is recommended that Government re-examine this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to IRs/Paras as per the prescribed time schedule, (b) action to recover/make good the loss/outstanding advances/overpayments in a time bound manner and, also (c) establish an appropriate mechanism in Government to monitor Government's response to audit.

The matter was reported to the Government in October 2006; replies had not been received (November 2006).

CHAPTER — V

**INTERNAL CONTROL SYSTEM AND
INTERNAL AUDIT**



CHAPTER-V

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

TRANSPORT AND COMMUNICATION DEPARTMENT

5.1 Internal Control System in Transport and Communication Department

Internal Control is an integral process for the efficient discharge of an organisation's functions. It is a system designed to provide reasonable assurance for the achievement of the organizational objectives economically, efficiently and effectively. Evaluation of internal control mechanism in the Transport and Communication Department revealed deficiencies in budgetary, administrative, accounting, operational and monitoring controls. Internal audit arrangements were also deficient and unable to provide assurance against financial irregularities.

Highlights

Lack of effective budgetary control was characterized by inadequate monitoring and control of expenditure resulting in rush of expenditure in the last quarter of the financial year.

(Paragraph 5.1.8)

Laxity in financial control led to accumulation of heavy cash balances.

(Paragraph 5.1.9)

Due to non-preparation of pro-forma accounts, the commercial performance of the Nagaland State Transport could not be ascertained.

(Paragraph 5.1.12)

Surprise physical verification of cash balance was not carried out in the Department and its subordinate offices.

(Paragraph 5.1.13)

5.1.1 Introduction

Internal control is an integral process which is designed to provide reasonable assurance to the Department about compliance with applicable policies, norms and rules for achieving reliability of financial reporting and efficiency in Departmental operations.

The main activities of the Transport and Communication Department are:

- To provide reliable, well co-ordinated and affordable transport service to the public;
- Registration and licensing of motor vehicles, issue of permits and revenue collection; and
- Maintenance of all Government vehicles used by Ministers, senior officers in the Secretariat and visiting dignitaries in the State.

5.1.2 Audit objectives

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

- Financial controls
- Administrative controls
- Accounting controls
- Operational controls, and
- Monitoring controls

5.1.3 Audit criteria

The criteria used to assess the internal controls were:

- Internal control system prescribed by the Department
- Internal audit arrangements in the Department
- Provisions prescribed in the General Financial Rules

5.1.4 Audit coverage

A performance review of the internal control system including internal audit arrangement in the Transport and Communication Department for the period from 2001 to 2006 was conducted in August 2006. Test check of records was conducted in the office of the Commissioner, Transport and Communication (Kohima), General Manager Nagaland State Transport (NST) Department (Dimapur) and the office of the Director of Treasuries and Accounts (Kohima) covering an expenditure of Rs.123.51 crore (81 *per cent*) out of the total expenditure of Rs.153.26 crore. Two districts (Kohima and Dimapur) were covered out of the 11 districts in the State.

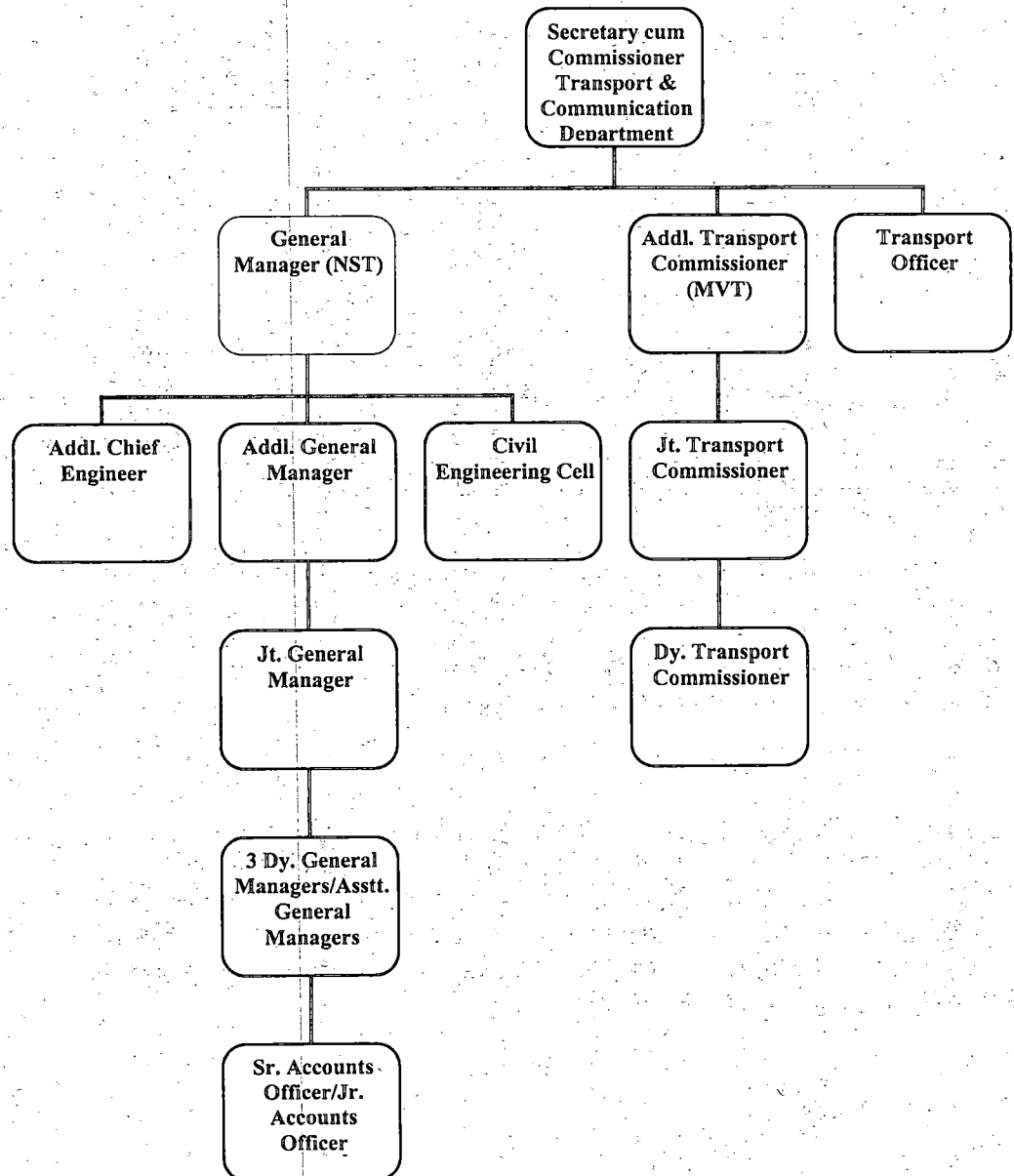
5.1.5 Audit Methodology

The data, information etc. collected from the office of the General Manager, Nagaland State Transport, Dimapur, Transport Commissioner, Motor Vehicles Department, Kohima and Secretariat Pool, Kohima were analysed and results thereof are incorporated in the form of audit findings.

An exit conference was held on 27 November 2006 which was attended by the Secretary and other officers. The audit observations were discussed and finalised after incorporating the views of the Government which are brought out in the succeeding Paragraphs.

5.1.6 Organisational setup

The Commissioner-cum-Secretary, Department of Transport and Communication is the administrative head of the organisation. The Department consists of three wings as indicated below in the organisational chart:



Audit findings

5.1.7 Financial controls

The funds allocated to and the expenditure incurred by the Department during 2001-02 to 2005-06 were as under:

Table.5.1.1

(Rupees in crore)

Year	Wings of the Department	Budget provision	Expenditure	Excess(+) Savings(-)
2001-02	NST	20.14	20.35	(+) 0.21
	MVT	1.86	1.81	(-)0.05
	Pool	3.53	3.49	(-)0.04
2002-03	NST	24.89	25.11	(+)0.22
	MVT	2.00	1.64	(-)0.36
	Pool	6.29	6.29	---
2003-04	NST	25.14	25.61	(+)0.47
	MVT	4.09	2.87	(-)1.22
	Pool	4.72	4.73	(+)0.01
2004-05	NST	22.60	22.60	---
	MVT	2.91	2.89	(-)0.02
	Pool	3.26	3.28	(+)0.02
2005-06	NST	25.04	25.03	(-)0.01
	MVT	2.93	2.80	(-)0.13
	Pool	4.81	4.76	(-)0.05
Total		154.21	153.26	

(Source: Departmental figures)

It can be seen that there was excess expenditure over the budget provision during the years 2001-02 to 2003-04 in respect of NST. The reason stated by the Additional General Manager (March 2005) was that while budget provision remained static since 2001-02, escalation in cost of all items year to year necessitated excess expenditure vis-à-vis budget provision.

5.1.8 Rush of expenditure

Rule 69 of GFR provides that rush of expenditure particularly in the last quarter of the financial year shall be regarded as a financial irregularity and should be avoided. The Union Ministry of Finance has also emphasised that under an effective cash management system, not more than 33 per cent of the budget should be utilised during the last quarter. The flow of expenditure during the financial years 2002-06 was as under:

Table 5.1.2

Year	Wing	Total expenditure	Expenditure (Rupees in crore)				
			April to December	January	February	March	Total (5+6+7)
			(Figures in brackets indicate percentage of expenditure)				
1	2	3	4	5	6	7	8
2001-02	NST	20.35	12.88 (63)	2.17	1.37	3.93 (19)	7.47 (37)
	MVT	1.81	0.96 (54)	0.10	0.10	0.64 (35)	0.84(46)
	Pool	3.49	1.17 (34)	1.10	---	1.21 (35)	2.31(66)
2002-03	NST	25.11	12.57 (50)	0.91	0.93	10.70 (43)	12.54(50)
	MVT	1.64	1.05 (64)	0.14	0.12	0.34 (21)	0.60(36)
	Pool	6.29	2.59(41)	0.01	---	3.70 (59)	3.71(59)
2003-04	NST	25.61	14.31 (56)	1.28	4.60	5.42 (21)	11.30(44)
	MVT	2.87	1.21 (42)	0.12	0.15	1.39 (48)	1.66(58)
	Pool	4.73	4.00 (85)	0.02	0.02	0.69 (14)	0.73(15)
2004-05	NST	22.60	10.83 (48)	0.91	1.45	9.40 (42)	11.76(52)
	MVT	2.89	1.30 (45)	0.13	0.15	1.31 (45)	1.59(55)
	Pool	3.28	3.07 (94)	---	0.01	0.20 (06)	0.21(06)
2005-06	NST	25.03	14.16 (57)	1.06	2.17	7.64 (31)	10.87(43)
	MVT	2.80	1.52 (55)	0.20	0.25	0.82 (29)	1.27(45)
	Pool	4.76	3.62 (76)	---	0.07	1.07 (22)	1.14 (24)

(Source: Departmental figures)

The above table shows that expenditure ranging between 37 to 52 per cent (NST) and 36 to 58 per cent (MVT) of the total expenditure was incurred in the last quarter during the years 2001-02 to 2005-06. Further, it was noticed that expenditure ranging between 19 to 43 per cent (NST) and 21 to 48 per cent (MVT) was incurred in March alone each year. This is indicative of lack of effective financial control and violation of GFR.

5.1.9 Laxity in cash management

As per Rule 290 of the Central Treasury Rules (Vol. I) no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from Government account in anticipation of demands to avoid lapse of budget grants.

Scrutiny of cash book revealed that an average, closing cash balance of Rs.2 crore (NST) and Rs.0.30 crore (MVT) was maintained by the Department respectively. It was also noticed that analysis of the closing cash balance was never carried out. The retention of heavy cash balance in chest is fraught with the risk of misutilisation and misappropriation of cash. The Department had not taken any remedial measures to avoid retention of huge cash balances by the sub-ordinate offices.

Mention was made in Para 3.2.26 of the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year 2004-05, regarding misappropriation of cash of Rs.9.95 lakh by the cashier of the NST. In reply, the Department stated (November 2006) that an amount of Rs.3.54

lakh has been recovered and the balance amount is in the process of being recovered.

Administrative controls

5.1.10 Bill Register

As per Rule 34 (Note 1) of Receipt and Payment Rules, Bill Register is to be maintained by all Heads of Offices who are authorised to draw money on bills signed by them. The register should be reviewed monthly by a competent authority and the result of the review should be recorded therein to prevent presentation of fraudulent bills for payment. Scrutiny of records revealed that though the bill register had been maintained, it had never been reviewed by any competent authority as prescribed by rules. Thus, the risk of non detection of fraudulent bills as well as non-settlement of outstanding bills in time has not been addressed by the Department.

The Department stated (November 2006) that directions has been issued to all the subordinate offices for regular review of the bill registers.

5.1.11 Stock register of receipt books

As per Rules 22 to 24 of Receipt and Payment Rules, stock accounts of receipt books should be maintained and the closing balance in the stock account should be verified by the Head of office periodically and certificate to that effect recorded in the stock register. However, it was noticed that no verification was done and recorded in the stock register. Thus, due to the failure of the Department to conduct periodical physical verification of stock, the extent of shortage/excess could not be ascertained in audit. Moreover, this being a key ingredient of control, its non-observance can lead to pilferage and shortages.

The Department stated (November 2006) that necessary instructions has been issued to the concerned officers.

Accounting controls

Accounting controls are designed and operated in a manner to ensure timely preparation of monthly/periodical returns and accounts by regular maintenance and updation of registers, documents and basic records.

5.1.12 Non maintenance of Proforma Accounts

When the operations of a Department include undertaking of a commercial or quasi-commercial character and the nature and scope of the activities of the undertaking are such, as cannot be suitably brought within the normal system

of Government account, the head of the undertaking is required to maintain pro-forma accounts in commercial form.

Mention was made in Para 3.2.7 of the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year 2004-05, regarding non-preparation of Proforma accounts.

It was noticed that the Department (NST) had not prepared any Proforma accounts from 1988 onwards and in the absence of timely finalization of Proforma accounts, corrective measures, if any, required could not be taken.

The Government stated (November 2006) that a Chartered Accountant has been engaged to prepare the *proforma* accounts.

5.1.13 Surprise physical verification of cash balances

Frequent surprise checks of cash balance are an effective control tool to minimize the possibility of embezzlement. Surprise physical verification of cash balance is required to be carried out periodically by any competent officer other than the DDO and Head of office. A certificate to the effect that the cash balance found during physical verification tallies with the closing balance is required to be recorded in the cash book. Non-observance of this control renders the Department vulnerable to misappropriation of Public funds.

Test check (August 2006) revealed that the Department had not conducted surprise physical verification of cash balances during the period covered under review.

Operational controls

Operational controls are enforced through presenting and enforcing office procedure/manual or any financial manual which provides guidelines to the officials in respect of their specific duties to be carried out. The manual also helps the Head of Office/Departments as a tool of administrative/operational control. Deficiencies in operational controls are described below:

5.1.14 Tyre retreading plant (NST)

Mention was made in Para 3.2.29 of the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year 2004-05, regarding non-functioning of tyre retreading plant. The Department did not take any remedial action to revitalize its own tyre retreading plant, instead, used tyres are being re-treaded in private workshops at much higher rates. Non operation of Departmental tyre re-treading plant resulted in excess expenditure of Rs.46.88 lakh during the last five years ending March 2006.

5.1.15 Route analysis

Routes have to be sanctioned based on their economic viability. The Department did not conduct any survey to assess the occupancy ratio and its viability before operating any new routes. A comprehensive review on performance of NST had indicated a large number of unviable routes resulting in reduction in overall occupancy ratio.

5.1.16 Fleet utilisation

The Department had not fixed any norm regarding fleet utilisation. The fleet utilisation was too low in comparison with all India norms. Due to low fleet utilization there was adverse affect on vehicle productivity of the Department. A review included in the Audit Report 2004-05 pointed out huge losses to NST due to low fleet utilisation.

5.1.17 Tariff revision

Section 67 of the Motor Vehicles Act 1988 empowers the State Government to fix the rate of fares from time to time for its buses. The State Government revises the tariff based on the proposals submitted by the Department. Test check revealed that no system was in place for updating the cost structure and its linkage with tariff structure. These has resulted in huge losses to the Department as detailed in the review of NST included in the Audit Report 2004-05.

5.1.18 Cancellation of scheduled trips

To provide timely transportation service, Directorate, NST is required to maintain the records of time schedule, total number of trips and also cancellation of trips, if any, to watch proper transportation services.

It was noticed that the Directorate, NST did not maintain any records regarding the number of cancelled trips. Non maintenance of details regarding number of cancellation of services indicates poor monitoring control of the Department.

5.1.19 Non revision of Composite tax

As per Section 4 of Nagaland Motor Vehicle Taxation Act, 1967 read with Section 3 and entry No. IX of Part B of the schedule appended thereof, State Government is empowered to fix the rate of composite tax for tourist cabs, coaches belonging to another State or Union territory which are authorised to ply in the State of Nagaland.

The Government of Nagaland in its notification (December 1993) laid down the rate of Composite tax. The Composite tax had not been revised and updated for the last 13 years. A proposal was submitted by the Additional

Transport Commissioner (February 2001) for revision of Composite-tax payable to the State of Nagaland on the basis of reciprocity but no revision has been made till date.

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.

5.1.20 Lack of co-ordination

Every Department should maintain their books of accounts in such a way so that the actual position could be ascertained at a glance.

Cross verification of records of NST with those of MVT revealed that MVT had shown vehicle taxes outstanding against 23 NST vehicles whereas the records of NST exhibit another 31 nos of vehicles. Interestingly, it is to be mentioned that vehicle numbers enlisted in their respective statements differ from each other in respect of 23 (NST) and 31 (MVT) vehicles. This shows lack of co-ordination between two wings of the same Department which indicates improper monitoring of the Department.

5.1.21 Internal Audit

Internal audit, as an independent entity within or outside the Department, is to examine and evaluate the level of 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 Director of Treasuries and Accounts (Audit wing) under the Finance Department of the Government is entrusted with conducting internal audit of all Government Departments since its creation.

However, it was noticed that no audit manual was published by the Directorate of Treasuries till date and audit of the accounts of only two units (District Transport Office) out of eight units had been conducted during the period covered by the review. The Director of Treasuries and Accounts stated (August 2006) that though audit plan was prepared, targets could not be achieved due to shortage of manpower.

5.1.22 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 be complied within a specified period. A half-yearly report on the

pending Inspections Reports is also sent to each Department to facilitate monitoring and compliance of audit observations.

As on April 2006, 312 Paragraphs involving Rs.14.11 crore relating to 66 IRs of the three wings of Transport Department issued upto April 2006 were still pending. Of these, 196 paragraphs (63 *per cent*) relating to 35 IRs (53 *per cent*) were more than 10 years old. Failure to comply with the issues raised by Audit facilitated the continuation of serious financial irregularities and loss to the Government.

5.1.23 Conclusion

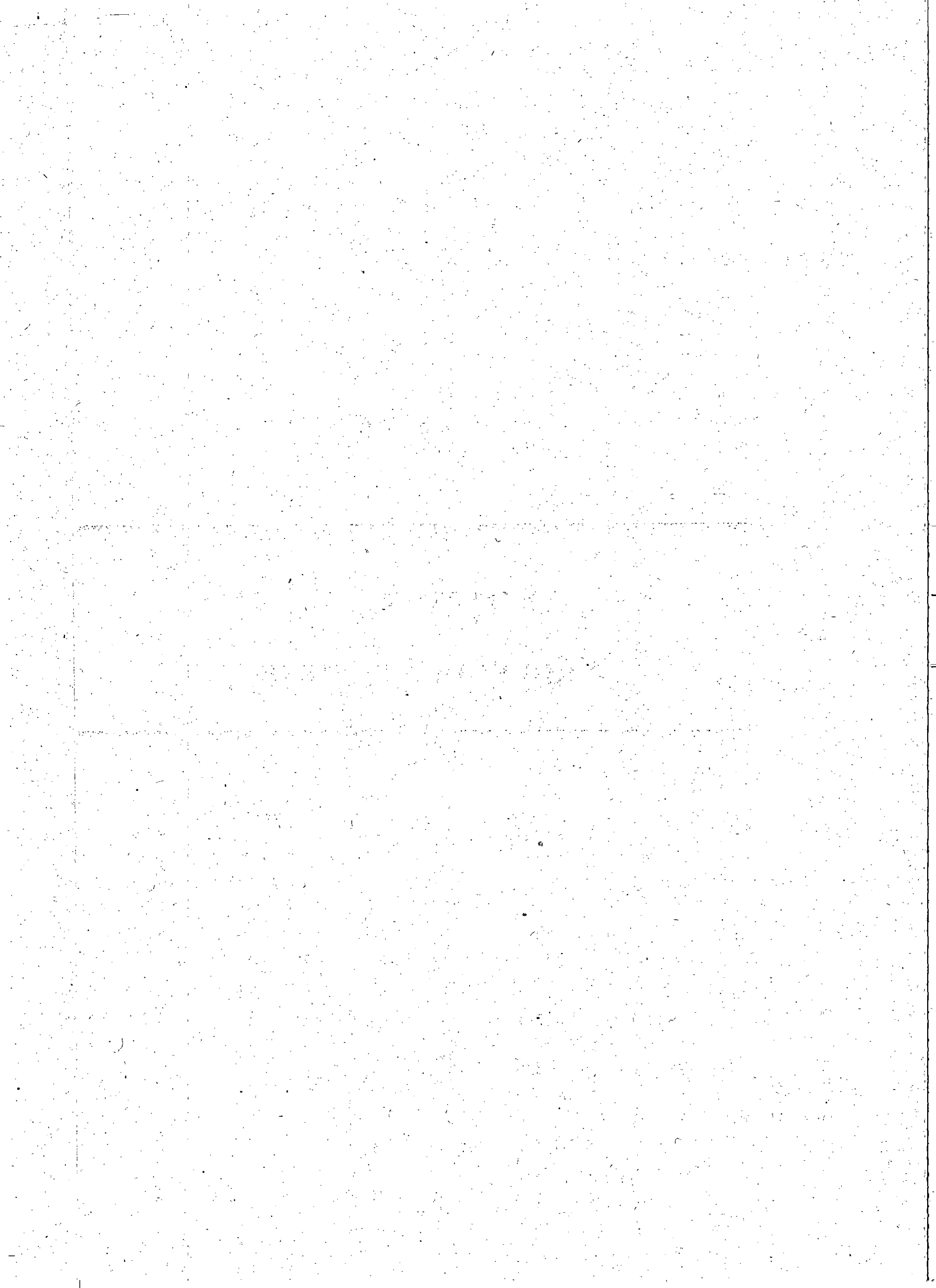
The internal controls in the Department were weak and ineffective. These need to be improved substantially to be able to fulfill the desired objectives of the Department. The internal controls needs to be designed, operated and monitored in a suitable manner so as to ensure that it becomes a tool for effective functioning of the Department.

5.1.24 Recommendations

The following recommendations are made:

- Expenditure needs to be regularly monitored to avoid excess/savings from the budgeted figures.
- Bill Registers and Stock registers should be maintained and verified as per rules.
- A system of physical verification of stores and stock need to be introduced and followed regularly.
- Internal audit wing should be established and a comprehensive audit manual prepared within the Department and audit coverage under the Department should be planned in such a way that all the units are covered in a cycle of one to three years.
- Government should revamp the system of response to the audit observations pointed out in Inspection Report of the Accountant General (Audit) to ensure timely response to the observations made.

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 Government of Nagaland during the year 2005-06, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given in **Table 6.1**.

Table 6.1

(Rupees in crore)

Sl No	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
I.	Revenue raised by the State Government					
	Tax revenue	54.90 ¹	62.00	68.55	78.31 ²	105.53 ³
	Non tax revenue	43.41	43.94	60.91	77.90	96.82
	Total: I	105.80	105.94	129.46	156.21	202.35
II.	Receipts from the Government of India					
	State's share of divisible Union taxes	30.71	46.01	256.97 ⁴	160.15	248.50
	Grants in aid	1195.51	1194.95	1973.36	1523.16	1816.35
	Total: II	1218.73	1240.96	2230.33	1683.31	2064.85
III	Total receipts of the State Government (I plus II)	1324.53	1346.90	2359.79	1839.52	2267.20
IV	Percentage of I to III	8	8	5	8	9

(Source: Finance Accounts)

¹ Components of net share of divisible Union taxes i.e., corporation tax – Rs.7.90 crore, tax on wealth – Rs.0.09 crore and service tax-Rs.0.31 crore which were included in Table 6.1 and 6.2 as State's own tax revenue in the Audit Report for the year 2001-02 have been rectified and included in the State's share of divisible Union taxes.

² Figures under the share of net proceeds assigned to States under the following major heads booked in the Finance Accounts under 'A'-tax revenue have been excluded from revenue raised by the State Government and included in State's share of divisible union taxes in this table. (0020- Corporation tax; 0021- taxes on income other than corporation tax, 0028- Other taxes on income and expenditure, 0032- taxes on wealth, 0037- customs, 0038- union excise duties, 0044- service taxes, 0045- other taxes and duties on commodities and services).

³ For details see Statement no. 11-detailed accounts of revenue by minor heads of the Finance Accounts of Government of Nagaland for 2005-06. Figures under major heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 showing 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.

⁴ The figures for 2003-04 include unadjusted share of central taxes of Rs.52.15 crore and Rs.52.02 crore for the years 2001-02 and 2002-03 respectively.

6.1.2 The details of tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given in Table 6.2.

Table 6.2

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/decrease (-) in 2005-06 over 2004-05
1.	Taxes on sales, trade etc.	34.42	41.15	45.63	53.08	77.16	(+) 45
2.	Taxes on vehicles	5.35	4.74	6.00	7.30	8.71	(+) 19
3.	Other taxes on income and expenditure	11.32	12.23	12.63	13.56	14.89	(+) 10
4.	State excise	1.87	1.98	1.99	2.07	1.96	(-) 5
5.	Stamp duty registration fees	0.91	0.57	0.66	0.73	0.89	(+) 22
6.	Other taxes and duties	0.30	0.10	0.06	0.03	0.01	(-) 67
7.	Land revenue	0.62	0.41	0.54	0.43	0.55	(+) 28
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.01	-
9.	Taxes on goods and passengers	0.10	0.81	1.03	1.10	1.35	(+) 23
	Total:	54.90⁵	62.00	68.55	78.31	105.53	(+) 35

(Source: Finance Accounts)

Reasons for variations, though called for, have not been intimated by concerned departments (November 2006).

6.1.3 The details of the major non-tax revenue raised during the year 2005-06 alongwith the figures for the preceding four years are given in Table 6.3.

Table 6.3

(Rupees in crore)

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/decrease (-) in 2005-06 over 2004-05
1.	Interest receipts	1.62	1.72	5.61	3.27	5.60	(+) 71
2.	Public service commission	0.06	0.13	0.23	0.13	0.01	(-) 92
3.	Police	0.51	0.56	0.17	0.41	1.56	(+) 280
4.	Stationery and printing	0.01	0.01	0.01	0.01	0.05	(+) 400
5.	Public works	0.97	0.62	0.75	0.22	0.17	(-) 23
6.	Other administrative services	3.14	3.14	3.96	5.54	7.10	(+) 28
7.	Contribution and recoveries towards pension & other retirement benefits	1.04	0.11	0.12	0.10	0.40	(+) 300
8.	Miscellaneous general services	0.44	2.11	2.10	11.70	15.64	(+) 34
9.	Education, sports, art and culture	0.46	0.15	0.19	0.19	0.22	(+) 16
10.	Medical and public health	0.12	0.15	0.06	0.06	0.07	(+) 17
11.	Water supply and sanitation	0.36	0.63	0.80	0.97	1.06	(+) 9
12.	Housing	2.22	2.25	2.19	2.18	2.23	(+) 2

⁵ Components of net share of divisible Union Taxes i.e., Corporation Tax-Rs.7.09 crore, Tax on Wealth – Rs.0.09 crore and Service Tax – Rs.0.31 crore which were included in Table 6.1 and 6.2 as state's own tax revenue in the Audit Report for the year 2001-02 have been rectified and included in the State's share of divisible Union taxes.

Sl. No.	Head of revenue	2001-02	2002-03	2003-04	2004-05	2005-06	Percentage of increase(+)/ decrease (-) in 2005-06 over 2004-05
13.	Social security and welfare	0.01	0.13	0.56	0.03	0.31	(+) 933
14.	Crop husbandry	0.10	0.10	0.06	0.09	0.06	(-) 33
15.	Animal husbandry	0.22	0.20	0.22	0.33	0.37	(+) 12
16.	Forestry and wildlife	2.04	3.54	3.43	3.88	6.21	(+) 60
17.	Food storage and warehousing	0.07	0.01	0.05	0.02	0.02	
18.	Co-operation	1.30	0.97	0.42	0.84	0.89	(+) 6
19.	Other agricultural programmes	0.03	0.02	0.04	0.05	0.04	(-) 20
20.	Minor irrigation	0.01	---	0.01	0.03	0.01	(-) 67
21.	Power	22.93	19.59	29.30	39.66	42.71	(+) 8
22.	Village and small industries	0.18	0.62	0.25	0.46	1.30	(+) 183
23.	Nonferrous mining and metallurgical industries	0.02	0.01	0.05	0.10	0.05	(-) 50
24.	Road transport	5.10	5.52	5.75	6.79	7.34	(+) 8
25.	Tourism	0.10	0.16	0.20	0.17	0.26	(+) 53
26.	Other general economic services	0.05	0.06	0.07	0.06	2.57	(+) 4184
27.	Miscellaneous	0.30	1.43	4.31	0.61	0.57	(-) 7
	Total	43.41	43.94	60.91	77.90	96.82	(+) 24

(Source: Finance Accounts)

The reasons for variations, though called for, have not been intimated by concerned departments (November 2006).

6.1.4 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2005-06 in respect of the principal heads of tax and non tax revenue are given in Table 6.4.

Table 6.4

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
1.	Other taxes on income and expenditure.	13.00	14.89	(+) 1.89	(+) 15
2.	State excise	2.50	1.96	(-) 0.54	(-) 22
3.	Taxes on sales, trade etc.	85.00	77.16	(-) 7.84	(-) 9
4.	Taxes on vehicles	6.80	8.71	(+) 1.91	(+) 28
5.	Interest receipts	3.50	5.60	(+) 2.10	(+) 60
6.	Police	0.47	1.56	(+) 1.09	(+) 232
7.	Stationery and printing	0.22	0.05	(-) 0.17	(-) 77
8.	Public works	1.10	0.17	(-) 0.93	(-) 85
9.	Other administrative services	4.00	7.10	(+) 3.10	(+) 78
10.	Contribution and recoveries and other retirement benefits	0.18	0.40	(+) 0.22	(+) 122
11.	Miscellaneous general services	10.00	15.64	(+) 5.64	(+) 56
12.	Social security and welfare	0.17	0.31	(+) 0.14	(+) 82
13.	Forestry & wildlife	3.50	6.21	(+) 2.71	(+) 77

Audit Report (Civil) for the year ended 31 March 2006

Sl. No.	Head of revenue	Budget estimates	Actual receipts	Variations Excess (+) Shortfall (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
14.	Co-operation	0.05	0.89	(+) 0.84	(+) 1680
15.	Power	38.00	42.71	(+) 4.71	(+) 12
16.	Village and small industries	0.18	1.30	(+) 1.12	(+) 622
17.	Roads and bridges	0.11	0.38	(+) 0.27	(+) 245
18.	Road transport	7.85	7.34	(-) 0.51	(-) 6
19.	Other general economic services	0.08	2.57	(+) 2.49	(+) 3113
	Total	176.71	194.95	(+) 18.24	

(Source: Budget documents and Finance Accounts)

The reasons for variations though called for, have not been intimated by concerned departments (November 2006).

6.1.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2003-04, 2004-05 and 2005-06 along with the relevant all India average percentage of expenditure to gross collection for the year 2004-05 are given in Table 6.5.

Table 6.5

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2004-2005
1.	Taxes on sales, trade etc.	2003-04	45.63	3.44	8	0.95
		2004-05	53.08	3.57	7	
		2005-06	77.16	4.58	6	
2.	State excise	2003-04	1.99	4.73	238	3.34
		2004-05	2.07	4.70	227	
		2005-06	1.96	5.78	295	
3.	Taxes on vehicles	2003-04	6.00	1.98	33	2.74
		2004-05	7.30	2.00	27	
		2005-06	8.71	2.36	27	
4.	Stamp duty and registration fees	2003-04	0.66	0.08	12	3.44
		2004-05	0.73	0.17	23	
		2005-06	0.89	0.07	8	

(Source: Finance Accounts)

The State is facing an anomalous situation where the cost of collection of State excise is more than twice the collection. The reasons for increased expenditure under the head State excise though called for have not been intimated by the concerned department (November 2006). It is also seen that percentage of expenditure to gross collection is abnormally high compared to all India average. The reasons for such high cost of collection though called for have not been intimated by the State Government (November 2006).

6.1.6 Analysis of arrear of revenue

The arrears of revenue as on 31 March 2006 in respect of the Commissioner of Taxes was Rs.19.35 crore of which Rs.10.62 crore had been outstanding for more than five years as detailed in **Table 6.6**.

Table 6.6

(Rupees in crore)

Sl. No	Head of revenue	Amount outstanding as on 31 March 2006	Amount outstanding for more than five years as on 31 March 2006
1.	Sales tax	11.95	6.77
2.	Central sales tax	4.45	3.13
3.	Purchase tax	1.71	0.62
4.	Petroleum tax	1.05	0.02
5.	Professional tax	0.19	0.08
	Total	19.35	10.62

Out of Rs.19.35 crore, an amount of Rs.5.55 crore was covered by revenue recovery process and Rs.1.92 crore was under appeal. Balance amount of Rs.11.88 crore was pending due to other reasons.

6.1.7 Write off and waiver of revenue

During the year 2004-05, demands for Rs.0.05 crore in three cases was written off by the department as irrecoverable as the whereabouts of the defaulters were not known. No cases of write off or waiver had been reported during the year 2005-06.

6.1.8 Outstanding audit reports and audit observations

Audit observations on incorrect assessments, short levy of taxes/duties/fees etc., and other irregularities noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports (IRs). The more important irregularities are reported to the heads of departments and Government.

The heads of offices are required to furnish replies to the IRs through the respective heads of departments within a period of six weeks. The replies however, have not been forthcoming in a number of cases.

Reviews of IRs upto September 2006 pertaining to receipt items revealed that 328 paragraphs involving Rs.293.58 crore remained outstanding at the end of November 2006 as given in **Table 6.7**.

Table 6.7

Sl. No.	Nature of irregularities	Number of paragraphs	Amount (Rupees in crore)
1	Loss of revenue	98	29.64
2.	Misappropriation of Government money	17	6.49
3.	Non realisation of Sales Tax	37	8.69
4.	Evasion of tax	43	82.42
5.	Revenue outstanding for collection	26	8.95
6.	Others	107	157.39
	Total	328	293.58

6.1.9 Results of Audit

This audit report contains four paragraphs on non remittance/short remittance/misappropriation of Government revenue amounting to Rs.1.71 lakh which had been accepted by the Government. Report on recovery is awaited (November 2006).

PARAGRAPHS

PUBLIC WORKS DEPARTMENT

6.2 Unauthorised retention/misappropriation of Government receipts

Non remittance of revenue receipts of Rs.33.41 lakh.

Rule 6 of the Receipts and Payments Rules, 1983 states that all moneys received by or tendered to Government offices on account of revenue or receipts or dues of Government shall, without delay, be paid in full into the accredited bank for inclusion in Government account. Moneys received shall not be utilised to meet departmental expenditure nor kept apart from Government account except in the case of four Departments where receipts can be utilised for meeting departmental expenditure of the same is unauthorised by competent authority.

Test check in June 2005 of the deposit register of the Executive Engineer, Public Works Department. (PWD) R&B, NH division Mokokchung revealed

that the Department received Rs.47.18 lakh⁶ being recoveries during 2001-02 to 2004-05, of this, the EE deposited Rs.15.20 lakh only into treasury between August 2001 and March 2005 and retained the balance amount of Rs.31.98 lakh collected during the period.

Further scrutiny revealed that the Department also realised Rs.3.29 lakh from contractors for petty repair works and remitted Rs.1.86 lakh between March 2004 and March 2005 to the treasury and retained the balance receipts amounting to Rs.1.43 lakh collected during 2004-05.

After these were pointed out, the Department while accepting the fact in July 2006 stated that an amount of Rs.1.43 lakh had already been deposited in Government account. The treasury challans submitted in support of the claim were however, not authenticated by the treasury officer.

The Government in August 2006 stated that steps had been initiated to deposit the revenue into Government account. Report on remittance of balance receipts has not been received (November 2006).

INDUSTRIES & COMMERCE DEPARTMENT

6.3 Non remittance of revenue

According to the State Finance Department (Revenue Branch), order issued in July 2002, in addition to sub section 5 of Section 36 of Nagaland Sales Tax (NST) Act, 1967 read with NST Rules 1970, as amended from time to time, all Heads of Department/Heads of Offices/Drawing and Disbursing Officers are required to deduct at source, the full amount of sales tax (as specified in Schedule-III attached to NST Act) on supply of materials at the time of payment and to deposit the amount into treasury under sales tax head within seven days.

Test check in January 2006 of records for the period from April 2003 to March 2005) of two hotels⁷ under Nagaland Hotels Limited revealed that an amount of Rs.9.44 lakh deducted as sales tax at source from the suppliers for supply of various items was not deposited into the treasury even after a lapse of two to three years in violation of Government order. This resulted non remittance of revenue of Rs.9.44 lakh.

⁶ Forest royalty: Rs.7.52 lakh, Nagaland sales tax: Rs.0.54 lakh, Works contract tax:Rs.20.14 lakh, Hire charges of road roller/Power Tiller etc.: Rs.18.98 lakh=Rs.47.18 lakh

2001-02:Rs. 2.36

2002-03:Rs.17.52

2003-04:Rs.10.68

2004-05:Rs.16.62

⁷ Hotel Saramati, Dimapur and Hotel Japfu Ashok, Kohima

Government in July 2006 stated that steps have been initiated to deposit the revenue into Government account.

**VETERINARY AND ANIMAL HUSBANDRY
DEPARTMENT**

6.4 Non remittance/misappropriation of revenue

(i) Test check in May 2006 of records of the Deputy Director of Veterinary and Animal Husbandry, Dimapur revealed that revenue collection of Rs.5.21 lakh between April 2002 and February 2004 received from four quarantine check posts was accounted for in the cash book. Of this, Rs.3.05 lakh was deposited during the above period to Government account and balance amount of Rs.2.16 lakh was retained in cash. The deposit was also delayed ranging between 1 and 24 months.

Detailed scrutiny of the cash book further revealed that the closing balance of March 2004 of unremitted revenue of Rs.1.71 lakh was not taken as opening balance in the new cash book of (April 2004) resulting in defalcation of Rs.1.71 lakh. No steps were taken by the department to rectify the discrepancy for the last two years till the same was detected and pointed out in audit (May 2006).

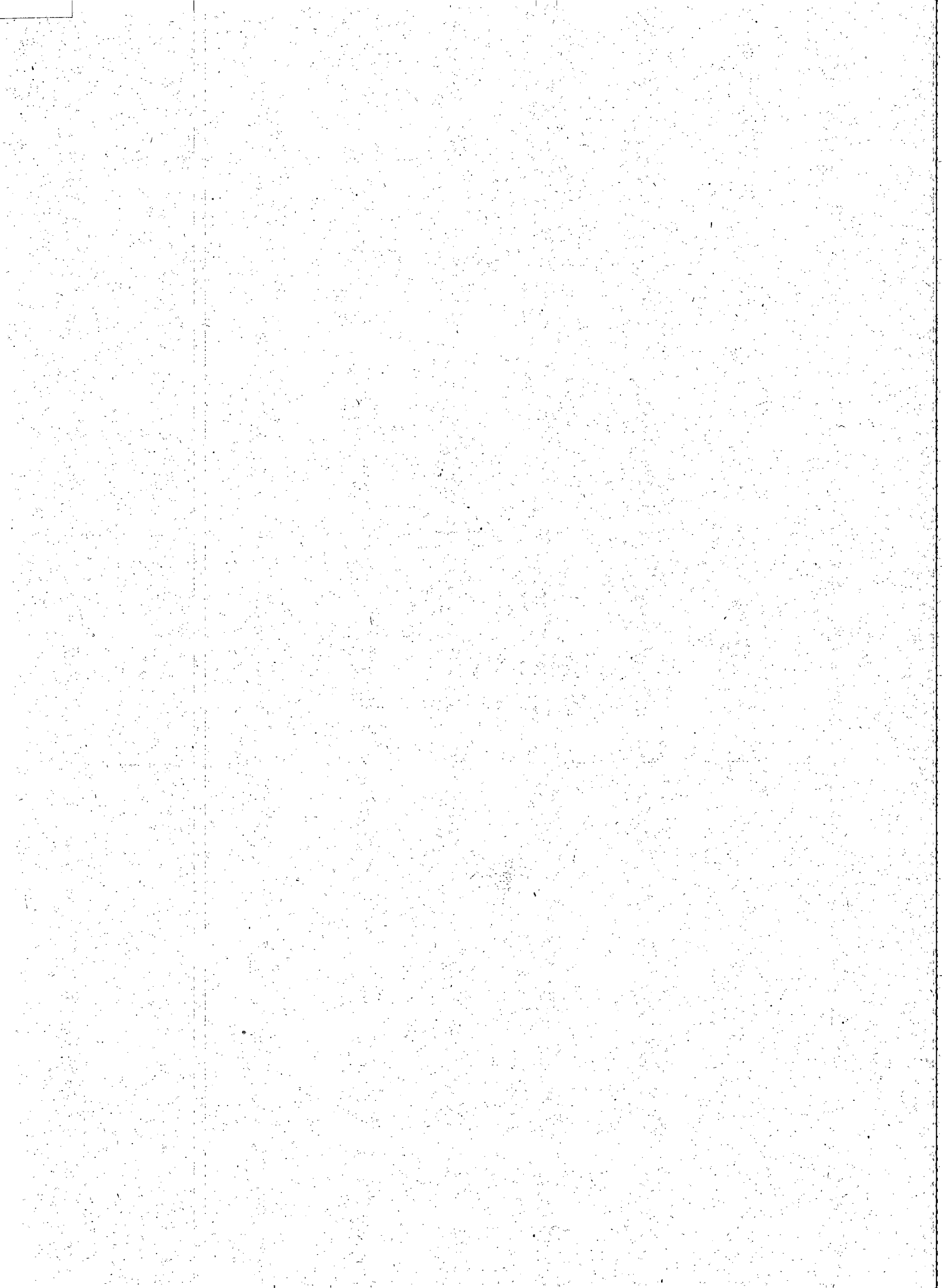
After this was pointed out, the Department admitted the misappropriation in May 2006 and stated that action has been initiated for recovery of the amount from the defaulter. Government also endorsed (October 2006) the views of the department.

(ii) Similarly test check of records of the Deputy Director, Veterinary and Animal Husbandry, Dimapur revealed that revenue receipt of Rs.27.91 lakh was collected from the hatchery units being sale proceeds of chicks, eggs and feeds etc., during the period from July 2002 to April 2006 and an amount of Rs.23.56 lakh was incurred towards meeting departmental expenditure during the aforesaid period. Of the balance amount of Rs.4.35 lakh, the Farm Manager deposited Rs.2.40 lakh into Government account and remaining Rs.1.95 lakh was retained in cash in contravention of rules.

In reply the Government stated October 2006 that the Farm Manager has been directed to deposit the outstanding revenue of Rs.1.95 lakh immediately. Report on remittance is however awaited (November 2006).

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 2006, there were six Government companies (five working companies and one non working company¹) and nine departmentally managed Government commercial and Quasi-commercial undertakings with no change in position from that as on 31 March 2005 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 provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per 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 2006, the total investment in five working PSUs (all Government companies) was Rs.61.49² crore (equity:Rs.20.90 crore, share application money:Rs.2.05 crore and long term loans³: Rs.38.54 crore) as against five working PSUs with a total investment of Rs.58.34 crore (equity Rs.20.75 crore, share application money Rs.1.70 crore and long term loans: Rs.35.89 crore) as on 31 March 2005. The analysis of investment in working PSUs is given in the following paragraphs:

¹ Non-working companies are those that are in the process of liquidation/closure/ merger, etc.

² State Government investment was Rs.28.36 crore (others: Rs. 33.13 crore). Figure as per finance account 2005-06 is Rs.58.54 crore, the difference is under reconciliation

³ Long-term loans mentioned in paras 7.1.2 and 7.1.3 are excluding interest accrued and due on such loans.

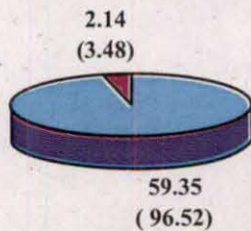
7.1.3 Sector-wise investment in working Government companies

The investment (equity and long term loans) in PSUs in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2006 are indicated in the pie charts as below:

Sector-wise investment in working Government companies

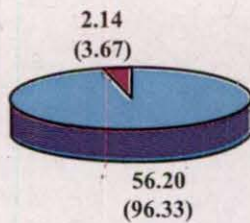
(Figures in bracket indicate percentage of investment)

As on 31 March 2006
Total Investment – Rs.61.49 crore



■ Industries & Commerce ■ Geology & Mining

As on 31 March 2005
Total Investment – Rs.58.34 crore



■ Industries & Commerce ■ Geology & Mining

Table 7.1 shows the total investment in working Government companies at the end of March 2005 and 2006.

Table 7.1

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2004-05	5	20.75	1.70	35.89	58.34
2005-06	5	20.90	2.05	38.54	61.49

Investment in the current year has increased over the previous year due to increase in equity and loans mainly in the Industries and Commerce sectors.

As on 31 March 2006, the total investment in working Government companies comprised 37.32 per cent of equity capital and 62.68 per cent of loans as compared to 38.48 per cent and 61.52 per cent respectively as on 31 March 2005.

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

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-XL*.

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 2005-06 are shown in Table 7.2.

Table 7.2

(Rupees in crore)

	2003-2004		2004-2005		2005-06	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	---	---	2	0.60	2	0.50
Loans given from budget	---	---	---	---	1	4.34
Grants/Subsidy towards						
(i) Projects/Programmes/Schemes	---	---	---	---	3	3.34
(ii) Other subsidy	---	---	---	---	1	2.00
(iii) Total subsidy	4	5.76	4	6.22	3	5.34
Total outgo	4	5.76	4	6.82	3	10.18

No guarantees for loans were given by the State Government during the year 2005-06.

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. They 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-XLI*, none of the five working Government companies had finalised their accounts for the year 2005-06 within the stipulated period. During the period from October 2005 to September 2006, two Government Company finalised two accounts for previous years.

The accounts of all the companies were in arrears for periods ranging from eight to 25 years as on 30 September 2006, 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 <i>Appendix</i>
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	1998-99 to 2005-06	8	A1
2.	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	1981-82 to 2005-06	25	A3
3.	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	1984-85 to 2005-06	22	A2
4.	Nagaland Hotel Ltd	1988-89 to 2005-06	18	A4
5.	Nagaland State Mineral Development Corporation Ltd., Kohima	1994-95 to 2005-06	12	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 Audit 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 as per their latest finalised accounts are given in *Appendix-XLI*.

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

7.1.7 Loss incurring companies

Despite poor performance, the State Government continued to provide financial support to three⁴ 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 2005-06 to these companies amounted to Rs.5.34 crore (*Appendix-XLII*).

⁴ Nagaland Industrial Development Corporation Ltd., Nagaland Industrial Raw Materials and Supply Corporation Ltd. and Nagaland Handloom and Handicrafts Corporation Ltd.

Return on capital employed

7.1.8 As per the latest finalised accounts, the capital employed** worked out to Rs.19.88 crore in four companies and total return^s thereon amounted to Rs.0.95 crore^s. The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix-XLI*.

Non working Public Sector Undertakings (PSUs)

7.1.9 Investment in non-working PSU

As on 31 March 1996^o 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 since 1978-79 are in arrears.

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:

- o The accounts are not finalised in time.
- o 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.
- o The returns required to be submitted under the Companies Ac, 1956 are not submitted in time.

** 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).

^s 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.

^s Two companies viz., NHHDC Ltd. and NIRMSC Ltd. did not furnish the information

^o The company (Nagaland Sugar Mills company Ltd., Dimapur) did not furnish any information from 1996-97 onwards.

7.1.11 Internal Audit/Internal Control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control system 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.

The Statutory Auditors observed deficiencies in respect of internal audit system in case of five companies during the period upto 1993-94[#]. The major recommendations/comments made by the Statutory Auditors were of the following nature:

No internal control and internal audit system exist 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 2006 pertaining to six PSUs disclosed that 318 paragraphs relating to 34 inspection reports remained outstanding at the end of October 2006. 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 2006, 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	27	250	1988-89
2	Geology and Mining	1	7	68	1987-88
	Total	6	34	318	

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.

[#] Accounts were not submitted from 1994-95 onwards.

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 2006.

Table 7.5

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-1995	---	1 ^o	---	1
1995-1996	1	2 [#]	---	2
1996-1997	1 [#]	Nil	1	---
1997-1998	1 [#]	1 [#]	1	1
1998-1999	1 ^{###}	1 ^{###}	1	1
1999-2000	---	1 [/]	---	1
2000-2001	---	1 ^{//}	---	1
2001-2002	1	3 ^φ	---	3
2002-2003	1	1	---	---
2003-2004	1	1	---	---
2004-2005	---	2	---	---
Total	7	14	3	10

7.1.14 Departmentally managed Government commercial/quasi-commercial undertakings

7.1.14.1 Proforma accounts of departmentally managed commercial/quasi-commercial undertakings

As on 31 March 2006, 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 3 to 35 years as on 30 September 2006 as detailed in Table 7.6.

^o Discussed in September 2000 but recommendation of COPU is awaited.

[#] Discussed in June 2001 but recommendation of COPU is awaited.

^{###} Discussed in February 2002 but recommendation of COPU is awaited.

[/] Introductory para only

^{//} Introductory para only

^φ 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 2005-06
2.	Nagaland State Transport Department	1989-90 to 2005-06
3.	Nagaland Power Department	2003-04 to 2005-06
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1999-2000 to 2005-06
	(ii) Medium size Seed farm, Merapani	2001-02 to 2005-06
	(iii) Seed Farm, Tizit	2000-01 to 2005-06
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2005-06
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2005-06
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2005-06
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2005-06
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2005-06
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2005-06
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2005-06
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2005-06
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2005-06
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2005-06
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2005-06
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2005-06
	(x) Pig Breeding Centre, Tizit	1997-98 to 2005-06
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2005-06
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2005-06
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2005-06
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2005-06
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2005-06
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2005-06
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2005-06
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2005-06
	(xix) Sheep Farm, Poilwa	1998-99 to 2005-06
	(xx) Buffalo Farm, Jalukie	1998-99 to 2005-06
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2005-06
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2005-06

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.

PERFORMANCE AUDIT

GOVERNMENT COMMERCIAL AND TRADING
ACTIVITIES

INDUSTRIES AND COMMERCE DEPARTMENT

7.2 Working of Nagaland Industrial Development Corporation
Ltd. including Loan Recovery Performance.

Highlights

The Company's accumulated losses amounted to Rs.10.76 crore, which in turn wiped out about 81 per cent of its paid up capital of Rs.13.30 crore as on 31 March 2006.

(Paragraph 7.2.10)

Targets for recovery of dues were low and ranged between 21.53 per cent and 24.50 per cent of recoverable amount during 2002-06. Target for recovery of interest was at an all time low and ranged between 8.34 per cent (2004-05) and 12.99 per cent (2001-02). These reduced targets were also not achieved.

(Paragraph 7.2.13)

Percentage of non-performing and loss assets ranged between 64.84 per cent in 2001-02 to 85.12 per cent in 2004-05.

(Paragraph 7.2.14)

Defective appraisal resulted in assistance to units which were not viable and could not repay even their first instalment resulting in non-recovery of dues of Rs.47.35 lakh.

(Para 7.2.15)

Lack of monitoring after sanctioning of term loan, led to doubtful/non-recovery of Rs.2.26 crore.

(Paragraph 7.2.17)

Deficiencies in recovery action resulted in non-recovery of Rs.1.09 crore.

(Paragraph 7.2.18)

The Company sacrificed Rs.1.67 crore while settling dues of 16 defaulting units under One Time Settlement Scheme.

(Paragraph 7.2.19)

No action was taken by the Management under Negotiable Instrument Act to recover Rs.19.67 lakh from the Loanees due to dishonourment of their cheques.

(Paragraph 7.2.22)

7.2.1 Introduction

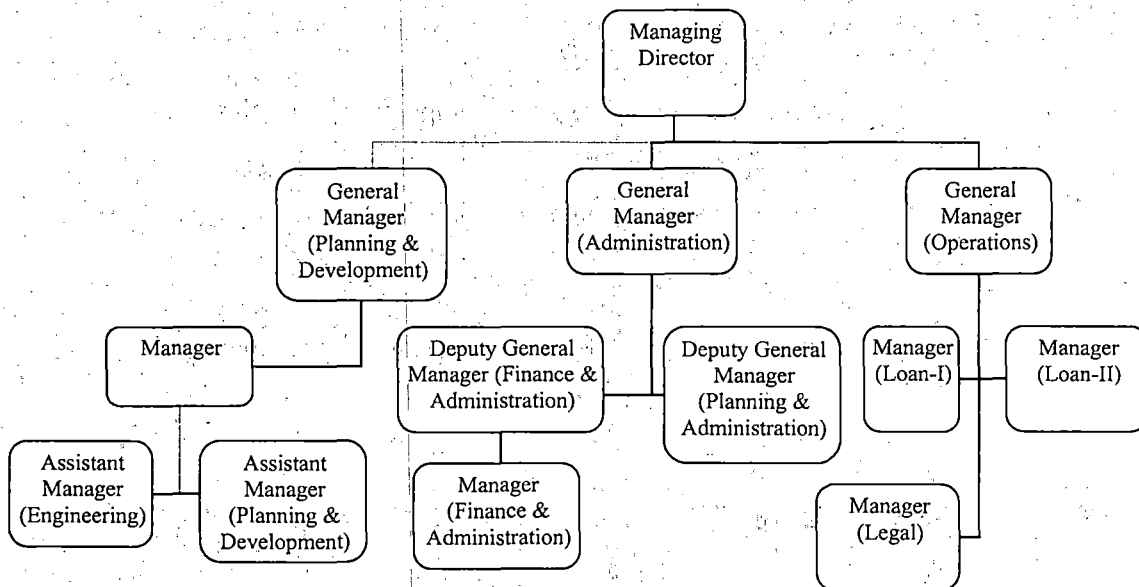
Nagaland Industrial Development Corporation Limited (Company) was incorporated on 26 March 1970 as a Government Company under the Companies Act, 1956 with the main objective to promote, assist and finance industrial concerns and also to establish and administer public utilities including hotels, warehouses and markets with a view to develop industries in the State.

The Company is under the administrative control of the Industries and Commerce Department of the Government of Nagaland. The Management of the Company is vested in a Board consisting of nine Directors. As on 31 March 2006 there were nine members in the Board. Out of these, seven Directors including the Chairman and Managing Director (C&MD) are nominated by the State Government and one special Director each is nominated by the Small Industrial Development Bank of India (SIDBI) and Industrial Development Bank of India (IDBI). Officers of the State Government are sent on deputation/assignment to the Organisation also. The C&MD is responsible for day to day activities of the Company and is assisted by three General Managers and two Deputy General Managers.

The performance of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1998-99. The review was discussed by the Committee on Public Undertakings (COPU) and its recommendations made in their twelfth report (2003-04) were presented to the tenth Legislative Assembly on 26 June 2004.

The Department did not submit Action Taken Note (ATN) on the recommendations of COPU as of October 2006. During performance review, it was noticed that the Company failed to comply with some of the recommendations of the COPU as listed in *Appendix-XLIII*.

7.2.2 Organisational setup



7.2.3 Scope of audit

The present performance audit was conducted during June-July 2006 and covers the various activities including recovery performance of the Company during the period 2001-02 to 2005-06.

7.2.4 Audit objectives

Audit was conducted with a view to ascertain whether:

- ▣ the Company had put in place a system to address the risk associated with sanctioning and disbursement of loans;
- ▣ the system of recovery and action in case of default was robust to ensure timely recovery of principal and interest thereon;
- ▣ management of the Company was efficient to safeguard its interest against possible risk of default in recovery;
- ▣ the Company could ensure adequate return from its investment made in the subsidiary companies and manage the Industrial Estate efficiently;

7.2.5 Audit Criteria

The audit criteria used for evaluation of the audit objectives were:

- guidelines/procedures laid down by the Company for scrutiny and appraisal of loan cases before sanction and disbursement;
- targets fixed by the Company for sanction and disbursement of loans;
- targets and procedures for recovery of dues; and
- projections for investment in subsidiary companies and Industrial Estates.

7.2.6 Audit Methodology

The following mix of audit methodologies was adopted for achieving the objectives of performance review:

- ▣ test check of documents relating to sanction, disbursement and recovery of loans *viz* loan files, loan registers, *etc*;
- ▣ examining the proposals for investment in subsidiary companies and Industrial Estates;
- ▣ review of Agenda and Board minutes and correspondence files;
- ▣ examining of overdue statement of loanees;
- ▣ issue of audit enquiries and interaction with the Management.

7.2.7 Audit Findings

Audit findings arising from the performance review were reported to the Company/Government in October 2006 and also discussed in the exit conference with the management of the Company held on 12 October 2006 which was attended by the C&MD and other officers of the Company. The views expressed in the meeting have been taken into consideration while finalising the Performance review.

Audit findings are discussed in the succeeding paragraphs.

Funding

7.2.8 Share Capital

The initial authorised capital of the Company was Rupees four crore which was increased from time to time and was Rs.25 crore as on 31 March 2006.

As on 31 March 2006, the paid up capital of the Company was Rs.13.30 crore out of which the GON and IDBI have subscribed Rs.6.52 crore and Rs.4.73 crore respectively and share application money of Rs.2.05 crore received from the GON towards share capital, share certificates for which are still to be issued by the Company.

7.2.9 Borrowings

As on 31 March 2006, the borrowings of the Company stood at Rs.26.39 crore received from the IDBI/SIDBI/National Schedule Tribes Finance Development Company (NSTFDC)/National Minorities Development Finance Company (NMDFC).

7.2.10 Financial position and working results

The accounts of the Company have been finalised and audited upto 1996-97. Provisional accounts have, however, been finalised by the Company upto 2005-06. Based on these provisional accounts, the financial position and working results for the five years upto 2005-06 of the Company are tabulated in *Appendix-XLIV & XLV*. It would be evident from the details in the Appendix that the Company had been incurring losses and its accumulated losses as on 31 March 2006 amounted to Rs.10.76 crore which had wiped out about 81 *per cent* of its paid up capital of Rs.13.30 crore on that date. Accumulated losses mainly cover written off loans and administrative expenses. The Company failed to recover loans and interest amounting to Rs.25.80 crore during 2005-06. It was noticed that the Company has been following the practice of accounting its income and expenditure on cash basis since 1996-97. Had the accrual basis of accounting as provided in Section 211 of the Companies Act, 1956 been followed, the loss of the Company would have been much more due to provision of interest on loans and other expenditure on accrual basis.

The main reasons for the losses during 2001-02 to 2005-06 as analysed in audit were high expenditure on salaries and wages (18 *per cent* to 170 *per cent*), decrease in interest income and accumulation of bad debts, besides low recovery of principal and interest on loans disbursed.

7.2.11 Procedure for financial assistance

The Company out of their own funds and funds received from the Development Financial Institutions (DFIs) provides financial assistance for

setting up of new industrial units as well as expansion and modernisation of existing units. Besides, the Company extends loan to transport sector such as auto-rickshaws, taxis, passenger vehicles, trucks, etc. Applications are examined by the Loan Screening Committee with regard to the techno-economic viability of the project, offer for submission of proper security by the applicant before sanction of loan. Disbursement of loan is made after entering into an agreement. Since the Transfer of Property Act is not applicable in the State of Nagaland, loans were being sanctioned and disbursed on the personal guarantee of two in-service Government employees. It was observed by Audit that even these guarantees were also not being enforced in a large number of cases as discussed later in the review.

7.2.12 Sanction and disbursement of loans

A comparative statement of disbursement of loans during the last five years ended 31 March 2006 is given in *Appendix-XLVI*. It would be seen there from that the Company had sanctioned and disbursed loans of Rs.34.91 crore and Rs.27.31 crore respectively during the five years upto 31 March 2006. The number of applications received for loan decreased from 626 in 2001-02 to 540 in 2005-06. Due to poor recovery of overdue principal and interest from its loanees, the Company failed to recycle the funds by extending loans to other beneficiaries to the tune of Rs.22.56 crore¹. Deficiencies in the recovery system and non-enforcement of personal guarantees resulted in poor recovery of loans.

7.2.13 Recovery Performance

As on 31 March 2006, the total amount of Rs.25.80 crore² stood overdue for recovery. The position regarding amount due for recovery, actual amount recovered and over-dues/shortfall in recovery during the five years ending March 2006 are given below:

<i>(Rupees in crore)</i>						
Sl No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1	Overdue at the beginning of the year:					
	Principal	4.09	5.00	7.58	7.14	8.28
	Interest	8.17	8.94	10.74	12.33	14.07
	Total	12.26	13.94	18.32	19.48	22.35
2.	Amount falling due during the year:					
	Principal	5.90	6.35	3.41	4.29	4.98
	Interest	1.84	2.76	2.63	2.65	3.31
	Total	7.74	9.11	6.04	6.94	8.29
3.	Total over-dues:					
	Principal	9.99	11.36	10.99	11.43	13.26
	Interest	10.01	11.70	13.37	14.98	17.38
	Total	20.00	23.06	24.36	26.41	30.65

¹ Un-disbursed commitment: Rs.7.60 crore and application pending sanction: Rs.14.96 crore=Rs.22.56 crore.

² Principal amount of Rs.9.60 crore and Interest amount of Rs.16.20 crore.

4.	Amount recovered:					
	Principal	4.98	3.79	3.85	3.15	3.66
	Interest	1.07	-0.96	1.04	0.91	1.18
	Total	6.05	4.75	4.89	4.06	4.84
5.	Overdue at the close of the year:					
	Principal	5.00	7.57	7.14	8.28	9.60
	Interest	8.94	10.74	12.33	14.07	16.20
	Total	13.94	18.31	19.47	22.35	25.80
6.	Target fixed for recovery:					
	Principal	3.60	4.00	4.00	4.50	5.00
	Interest	1.30	1.50	1.25	1.25	1.60
	Total	4.90	5.50	5.25	5.75	6.60
7.	Percentage of target fixed to total amount recoverable:	24.50	23.85	21.56	21.77	21.53
8.	Percentage of target to Demand:					
	Principal	36.05	35.21	36.40	39.37	37.71
	Interest	12.99	12.82	9.35	8.34	9.20
9	Percentage of recovery to total dues	30.25	20.60	20.07	15.37	15.80

It would be seen from the table that the percentage of recovery to total over-dues had fallen from 30.25 *per cent* in 2001-02 to 15.80 *per cent* in 2005-06. The recovery of dues fell short of the current overdue in all the years. It was noticed by Audit that targets were fixed without correlating them with the recoverable amounts. The percentage of target fixed to total amount recoverable ranged between 21.53 *per cent* and 24.50 *per cent* during 2001-06. It was also noticed by Audit that separate targets for recovery of old and current over-dues were not fixed by the Company and hence, the recovery of principal and interest, as, against the total amount due during the years remained very low. In respect of recovery of interest, the percentage of target to the amount due during the years varied from 8.34 (2004-05) to 12.99 *per cent* (2001-02). It was observed that the very low targets fixed for recovery of interest also could not be achieved in any of these years. It was further observed by Audit that the Company does not have specified procedure for taking action against the loan defaulters as even the personal guarantees were not enforced and legal action not taken in time as indicated in preceding paras.

The Company stated (October 2006) that the main reason for slow recovery was that the provisions of the Transfer of Property Act and State Financial Corporation Act, 1951 are not applicable in the State.

The age-wise analysis of over-dues of principal and interest as on 31 March 2006 is as follows:

Audit Report (Civil) for the year ended 31 March 2006

(Rupees in crore)

Sl. No.	Category of loan	Principal	Interest	Total
(i)	Less than one year	1.46	0.32	1.78
(ii)	One year and more but less than two years	0.74	0.70	1.44
(iii)	Two years and more but less than three years	1.70	1.26	2.96
(iv)	Three years and more but less than five years	2.01	3.69	5.70
(v)	Over five years	3.68	10.26	13.94
	Total	9.59	16.23	25.80
	Percentage of debts more than 3 years old to total debts.	59.33	85.95	76.09

Audit analysis revealed that the percentage of debts (principal and interest) over three years to total debts was 59.33 and 85.95 respectively and had come under the law of limitation. In many cases, letters of revival were obtained but no legal action was initiated. Cases which were over three years old and against whom letters of revival were not obtained in time became time-barred and hence irrecoverable. The Company failed to maintain proper records and as such it could not exercise any control on the outstanding amounts becoming overdue.

During the exit conference, it was stated (October 2006) by the Management that the possibility of fixing separate targets one for old loans and another for new loans is being contemplated for implementation from the next financial year.

7.2.14 Categorisation of outstanding dues

As per guidelines issued by IDBI/SIDBI in May 1999 and modified from time to time, the loan portfolios were classified into following categories for the purpose of income generation/recognition and provisioning:

Standard	Where the payments are regular i.e loan as well as interest remained unpaid up to six months.
Sub-standard assets	Where the loan as well as interest remain overdue for more than six months but less than two years.
Doubtful assets	Where loan as well as interest remain overdue for more than two years.
Loss assets	Where loans for which the loss has been identified but not written off wholly or partly.

The position of outstanding loans and classification thereof for the last five years is given below:

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Loans including interest outstanding at the close of the year	21.16	25.92	37.19	48.40	55.60
2.	a) Standard assets	7.44	7.98	7.71	7.20	12.01
	b) Sub-standard assets.	2.48	4.19	6.08	2.60	6.38
	c) Doubtful assets	2.30	3.07	1.57	5.87	21.05
	d) Loss assets	8.95	10.69	21.84	32.71	16.16
3.	Total non- performing assets (b +c)	4.78	7.26	7.65	8.47	27.43
4.	Percentage of NPA to total outstanding	22.60	28.01	20.57	17.50	49.33
5.	Percentage of loss assets to total outstanding	42.30	41.24	58.72	67.58	29.06
6.	Percentage of non-performing and loss assets (unproductive assets) to total outstanding.	64.84	69.21	79.27	85.12	78.40

The above table reveals that the total non-performing assets increased from Rs.4.78 crore to Rs.27.43 crore during the period 2001-06. The percentage of loss assets increased from 41.24 per cent in 2002-03 to 67.58 per cent in 2004-05 and decreased to 29.06 per cent in 2005-06. The doubtful assets, however, increased from Rs.5.87 crore in 2004-05 to Rs.21.05 crore in 2005-06, which indicates that some part of the loss assets were transferred to doubtful assets in 2005-06 as the total loans outstanding increased only by Rs.7.20 crore during the same period. Thus it is clear that the Company was not classifying outstanding loans as per the guidelines of SIDBI/IDBI.

It would be further evident from the above that the percentage of unproductive assets of the Company ranged from 64.84 per cent in 2001-02 to 85.12 per cent in 2004-2005 and decreased to 78.40 per cent in 2005-06 due to increase in standard assets as a result of loan disbursed during the year. It was observed during Audit that such a high percentage of unproductive assets was mainly due to irregularities in appraisal, proper monitoring of implementation, delay in notifying the defaults, delay in enforcing the guarantees and securities, one time settlement of cases and undue favour to loanees, etc.

Some of the irregularities noticed in audit in this regard are discussed in the subsequent paragraphs.

7.2.15 Defective appraisal

• The Company disbursed (October 2003) a term loan of Rs.25 lakh under the loan scheme of NSTFDC to Viva Beverages, Dimapur (Unit) for setting up a packaged drinking water plant. The loan was repayable together with interest accrued thereon in 40 quarterly installments starting from 15 April 2004 with last instalment payable on 15 January 2014. It was noticed (July 2006) in audit that this unit was an ancillary unit of Nagaland Beverage, Dimapur which was a defaulting unit and its account was settled (9 September

2000) under one time settlement (OTS) scheme. The promoter of the unit was also one of the Directors of Nagaland Beverage. It was, however, stated in the proposal placed (March 2004) before the BOD for sanction of loan to Viva Beverages that there would be no problem in repayment of loan since Nagaland Beverage, the principal company of the unit was well organised and manned by experienced personals. Viva Beverages also did not pay a single installment and the Company served a legal notice (December 2005) to the loanee as well as to the guarantors. Scrutiny by Audit of the loan proposal submitted by the loanee revealed that verification of the documents was not done properly by the Company before disbursement of loan as the guarantors did not mention the guaranteed amount and the name in whose favour they stood as guarantor and second pre-disbursement report was also in the name of Nagaland Beverage instead of Viva Beverage. Though legal notice was served for non payment by the loanee but no action was taken to recover the dues through the court of law. Thus defective appraisal of the loan proposal before disbursement of loan resulted in non-recovery of Rs.10.11 lakh (Principal: Rs.5 lakh plus interest: Rs.5.11 lakh).

The Company stated (October 2006) that the matter is being taken up with the appropriate authority for recovery of dues.

◦ The Company disbursed (May 2002) a term loan of Rs.3.75 lakh to Keppen Cable in two installments for setting up a cable network at Tseminyu Town. Audit scrutiny of the case revealed that the loan was sanctioned on the request of the then Director of Industries and Commerce of the State Government in favour of his brother and the Director stood guarantor of the loanee. The loanee did not repay a single instalment despite several notices. On 19 October 2005 the then Director Industries (elder brother of the loanee) approached the Company to seize the machine/material of the unit. But the Company did not take any effective steps against the loanee/guarantor to recover the dues (October 2006). This resulted in non-recovery of Rs.4.50 lakh (Principal: Rs.2.81 lakh and interest: Rs.1.69 lakh).

The Company stated (October 2006) that the matter was brought to the notice of the guarantor and the entrepreneur had undertaken to start the repayment of the loan.

◦ The Company provides financial assistance for setting up of new projects and for expansion/modernisation of the existing projects. As per procedure prescribed by the Company, in cases where the entrepreneurs did not have fixed assets as security against loan, the Company before disbursement of loan is obtaining a certificate called as 'In Service Certificate-cum-Authorisation Certificate' from a responsible Government servants as guarantor. The Guarantors were equally responsible in repayment of loan as per the deed of guarantee executed and registered in the court before disbursement. In cases as detailed in *Appendix-XLVII(A)* neither a single instalment was paid by the loanee against the loan amount of Rs.32.74 lakh

nor in service certificate of guarantors were properly checked while disbursing the loans. Thus, non-verification of documents of the loanees as well as guarantors before disbursement of loans and also not taking any action against the guarantors for non-payment resulted in non-recovery of Rs.32.74 lakh (Principal: Rs.16.72 lakh and Interest: Rs.16.02 lakh) as on 31 March 2006.

7.2.16 Inadequate Performance of Inspection wing

Regular and periodical inspection of the assisted units by the Company facilitate recovery of loan dues. The Company has not fixed any norms for inspection of the assisted units. It was noticed (July 2006) in audit that periodical inspection of assisted units was not carried out regularly to assess and monitor their performance. Hence, the Company was unable to identify assisted units likely to become liabilities.

The table below depicts the position of post sanction inspections, which have become due and those actually conducted of the assisted units during the five years up to 31 March 2006.

Sl. No.	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
1.	Total number of assisted units	2698	3241	3458	3893	4515
2.	Total number of units inspected	780	907	934	690	1000
3.	Total number of units not inspected.	1918	2334	2524	3203	3515
4.	Percentage of units not inspected to total number of units.	71.09	72.01	72.99	82.28	77.85

It could be seen that the number of units not inspected ranged between 71.09 to 82.28 *per cent*. Thus inadequate inspection of assisted units resulted in Company not being able to know the condition of the assisted units and actual utilization of loan to enable it to take remedial actions. This in turn resulted in low recovery of dues.

7.2.17 Deficiencies in loan operations

Lack of monitoring

Some cases of deficiencies noticed in monitoring of the recovery of loans are discussed below:

- The Company sanctioned a term loan of Rs.12 lakh to Sato Hotel for setting up a hotel at Kohima. The loan was disbursed between January 1989 and February 1991. Audit scrutiny revealed that on the request of the promoter made in 1997 for concessional package for waiver of interest, the company settled the account for Rs.18 lakh against the overdue amount of Rs.28.65 lakh. The Company received Rs.10 lakh as down payment and on failure to pay the balance amount the BOD withdrew (28 July 1999) the concessional

package. The Company served legal notice to the party in June 2005. Thereafter no effective action was taken by the Company either to recover the overdue amount or to initiate recovery proceedings against the promoter. Thus lack of proper monitoring of the recovery of outstanding dues resulted in dues of Rs.54.96 lakh (principal Rs.12 lakh plus interest Rs.42.96 lakh) becoming doubtful of recovery.

The Company Stated (October 2006) that the matter is being submitted to the BODs for review.

◦ Mercury Plastic Industry (P) Ltd. (unit) was sanctioned (February 1988) a term loan of Rs.24.50 lakh and seed capital assistance of Rs.1.50 lakh which was later converted into term loan during the year 1988-89. The unit defaulted in repayments after making payment of Rs.6.02 lakh. The unit also deposited (March 1998) Rs.15 lakh under one time settlement offered by the Company and agreed to repay the balance amount of Rs.16.54 lakh within 6 months (effective from 1 April 1998). The Company withdrew (May 2000) the OTS on failure of the unit to pay the balance amount within the stipulated time. As the unit became sick and defaulted in repayment of loan, the Company took up the matter with the State Level Inter-Institutional Committee (SLIIC) connected with the sick industrial units of the state. SLIIC requested (August 2003) the Company to review and reconsider the concessional package. No action was, however, taken by the Management on the request of SLIIC till date (October 2006). Thus, due to delay in taking decision by the Management, recovery of loans amounting to Rs.1.05 crore (principal Rs.26 lakh plus interest Rs.79.25 lakh) has become doubtful.

In reply the Company stated (October 2006) that it is exploring possibility of filing recovery suit.

◦ The Company disbursed (December 1987) a term loan of Rs.12.50 lakh to Nagaland Bone Mills Co.(P) Ltd. (NBM) for setting up a bone crushing cum organic fertilizer plant at Dimapur against the personnel guarantee of two in-service Government employees. It was noticed in audit that the NBM became sick and discontinued production since 1988. NBM was a habitual defaulter in payment and last instalment was due on 15 December 1993. But even after a lapse of 13 years, no action has been taken (November 2006) by the Company for recovery of the amount either from the NBM or guarantors. This has resulted in non-recovery of Rs.66.23 lakh (principal: Rs.9.60 lakh and interest: Rs.56.63 lakh).

In reply the Company stated (October 2006) that it is contemplating to file recovery suit against the NBM.

7.2.18 Deficiencies in monitoring project implementation

352 cases were test checked in audit with a view to review the system of appraisal, sanction, disbursement of loans and post inspection, follow up

action on the part of Management for timely recovery of dues. Audit scrutiny revealed as under:

- The composite loan scheme of the Company to assist the entrepreneurs to set up small and village industries was not successful as most of the units failed to set up the industries and repay the loans. Though the concerned defaulting units were requested for OTS of the outstanding dues of Rs.22.61 lakh (*Appendix-XLVII(B)*), but no entrepreneur responded to settle their case. The Company stated (October 2006) that they are contemplating to pursue recovery of the principal loan without involving legal battle.

- The Company had not initiated follow up action against the defaulters in 21 cases involving dues of Rs.86.33 lakh (*Appendix-XLVII(C)*) test checked in audit to facilitate recovery of dues after serving legal notices to them.

Thus, due to not taking of timely follow up action by the Management for recovery of dues, total amount of Rs.86.33 lakh (principal: Rs.41.15 lakh and Interest: Rs.45.18 lakh) remained un-recovered as on 31 October 2006.

In reply it was stated (October 2006) that the Company is contemplating to file recovery suits in these cases.

7.2.19 One time settlement cases (OTS)

In order to recover the outstanding dues, the Company settles cases after considering proposals for OTS. It provided for waiver of normal and penal interest/additional interest subject to the approval of the BOD. During the period under review the Company settled cases of 16 defaulting units under OTS by sacrificing Rs.1.67 crore as detailed in *Appendix-XLVIII*. It was further noticed by Audit that no uniform norms had been fixed by the Company for OTS of similar nature.

In reply the Company stated (October 2006) that the IDBI and SIDBI have extended OTS package to the Company and the Company has passed on the same benefits to the deserving units with a view to uplift the units, which were on the verge of closure.

7.2.20 Investment in subsidiary company- Nagaland Hotels Limited (NHL)

Nagaland Hotels Limited (NHL) was incorporated in 1981-82 with an authorised capital of Rs.25 lakh as a wholly owned subsidiary of the Company (NIDC). With the financial and technical assistance of NIDC, the subsidiary company set up two three star hotels viz., Hotel Saramati at Dimapur (1987-88) and Hotel Japfu at Kohima (1988-89) at a combined project cost of Rs.4.87 crore. As the hotels were running into losses and to tide over its financial difficulties, NIDC was providing loans to the subsidiary (NHL) from time to time. As on 31 March 2000, the subsidiary company owed Rs.11.66 crore (principal: Rs.3.19 crore and interest: Rs.8.47 crore) to NIDC. On the request of NHL, the BOD of NIDC decided (3 March 2001) to convert the

principal amount of Rs.3.19 crore into equity share capital of NHL and to write off the recovery of interest of Rs.8.47 crore as a re-structuring measure on the consideration that the two hotels perform an important infrastructure facilities to the State though the earnings were far from satisfactory.

In spite of conversion of loan into equity and write-off of the interest, the subsidiary company was running into losses and the company was not receiving any progress report/Accounts from the subsidiary in-order to monitor its performance. As a result, the investment in the subsidiary company together with the benefits given in the form of write-off of interest resulted in huge loss of Rs.8.47 crore to NIDC.

As on 31 March 2006, the subsidiary company had an overdue balance of term loan of Rs.7.62 lakh (Principal: Rs.4.69 lakh and interest: Rs.2.93 lakh) payable to NIDC. The recovery of loan from the subsidiary company was poor and no effective steps were taken to recover the overdue balance.

7.2.21 Management and Maintenance of Industrial Estate

The old and new Industrial Estates in Dimapur were handed over to NIDC by the Directorate of Industries during 1971-72 for management and maintenance without specifying any terms and condition for the same. The total area of the two estates was 40 acres with 25 ready built standard factory sheds, which were rented out to the industrial units at concessional rates. The Board of Directors noted (10 March 2004) that since the ownership of the Estate was with the State Government (Industries and Commerce Department) the Company was unable to invest for creation of infrastructure. In the management and maintenance of the Industrial Estate, it was observed as under:

- Viva Beverages, an ancillary of Nagaland Beverages resorted to unauthorised construction in the open space of the Industrial Estate. Despite unauthorised construction, the Board of Directors allotted (7 October 2003) 69544 Sq. ft. of open space to Viva Beverages at lease rent of Rs.8345 per month. The Management requested (7 October 2003) the proprietor of Viva Beverages for completing all the formalities. The proprietors, however, evaded signing the lease agreement and avoided payment of lease rent of the open space till date (October 2006). The Management has not initiated any legal action against Viva Beverages for recovery of the lease rent of Rs.2.43 lakh accumulated as of March 2006. In reply the Company stated (October 2006) that the matter is being submitted to the BOD for further instructions.

- The year-wise realisation of rent of the industrial sheds in the Industrial Estate against the outstanding dues for the last five year ending 31 March 2006 is given below:

	<i>(Rupees in lakh)</i>				
	2001-02	2002-03	2003-04	2004-05	2005-06
Opening balance	20.28	22.72	25.91	30.33	34.45
Dues during the year	4.65	4.65	5.53	6.12	6.12
Total	24.93	27.37	31.44	36.45	40.57
Realised during the year	2.21	1.46	1.11	2.00	1.20
Closing balance	22.72	25.91	30.33	34.45	39.37
Percentage of collection over outstanding dues.	8.86	5.33	3.53	5.49	2.96

It is evident from the above details that the percentage of realisation against the realisable amount was very poor and declined from 8.86 (2001-02) to 2.96 (2005-06). Analysis revealed that the outstanding dues rose by 63 per cent (2005-06) as compared to 2001-02. It was also noticed (October 2006) in audit that in the absence of any terms and conditions for management and maintenance of the Industrial Estate, the Company was keeping the rent realized from the occupants and had spent Rs.2.97 lakh on the maintenance of the estate during 2001-02 to 2005-06.

7.2.22 Dishonoured cheques

Test check of cheque collection register (April 2004 to March 2006) revealed that 218 cheques amounting to Rs.19.67 lakh received from loanees towards repayment of loan dues were dishonoured by the concerned bank. No action, however, had been taken by the Management against the concerned loanees under the Negotiable Instrument Act.

In reply the Company (October 2006) stated that action as per the Negotiable Instrument Act was not initiated due to technical reasons. The Management, however, did not specify the technical reasons due to which action was not taken under the Negotiable Instrument Act.

7.2.23 Inadequate legal action

It was noticed (July 2006) in audit that the Company filed 27 cases in various Courts during 2002-06 for recovery of overdues of Rs.2.33 crore. Out of which 13 cases involving Rs.1.93 crore were pending with the Courts and 14 cases were decreed (Rs.39.62 lakh). Out of this, the Company could recover only Rs.8.22 lakh (fully recovered in 4 cases and partial recovery in 2 cases) leaving an outstanding balance of Rs.31.40 lakh. The percentage of recovery in decreed cases of the total amount (decreed during 2002-06) was 20.75 per cent.

In reply the Company stated (October 2006) that due to technical reasons execution suits are not yet filed and the Company is contemplating to file execution suit soon. The Management, however, did not specify the technical reasons due to which execution suits could not be filed in time.

7.2.24 Internal Control/Internal Audit

Internal control is an integral part of the process designed and effected by the management of an organisation to achieve its specified objects ethically, economically and efficiently. It helps in creating reliable financial and management information system besides effective decision making. Internal control in the Government financial institutions assumes more significance in view of the fact that these institutions have to appraise all applications critically to reduce the risk of default by the borrowers to the minimum.

Following deficiencies were noticed in the internal control system being followed by the Company:

- Internal control system in the Company was not adequate so as to ensure that its objectives are being achieved in an efficient, effective and adequate manner.
- Administrative, accounting and internal audit manuals have not been prepared by the Company.
- Absence of efficient monitoring of the outstanding loans resulted in delay in taking follow up action in respect of cases of default.
- Internal audit wing was headed by a Deputy General Manager (Finance & Accounts). Its duties were restricted to checking of the actual receipts of cash with the computer generated sheet of the settled cases of loanee and also checking balances in the case of write-off.
- The Company had not constituted an Audit Committee under Section 292 (A) of the Companies Act, 1956.

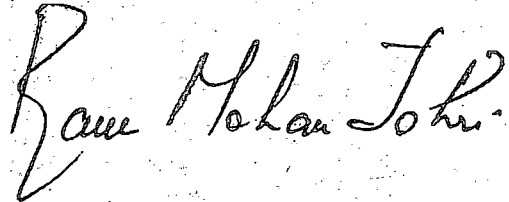
Failure of the Company to have an effective internal control/internal audit mechanism in its organisation has resulted in lack of accountability.

7.2.25 Conclusion

The Company was established with a view to promote, assist and finance industrial concern and also to establish and administer public utilities including hotels, warehouses and markets with a view to develop industries in the State. The performance of the Company was, however, characterised by inadequate project appraisal resulting in disbursement of loan for unviable projects, lack of mechanism for inspection of assisted units prior to and post disbursement of loan, non-monitoring of the performance of assisted units, non-existence of procedure to take timely action against the units which were defaulting in repayment of loans, non-enforcement of securities/guarantees/decrees against the loanees/guarantors, inadequate and tardy legal action resulting in mounting of arrears of dues year after year which not only affected the ability of the organisation to recycle its funds but also put a question mark on its survival.

7.2.26 Recommendations

- Project appraisal system needs to be revamped and based on parameters such as return on investment and payback period.
- Pre-disbursement and post disbursement inspection should be carried out at regular intervals to know about the functioning of the assisted units.
- Periodical reporting of assisted units/beneficiaries should be introduced and analysed by the Company officials and there should be an established procedure for taking immediate action against the defaulting loanees.
- The guarantees needs to be enforced immediately and should be taken in a manner that the guarantee remains valid during the repayment period of the loan.
- The Company should approach the State Government for taking steps to bring suitable legislation on the lines of Transfer of property Act to enable the Company to take effective legal action and initiate measures to extend the provisions of the State Financial Corporation Act, 1951 to the State of Nagaland.
- The Company should professionalise its working and prepare manuals to streamline its functioning and strengthen its internal control system.



(RAM MOHAN JOHRI)
Accountant General (Audit), Nagaland

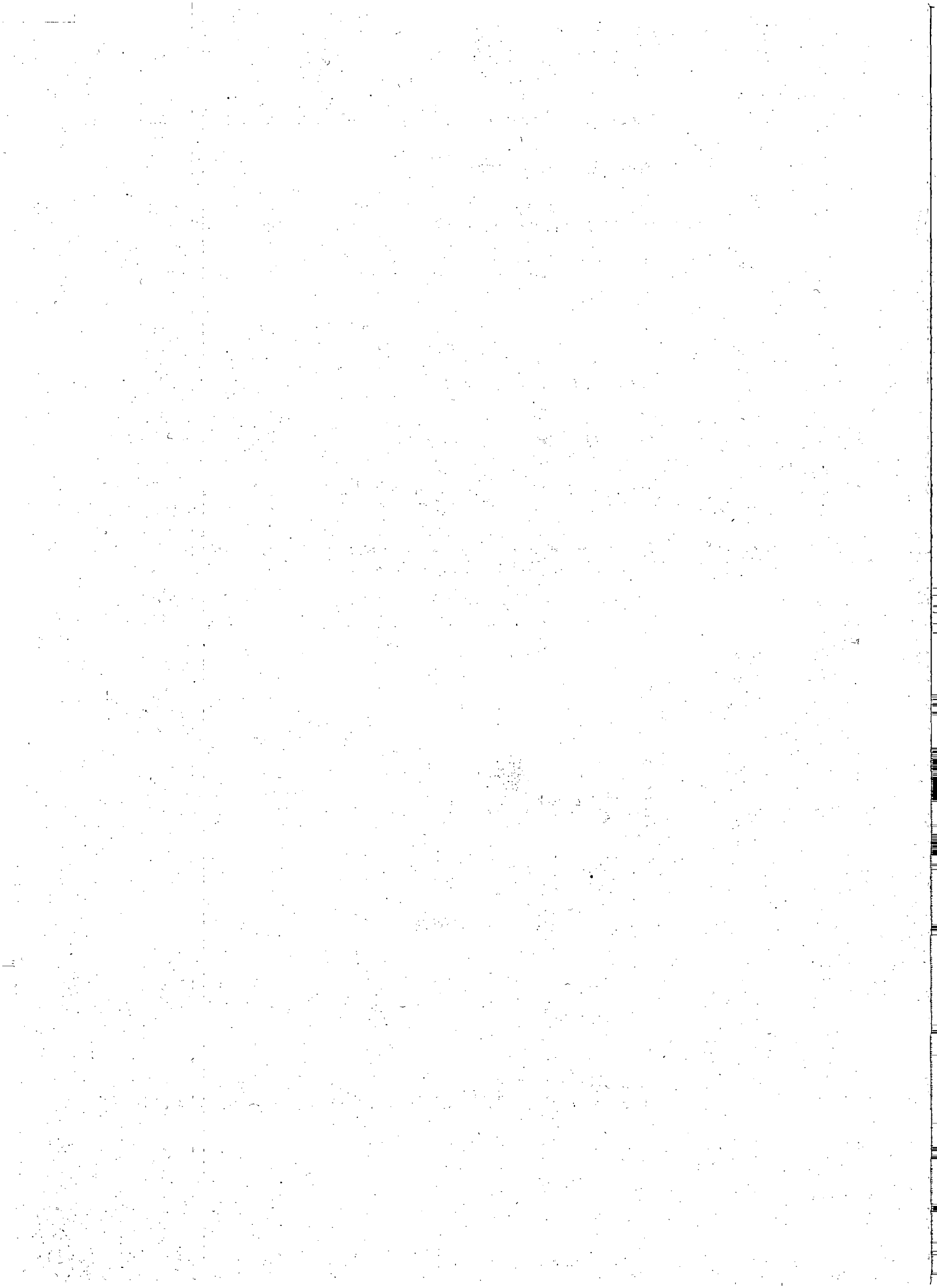
Kohima
The 06 MAR 2007

Countersigned

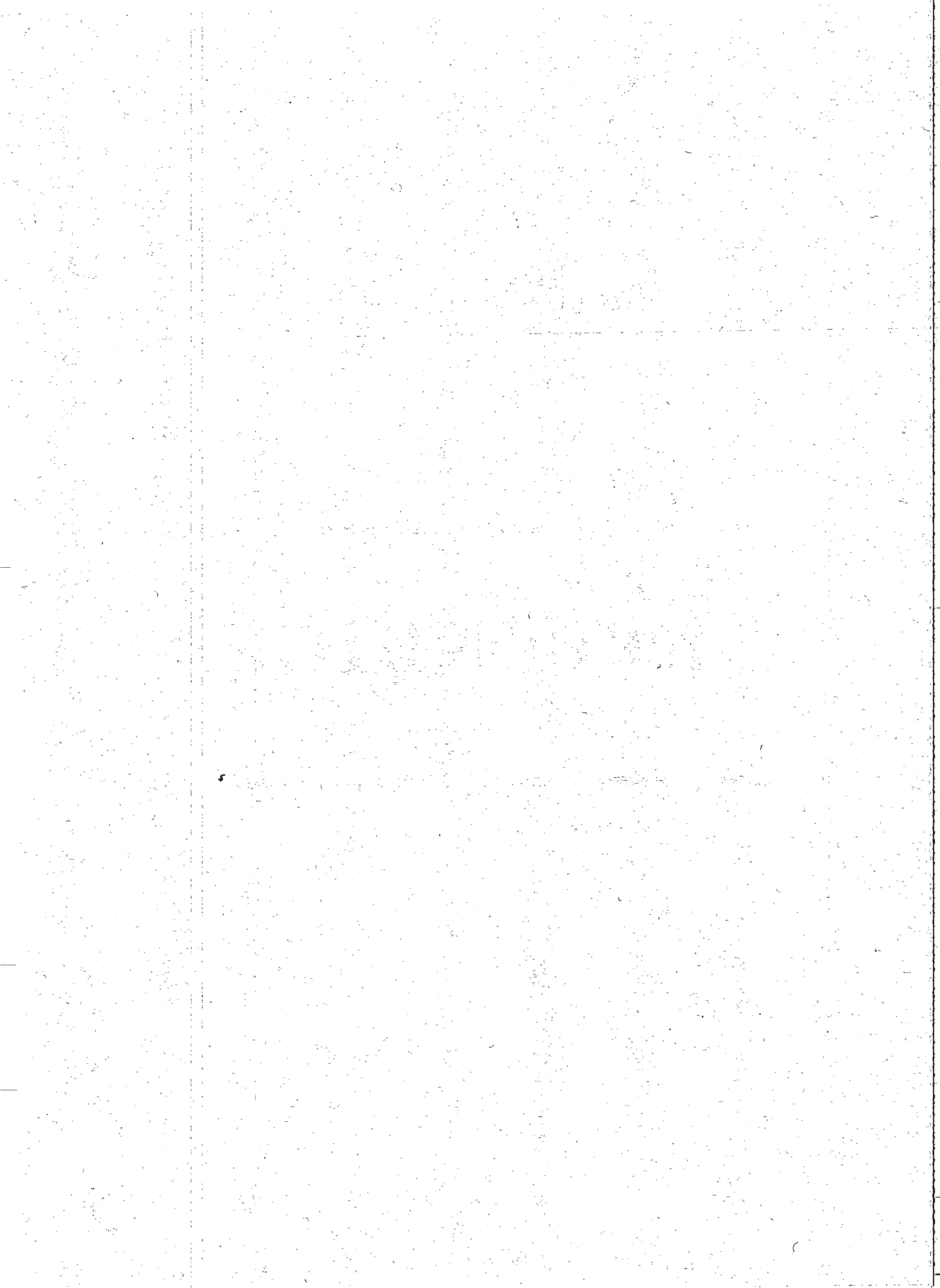


(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

New Delhi
The 13 MAR 2007



APPENDICES



APPENDIX-I

Part-A: Structure and Form of Government Accounts
(Refer paragraphs 1.1 ; pages 1 and 4)

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 entitled '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 disbursements in respect of certain transaction such as small savings, provident funds, reserve funds, deposit, suspense, 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.

Part B

LAYOUT OF FINANCE ACCOUNTS

(Reference: Paragraph 1.1, Page 1)

Lay out of Finance Accounts

Statement No.1 presents the summary of transactions 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 summarized statement of capital outlay showing progressive expenditure to the end of 2005-06.

Statement No.3¹ gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. There is no commercial irrigation project in Nagaland.

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 2006.

Statement No.9 shows the revenue and expenditure under different heads for the year 2005-06 as a percentage of total revenue/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 accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head-wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2005-06.

¹ Statement No.3 has been introduced from the current year. As a result lay out of Statement No.4 to 19 have accordingly been rearranged.

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 2005-06.

Statement No.15 depicts the capital and other expenditure to the end of 2005-06 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government.

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year and the balance as on 31 March 2006.

Statement No.19 gives the details of earmarked balances.

Part C

List of terms used in the Chapter – I and basis for their calculation

(Reference: Paragraph 1.3; Page 4)

Terms	Basis for 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	Interest Payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Weighted Interest Rate (I_w)	$I_w = \sum_i^n I_i W_i$ <p>, where I_i is the rate of interest on the i^{th} stock of debt and W_i is the share of i^{th} stock in the total debt stock of the State.</p>
Interest spread	GSDP growth – Weighted Interest Rates
Quantum spread	Debt stock *Interest spread
Interest received as per cent to Loans outstanding	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]* 100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts -Miscellaneous Capital Receipts
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-II

Summarised financial position of the Government of Nagaland as on 31 March 2006
(Reference : Paragraphs 1.3 and 1.7 ; Pages 4 and 19)

(Rupees in crore)			
As on 31.03.2005	LIABILITIES		As on 31.03.2006
1709.39	Internal Debt		2066.46
	1326.39	Market loans bearing interest	1540.57
	0.10	Market loans not bearing interest	0.10
	54.15	Loans from LIC	74.57
	321.68	Loans from other institutions	398.21
	7.07	Ways and Means Advances	53.01
2.32	Overdrafts from Reserve Bank of India		65.00
434.58	Loans and Advances from Central Government		420.80
	9.26	Pre-1984-85 loans	8.34
	25.13	Non-Plan Loans	23.95
	371.55	Loans for State Plan Schemes	357.58
	1.88	Loans for Central Plan Schemes	1.55
	15.42	Loans for Centrally Sponsored Plan Schemes	17.89
	0.00	Ways & Means Advances	0.00
	11.34	Loans for Special Schemes	11.49
0.35	Contingency Fund		0.35
499.38	Small Savings, Provident Funds, etc.		515.30
167.39	Deposits		121.39
0.41	Reserve Funds		1.83
0.00	Suspense and Miscellaneous Balances		0.00
(-)105.83	Remittance Balances		(-) 137.34
574.03	Accumulated Surplus on Government Account		780.70
	419.14	Revenue Surplus brought forward from previous year	574.03
	154.89	Add revenue Surplus (+)/Deficit(-)	206.67
3282.02	Total		3834.49
ASSETS			
3339.82	Gross Capital outlay on Fixed Assets-		3857.68
	73.41	Investments in shares of Companies, Corporations, etc.	29.71
	3266.41	Other capital outlay	3827.97
35.06	Loans and Advances		30.27
	33.73	Other Development Loans	29.18
	1.33	Loans to Government servants' etc.	1.09
2.14	Advances		2.20
132.39	Suspense and Miscellaneous Balances		87.42
(-)227.39	Cash Balance		(-) 143.08
	0.16	Cash in Treasuries and Local Remittances	0.16
	(-) 339.55	Deposits with Reserve Bank	(-) 332.33
	100.04	Departmental Cash Balance including Permanent Advances	172.51
	11.96	Investment of earmarked funds	16.58
	0.00	Cash Balance Investments	0.00
3282.02	Total		3834.49

APPENDIX-III
Abstract of receipts and disbursements for the year 2005-2006
(Reference: Paragraph 1.3; Page 4)

RECEIPTS			DISBURSEMENTS					(Rupees in crore)
2004-05	2005-06	2004-05	Non-Plan	Plan	Total	2005-06		
	SECTION A: REVENUE							
1839.52	I. Revenue Receipts	2267.20	1684.63	I. Revenue Expenditure			2060.53	
78.31	Tax Revenue	105.53	857.95	General Services				
77.90	Non-tax Revenue	96.82	420.95	Social Services				
160.15	State's share of Union Excise Duties	248.50	239.67	Education, Sports, Art and Culture				
687.14	Non-Plan grants	1128.82	88.17	Health and Family Welfare				
554.16	Grants of State Plan Scheme	436.13	31.64	Water Supply, Sanitation, Housing and Urban Development				
25.92	Grants for Central Plan Scheme	49.12	7.33	Information and Broadcasting				
226.06	Grants for Centrally Sponsored Plan Schemes	173.65	5.07	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes				
29.88	Grant for Special Plan Scheme	28.63	5.62	Labour and Labour Welfare				
			39.69	Social Welfare and Nutrition				
			3.76	Others				
			405.73	Economic Services				
			117.24	Agriculture and Allied Activities				
			51.79	Rural Development				
			14.30	Special Areas Programme				
			22.21	Irrigation and Flood Control				
			94.28	Energy				
			32.04	Industry and Minerals				
			19.70	Transport				
			2.75	Science, Technology and Environment				
			51.42	General Economic Services				
	II. Revenue Deficit carried over to Section-B		154.89	II. Revenue Surplus carried over to Section-B			206.67	
1839.52	Total: Section A-Revenue	2267.20	1839.52	Total: Section A-Revenue			2267.20	
	SECTION-B							
(-) 212.32	III. Opening cash balance including Permanent Advances and Cash Balance Investment	(-) 227.39	*	III. Opening Overdraft from RBI				
	IV. Miscellaneous Capital Receipts		379.44	IV. Capital Outlay			517.87	
			42.80	General Services				
			148.97	Social Services				
			11.78	Education, Sports, Art and Culture				
			41.94	Health and Family Welfare				
			86.35	Water Supply, Sanitation, Housing and Urban Development				
			0.65	Information and Broadcasting				
			6.00	Social Welfare and Nutrition				
			2.25	Others				
			187.67	Economic Services				
			9.39	Agriculture and Allied Activities				
			0.00	Rural Development				
			42.25	Special Areas Programme				
			44.42	Energy				
			13.37	Industry and Minerals				
			69.12	Transport				
			7.56	General Economic Services				

* The Opening and Closing balances of Overdrafts not shown separately as the net effect of these have been reflected in the Net transaction of Overdraft under the Public Debt Receipts.

Appendix-III concluded

RECEIPTS		DISBURSEMENTS					
2004-05	2005-06	2004-05	Non-Plan	Plan	Total	2005-06	
			0.39	80.25	80.64		
		1.08	--	0.82	0.82		
		0.48	--	0.50	0.50		
6.50	V. Recoveries of Loans and Advances	5.40	0.34			0.61	
5.99	From Government Servants	0.50	0.34		0.26		
0.51	From Others	4.90	--	--	0.35		
154.89	VI. Revenue Surplus brought down	206.67	--			--	
424.30	VII. Public Debt receipts-	626.88	202.42			220.90	
256.22	Internal debt other than Ways and Means Advances and Overdrafts	413.50	77.98		102.36		
4.16 ^o	Net transactions under- Ways and Means Advances including overdrafts	108.61	--		--		
163.92	Loans and Advances from Central Government	104.77	124.44		118.54		
--	VIII. Appropriation to Contingency Fund	--	--		--	--	
--	IX. Amount transferred to Contingency Fund	--	--		--	--	
776.73	X. Public account receipts-	1025.68	795.29			1040.94	
110.24	Small Savings and Provident Funds	156.55	88.49		140.64		
0.85	Reserve Funds	4.62	1.49		3.20		
41.20	Suspense and Miscellaneous	39.89	77.07		(-) 5.08		
492.94	Remittances	755.85	539.19		787.36		
131.50	Deposits and Advances	68.77	89.05		114.82		
*	XI. Closing Overdraft from Reserve Bank of India		(-)227.39			143.08	
			0.16		0.16		
			(-)339.55		(-) 332.33		
			100.04		172.51		
			0.00		0.00		
			11.96		16.58		
1150.10	Total	1637.24	1150.10	Total		1637.24	

^o Represents Receipts Rs.354.37 crore and Disbursements Rs.350.21 crore.
 @ Represents Receipts Rs.44.55 crore and Disbursements Rs.44.55 crore.

**APPENDIX-IV
Sources and application of funds
(Reference :Paragraph 1.3; Page 4)**

		<i>(Rupees in crore)</i>	
2004-05	Sources		2005-06
1839.52	1.	Revenue Receipts	2267.20
6.50	2.	Recoveries of Loans and Advances	5.40
218.97	3.	Increase in Public debt other than overdraft	343.30
(-)18.56	4.	Net receipts from Public account	(-) 15.26
	21.75	Increase (+)/Decrease (-) in Small Savings, Provident Funds, etc.	15.91
	42.44	Increase (+)/Decrease (-) in Deposits and Advances	(-) 46.05
	(-)0.64	Increase (+)/Decrease (-) in Reserve Funds	1.42
	(-)35.86	Net effect of Suspense and Miscellaneous transactions	44.97
	(-)46.25	Net effect of Remittance transactions	(-) 31.51
2.91	5.	Overdrafts from Reserve Bank of India (Net)	62.68
2049.34	Total		2663.32
	Applications		
1684.63	1.	Revenue expenditure	2060.53
0.34	2.	Lending for development and other purposes	0.61
379.44	3.	Capital expenditure	517.87
(-)15.07	4.	Increase (+)/Decrease (-) in closing cash balance	84.31
0.00	5.	Reduction of overdraft payable to Reserve Bank of India	0.00
2049.34	Total		2663.32

Explanatory Notes for Appendices-II, III and IV

1. The abridged accounts in the forgoing statements are based on the Finance Accounts for the year 2005-06-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 2006 was Rs.780.70 crore after accounting for the revenue surplus of Rs.206.67 crore during 2005-06.
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.164.00 crore (debit) against the general cash balance of Rs.322.17 crore (credit) shown in the accounts. The difference of Rs.168.17 crore (credit) as on 31 March 2006 is under reconciliation (October 2006).

APPENDIX-V
Time series data on State Government finances
(Reference :Paragraphs 1.3 and 1.7 ; Pages 4 and 19)

(Rupees in crore)						
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Part A. Receipts						
I. Revenue Receipts	1254.10	1324.53	1346.90	2359.79	1839.52	2267.20
(i) Tax Revenue	46.25(4)	54.90 (4)	62.00 (5)	68.55(3)	78.31(4)	105.53 (5)
Taxes on Sales, Trade etc.	27.30(59)	34.42(63)	41.16 (66)	45.63(67)	53.08(68)	77.16 (73)
State Excise	1.77(4)	1.87(3)	1.98 (3)	1.99(3)	2.07(3)	1.96 (2)
Taxes on vehicles	5.28(11)	5.35(10)	4.74 (8)	6.00(9)	7.30(9)	8.71 (8)
Stamps and Registration fees	1.77(4)	0.91(2)	0.57 (1)	0.66(1)	0.73(1)	0.89 (1)
Land Revenue	0.35(1)	0.62(1)	0.41 (1)	0.54(1)	0.43(*)	0.55 (1)
Other taxes	9.78(21)	11.73(21)	13.14 (21)	13.73(21)	14.70(19)	16.26 (15)
(ii) Non Tax Revenue	39.23(3)	43.41(3)	43.94 (3)	60.91(3)	77.90(4)	96.82 (4)
(iii) State's share in Union taxes and duties	96.48(8)	30.71(3)	46.01 (3)	256.97(11)	160.15(9)	248.50 (11)
(iv) Grants-in-aid from Government of India	1072.14(85)	1195.51(90)	1194.94 (89)	1973.36(83)	1523.16(83)	1816.35 (80)
2. Misc. Capital Receipts	---	---	---	--	--	--
3. Total revenue and Non-debt capital receipts (1+2)	1254.10	1324.53	1346.90	2359.79	1839.52	2267.20
4. Recoveries of Loans and Advances	6.45	7.78	7.42	6.81	6.50	5.40
5. Public Debt Receipts	335.97	335.28	473.85	(-)3.22	424.30	626.88
Internal Debt (excluding Ways & Means Advances and Overdrafts)	163.05	224.23	238.58	393.93	256.22	413.50
Net transactions under Ways and Means Advances and Overdraft	123.34	49.04	(-)212.40	--	4.16	108.61
Loans and Advances from Government of India ²	49.58	62.01	447.67	(-)397.15	163.92	104.77
6. Total receipts in the Consolidated Fund (3+4+5)	1596.52	1667.59	1828.17	2363.38	2270.32	2899.48
7. Contingency Fund Receipts	---	---	---	--	--	--
8. Public account receipts	601.87	646.31	990.10	658.48	776.73	1025.68
9. Total receipts of the State (6+7+8)	2198.39	2313.90	2818.27	3021.86	3047.05	3925.16
Part B. Expenditure/Disbursement-						
10. Revenue Expenditure	1290.23	1427.11	1506.27	1812.99	1684.63	2060.53
Plan	231.00(18)	232.65(16)	242.91 (16)	363.40(20)	294.81(17)	422.85 (21)
Non-plan	1059.23(82)	1194.46(84)	1263.36 (84)	1449.59(80)	1389.82(83)	1637.68 (79)
General Services(including Interest payments)	623.33(48)	723.88(51)	798.67 (53)	874.91(48)	857.95(51)	939.90 (46)
Social Services	351.15(27)	377.18(26)	385.57 (26)	422.32(23)	420.95(25)	552.23 (27)
Economic Services	315.75(25)	326.05(23)	322.09 (21)	515.76(28)	405.73(24)	568.40 (28)
Grants-in-aid contribution	---	---	---	---	--	---

² Includes Ways & Means Advances from Government of India.
 * Indicates negligible percentage

(Rupees in crore)						
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
11. Capital Expenditure	224.40	238.73	340.69	391.13	379.44	517.87
Plan	215.85(96)	238.65(100)	339.90 (100)	380.15(97)	376.86(99)	504.40 (97)
Non-plan	8.55(4)	0.08	0.79	10.98(3)	2.58(1)	13.47 (3)
General Services	28.51(13)	14.25(6)	24.78 (7)	50.05(13)	42.80(11)	61.84 (12)
Social Services	81.02(36)	98.87(41)	148.91 (44)	138.15(35)	148.97(39)	155.09 (30)
Economic Services	114.87(51)	125.60(53)	167.00 (49)	202.93(52)	187.67(50)	300.94 (58)
12. Disbursement of Loans and Advances	17.35	3.43	2.33	5.08	0.34	0.61
13. Total (10+11+12)	1531.98	1669.27	1849.29	2209.20	2064.41	2579.01
14. Repayments of Public Debt	52.00	69.28	67.57	174.59	202.42	220.90
Internal Debt (excluding Ways and Means Advances and Overdrafts)	31.47	29.37	42.66	62.93	77.98	102.36
Net transactions under Ways and Means Advances and Overdraft	---	---	---	---	---	---
Loans and Advances from Government of India	20.53	39.91	24.91	111.66	124.44	118.54
15. Appropriation to Contingency Fund	---	---	---	---	-	--
16. Total disbursement out of Consolidated Fund (13+14+15)	1583.98	1738.55	1916.86	2383.79	2266.83	2799.91
17. Contingency Fund disbursements	---	---	---	---	--	--
18. Public account disbursements	590.70	529.49	789.77	971.27	795.29	1040.94
19. Total disbursement by the State (16+17+18)	2174.68	2268.04	2706.63	3355.06	3062.12	3840.85
Part C. Deficits						
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-)36.13	(-)102.58	(-)159.37	546.80	154.89	206.67
21. Fiscal Deficit (3+4-13)(-)/Surplus(+)	(-)271.43	(-)336.96	(-)494.97	157.40	(-)218.39	(-) 306.41
22. Primary Deficit (21-23)	(-)94.34	(-)136.49	(-) 280.39	392.14	31.23	(-) 52.52
Part D. Other data						
23. Interest payments (included in revenue expenditure)	177.09	200.47	214.58	234.74	249.62	253.89
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	NA	NA	NA	22.63 (17)	1.16(1)	25.88
25. Financial assistance to local bodies etc.	19.12	15.76	11.91	30.66	34.33	33.43
26. Ways and Means Advances/Overdrafts availed (days)	454.04(192)	668.43 (261)	1006.35(469)	44.55(6)	354.37(56)	274.92 (16)
27. Interest on WMA/Overdraft	21.14	1.45	2.48	0.76	0.81	0.64
28. Gross State Domestic Product (GSDP)*	3679.36	4136.88	4748.60	5238.66	5778.77	6374.56
29. Outstanding Debt (year end)	1429.93	1695.93	2102.22	1924.41	2146.29	2552.27
30. Outstanding guarantees (year end)	--	--	--	--	--	--
31. Maximum amount guaranteed (year end)	7.24	7.24	7.24	7.24	7.24	7.24
32. Number of incomplete projects	--	--	--	--	--	--
33. Capital blocked in incomplete projects	--	--	--	--	--	--

* The final figures of GSDP for 2000-01 to 2002-03 and provisional figures for 2003-04 to 2005-06 furnished by the State Government in July 2006.

APPENDIX-VI

**Details of department-wise break-up of outstanding Utilisation Certificates
(Reference :Paragraphs 1.6.5; Page 18)**

SI No.	Department	Period	No. of Utilisation Certificates not received	Amount (Rupees in crore)
1.	Youth Resources & Sports	2005-06	52	1.30
2.	School Education	1982-83 to 2004-05	644	27.28
3.	Co-operation	1967-68 to 2004-05	319	16.15
4.	Rural Development	1980-81 to 2004-05	2,255	20.34
5.	Agriculture	1999-2000 to 2004-05	9	6.92
6.	Art & Culture	2001-02 to 2004-05	11	0.01
7.	Social Security & Welfare	2000-01 to 2004-05	1	0.01
Total			3,291	72.01

APPENDIX - VII
Statement showing names of the bodies and authorities, the accounts of which were in arrears
(Reference: Paragraph 1.6.6; Page 19)

Sl. No.	Name of Body/Authority	Year upto which accounts prepared and submitted	Number of years for which accounts were in arrears	Sources of funds	Amount of grants/loan	
					2004-05 ³	2005-06
1.	Nagaland University	2004-05	1	Government of India and Government of Nagaland	66.45	@ ⁴
2.	Development Authority, Nagaland, Dimapur	2003-04	2	Government of Nagaland	0.95	1.15
3.	Nagaland Board of School Education	2001-02	4	Government of Nagaland	1.80	1.80
4.	Nagaland Khadi and Village Industries Board, Kohima	2003-04	2	Government of India and Government of Nagaland	4.25	5.67
5.	Khadi and Village Industries Commission, Dimapur	2004-05	1	Government of India	1.42	3.01
6.	Sports Authority of India, Dimapur	2003-04	2	NERC, Imphal and Government of India	0.26	0.24
7.	Nagaland State Social Welfare Advisory Board	1991-92	14	Government of India and Government of Nagaland	0.12	0.11
8.	District Rural Development Agency, Kohima	2004-05	1	Government of India and Government of Nagaland	4.79	4.55
9.	District Rural Development Agencies, Mokokchung	2004-05	1	Government of India and Government of Nagaland	3.17	5.29
10.	District Rural Development Agencies, Tuensang	2004-05	1	Government of India and Government of Nagaland	4.93	@
11.	District Rural Development Agencies, Wokha	2004-05	1	Government of India and Government of Nagaland	2.50	@
12.	District Rural Development Agencies, Phek	2004-05	1	Government of India and Government of Nagaland	3.23	5.64
13.	District Rural Development Agencies, Zunheboto	2004-05	1	Government of India and Government of Nagaland	2.72	4.70
14.	District Rural Development Agencies, Dimapur	2004-05	1	Government of India and Government of Nagaland	3.38	3.39
15.	District Rural Development Agencies, Mon	2004-05	1	Government of India and Government of Nagaland	6.33	@
16.	District Rural Development Agencies, Longleng	Yet to submit accounts since inception in February 2005	2	Government of India and Government of Nagaland	@	@
17.	District Rural Development Agencies, Kiphire	--do--	2	Government of India and Government of Nagaland	@	@
18.	District Rural Development Agencies, Peren	--do--	2	Government of India and Government of Nagaland	@	@
				Total	110.81	34.38

³ Figures for 2004-05 revised/updated as per information furnished by the Autonomous Bodies.

@ Information not available.

APPENDIX-VIII

Statement showing the department-wise status of arrears of revenue as on 31 March 2006
(Reference :Paragraph 1.4.2; Page 7)

(Rupees in crore)

Sl No.	Name of Department	Amount outstanding as on 31 March 2005	Amount outstanding as on 31 March 2006	Amount outstanding for more than five years
1.	Nagaland State Transport	0.04	0.26	0.02
2.	Transport Commissioner	*	0.38	*
3.	Commissioner of Taxes	12.29	19.35	8.73
4.	Power	*	32.37	*
	Total	12.33	52.36	8.75

* Position as on 31 March 2005 and the amount outstanding more than 5 years were not furnished by the Departments.

APPENDIX-IX

Statement showing the entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Reports in respect of Autonomous Bodies and its placement in the Parliament/Legislature
(Reference : Paragraph 1.6.7; Page 19)

Sl No.	Name of Body/authority	Year upto which accounts prepared and submitted	Year upto which accounts audited	Year upto which SAR prepared	Present status	Issuance of SAR	Placement in Parliament/Legislature	Remarks
Central Autonomous Bodies								
1.	Nagaland University	2003-04	2003-04	2003-04	Sent to Hqrs for approval	2002-2003 on 04.10.2005	Not intimated by the Body	--
2.	North-East Zonal Cultural Centre	2003-04	2003-04	2003-04	Sent to Hqrs for approval	--	-do-	SARs for the period from 1995-96 to 2003-04 sent to Hqrs, but the same are not yet finalised.
State Autonomous Body								
3.	Nagaland Khadi and Village Industries Board	2003-04	2003-04	1999-2000	SARs for the period from 2000-01 to 2003-04 though prepared & audited but the same has not yet been finalised.	1999-2000 on 04.10.2005	Not intimated by the Body	--

APPENDIX-X
Statement showing impact of Government Policies in the State
(Reference :Paragraph 1.11 ; Page 26)

Serial Number	Description	Unit	Year			
			2002-03	2003-04	2004-05	2005-06
1.	Education					
(a)	Schools					
(i)	Primary	Number	1303	1305	1305	1305
(ii)	Middle	Number	264	268	268	271
(iii)	High	Number	116	116	116	116
(iv)	Higher Secondary	Number	9	9	9	9
(v)	Enrolment in Schools	In lakh	4.23	4.36	4.62	4.74
(vi)	Literacy (Percentage)	Percentage	67.11	67.11	67.11	67.11
2.	Higher and Technical Education					
(i)	University	Number	1	1	1	1
(ii)	Colleges	Number	8	36	37	43
(iii)	Polytechnic	Number	2	3	3	3
(iv)	Industrial Training Institute	Number	1	1	1	1
(v)	Agricultural College	Number	1	1	1	1
(vi)	Nagaland College of Education	Number	1	1	1	1
3.	Health					
(i)	Civil Hospital	Number	8	8	8	10
(ii)	Sub-Divisional Hospital	Number	2	2	2	---
(iii)	Primary Health Centre	Number	68	87	87	87
(iv)	Community Health Centre	Number	14	21	21	20
(v)	Subsidiary Health Centre	Number	35	27	27	27
(vi)	Dispensary	Number	15	15	15	15
(vii)	T. B. Hospital	Number	2	2	2	2
(viii)	Mental Hospital	Number	1	1	1	1
(ix)	Infant Mortality	Number/1000	103	106	46	NA
	Sub-centre	Number	350	394	394	937
4.	Animal Health					
(i)	Veterinary Dispensaries	Number	27	27	28	27
(ii)	Veterinary Outpost	Number	63	63	64	64
(iii)	Veterinary Hospital	Number	4	4	4	4
(iv)	Stockman Centre	Number	63	63	63	63
5.	Power					
(i)	Generation	MKWH	2.80	0.031360	0.027279	10.964
(ii)	Purchased	MKWH	271.41	284.00	300.92	280.76
(iii)	Consumption	MKWH/MU	271.41	135.00	139.00	144.80
(iv)	Rural Electrification	Percentage	92.33	96.27	96.65	NA
(v)	T & D Loss	Percentage	55	53	NA	NA

6.	Road Communication					
(i)	Villages Connected with Roads	K.M	948	3340	3564	3825
(ii)	Motorable Roads	K.M	7243.70	3186	3341	3565
(iii)	Jeepable Roads	K.M	-	3186	3341	3565
(iv)	Less than Jeepable Roads	K.M	779	154.00	224.00	260.00
7.	Irrigation					
(i)	Total Irrigated Area	HA	49846.88	1070	1920	2860
(ii)	Irrigation Potential Created	HA	1216	1532	2743	4089
8.	Agriculture					
(i)	Total Cropped Area	In lakh HA	3.14	3.44	3.56	3.09
(ii)	Agriculture Production	MT(in lakh)	3.88	6.82	8.08	7.58
9.	Horticulture					
(i)	Total Cropped Area	HA	6740	7462	8806	13460
(ii)	Total Production	MT	47789	59150	67910	107258
10.	Employment and Craftsman					
(i)	Educated Unemployed Persons	Number	21,238	26,928	27545	25985
11.	Transport					
(i)	No. of vehicles registered during the year	Number	7498	9986	9986	11513
12.	Railway lines					
(i)	Broad Gauge	KM	9.30	9.30	9.30	9.30
13.	Number Of Telephones	Number	NA*	NA*	NA*	NA
14.	Per Capita Income In	Rupees	18911	NA***	NA**	NA

(Source: Information received from the Directorate of various Departments)

Figures indicated above against each item reclassified as per information furnished by the departments concerned during the year 2005-06.

*Not available in the Statistical Hand Book of Nagaland

** Not furnished by the Directorate of Economics and Statistics Department

APPENDIX—XI

Statement showing areas in which major savings occurred
(Reference: Paragraph 2.2.1; Page 31)

Sl. No.	Grant No./ Major Head	Areas in which major saving occurred	Savings (Rupees in crore)
1.		Revenue Section (Voted)	
	18	Pension and Other Retirement Benefits	
	2071	Superannuation and Retirement Allowances	26.47
		Gratuities	5.55
2.	52	Forest	
	2406	Integrated Wasteland Development	1.21
3.	66	Sericulture	
	2851	Subordinate Establishment	1.22
4.	72	Land Resource Development	
	2501	National Wasteland Development Programme	3.60
		Capital Section (Voted)	
5	36	Urban Development	
	4217	Development of Small Towns and Administrative Headquarters	3.79
6.	39	Tourism	
	5452	Integrated Development of Travel Circuits	4.29
		Commenation Centre at Piphema	1.68
		Destination Development of Pfutsero and surrounding areas	2.26
7.	58	Roads and Bridges	
	4552	Roads and Bridges	3.33
	5054	Special Programme Roads	45.78
8.	60	Water Supply Schemes	
	4215	Accelerated Rural Water Supply Programme	23.73
9.	64	Housing	
	4059	Capital outlay on Public Works	6.73
	4216	General Pool Accommodation	6.98
10.	77	Development of Under Developed Areas	
	4575	Backward Area Development Programme	5.21
	4575	Border Area Development Programme	0.74
		Revenue Section (Charged)	
11.	75	<i>Servicing of Debt</i>	
	2049	<i>Interest on Internal Debt</i>	9.17
		<i>Interest on State Provident Fund</i>	4.64
		<i>Interest on Insurance and Pension Fund</i>	3.00
		<i>Interest on loans for State/Union Territory Plan Schemes</i>	5.97
		<i>Interest on Ways and Means Advances</i>	5.17
		<i>Interest on loans and Advances from Central Government</i>	2.40
		Capital Section (Charged)	
12.	75	<i>Servicing of Debt</i>	
	6003	Ways and Means Advances from Reserve Bank of India	183.69
	6004	Loan from State/Union Territory Plan Schemes/ Loans and Advances from Central Government	6.03

APPENDIX—XII

Statement showing savings exceeding Rs.50 lakh and also by more than 10 per cent of total provision
(Reference: Paragraph 2.2.1 ; Page 31)

(Rupees in crore)

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	202.92	23.50 (12)
2.	32- Higher & Technical Education	40.18	4.85 (12)
3.	34- Art and Culture and Gazetteers Unit	8.75	2.30 (26)
4.	37- Assistance to Municipalities and Development Works in Towns	9.48	4.60 (49)
5.	45- Co-operation	13.79	3.96 (29)
6.	51- Fisheries	10.31	2.15 (21)
7.	52- Forest	36.98	12.19 (33)
8.	53- Industries	37.00	5.76 (16)
9.	65- State Council of Educational Research & Training	9.21	4.16 (45)
10.	66- Sericulture	11.22	5.14 (46)
11.	72- Land Resources & Development	51.75	6.62 (13)
12.	73- State Institute of Rural Development	3.29	1.40 (43)
13.	74- Mechanical Engineering	14.62	4.16 (28)
14.	78- Information Technology and Technical Education	23.46	5.50 (23)
Capital Section (Voted)			
15.	4- Administration of Justice	2.35	0.70 (30)
16.	5- Election	2.00	1.76 (88)
17.	7- State Excise	2.98	1.33 (45)
18.	14- Jails	4.56	2.39 (52)
19.	16- State Guest House	0.57	0.57 (100)
20.	27- Planning Machinery	44.94	32.32 (72)
21.	28- Civil Police	4.75	4.75 (100)
22.	31- School Education	4.50	1.23 (27)
23.	33- Youth Resources & Sports	26.53	10.79 (41)
24.	35- Medical, Public Health and Family Welfare	42.62	28.38 (67)
25.	36- Urban Development	65.87	40.21 (61)
26.	39- Tourism	13.71	10.43 (76)
27.	45- Cooperation	20.99	3.02 (14)
28.	48- Agriculture	10.02	3.43 (34)
29.	55- Power Projects	99.77	22.66 (23)
30.	56- Road Transport	10.52	3.90 (37)
31.	58- Roads & Bridges	145.95	49.18 (34)
32.	59- Irrigation & Flood Control	6.94	6.12 (88)
33.	60- Water Supply Schemes	87.29	29.91 (34)
34.	62- Civil Administration Works	15.97	2.64 (17)
35.	64- Housing	42.65	13.98 (33)
36.	69- Fire Service	0.50	0.50 (100)
37.	70- Horticulture	1.81	0.92 (51)
38.	74- Mechanical Engineering	8.12	4.57 (56)
39.	77- Development of Under Developed Areas	40.62	19.11 (47)
40.	78- Information Technology and Technical Education Department	8.62	8.62 (100)
Revenue Section (Charged)			
41.	75- Servicing of Debt	316.20	62.31 (20)
Capital Section (Charged)			
42.	75- Servicing of Debt	729.25	342.04 (47)

APPENDIX—XIII

Statement showing excess expenditure over budget provision which requires regularisation under Article 205 of the Constitution of India
(Reference: Paragraph 2.2.2 (i) ; Page 31)

SI 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	5,69,04,000	5,78,28,273	9,24,273
2.	11- District Administration and Special Welfare Schemes	39,59,18,000	42,66,24,747	3,07,06,747
3.	16- State Guest House	4,73,06,000	5,01,86,897	28,80,897
4.	20- Relief and Rehabilitation	1,34,70,000	1,34,80,000	10,000
5.	21- Relief of Distress caused by Natural Calamities	3,83,00,000	4,61,75,000	78,75,000
6.	22- Civil Supplies	6,42,42,000	6,46,93,922	4,51,922
7.	29- Stationery and Printing	6,47,70,000	6,64,35,670	16,65,670
8.	31- School Education	2,33,00,23,000	2,46,65,88,445	13,65,65,445
9.	33- Youth Resources and Sports	9,04,55,000	10,01,22,852	96,67,852
10.	35- Medical, Public Health and Family Welfare	1,04,52,21,000	1,11,25,29,363	6,73,08,363
11.	46- Statistics	6,98,69,000	7,06,26,343	7,57,343
12.	47- Weights and Measures	2,13,93,000	2,13,93,356	356
13.	48- Agriculture	44,98,00,000	45,08,90,635	10,90,635
14.	49- Soil and Water Conservation	28,35,52,000	28,40,03,633	4,51,633
15.	54- Mineral Development	6,06,64,000	6,80,37,456	73,73,456
16.	58- Roads and Bridges	47,05,66,000	62,84,22,291	15,78,56,291
17.	60- Water Supply Schemes	22,21,09,000	32,24,94,396	10,03,85,396
18.	64- Housing	19,73,67,000	23,21,69,067	3,48,02,067
19.	68- Police Engineering Project	3,64,02,000	3,64,37,736	35,736
20.	76- Women Welfare	4,40,05,000	5,28,03,257	87,98,257
	Total Revenue Section (Voted)	6,00,23,36,000	6,57,19,43,339	56,96,07,339
Capital Section (Voted)				
21.	22- Civil Supplies	1,03,83,000	1,53,74,977	49,91,977
22.	26- Civil Secretariat	10,50,00,000	11,75,00,000	1,25,00,000
23.	43- Social Security & Welfare	5,31,00,000	6,51,10,000	1,20,10,000
24.	50- Animal Husbandry and Dairy Development	62,23,000	1,02,38,115	40,15,115
25.	68- Police Engineering Project	11,40,00,000	15,68,98,448	4,28,98,448
	Total:- Capital (Voted)	28,87,06,000	36,51,21,540	7,64,15,540
Revenue Section (Charged)				
26.	4- Administration of justice	5,56,44,000	5,72,79,000	16,35,000
27.	10- Public Service Commission	1,39,27,000	1,58,50,646	19,23,646
	Total Revenue Section(Charged)	6,95,71,000	7,31,29,646	35,58,646
Grand Total				

(a) Revenue Section Voted – Rs. 56,96,07,339
Charged- Rs. 35,58,646
Total:- Rs. 57,31,65,985 i.e. Rs.57.32 crore

(b) Capital Section Voted – Rs.7,64,15,540
Charged Rs. NIL
Total:- Rs.7,64,15,540 i.e. Rs.7.64 crore
Total Rs.64.96 crore

APPENDIX - XIV

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.2.4(a) ; Page 32)

(Rupees in lakh)

Sl No.	Number and name of the grant/appropriation	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)			
1.	6- Land Revenue	1.12	2.47
2.	18- Pension and Other Retirement Benefits	526.00	2350.15
3.	30- Administrative Training Institute	7.68	13.83
4.	39- Tourism	8.30	15.54
5.	42- Rural Development	277.20	300.49
6.	44- Evaluation	9.36	17.32
7.	67- Home Guards	30.50	41.72
8.	74- Mechanical Engineering	76.65	416.30
Total Revenue Section (Voted)		936.81	3157.82
Capital Section (Voted)			
9.	5- Election	99.73	175.88
10.	16- State Guest House	57.40	57.40
11.	33- Youth Resources and Sports	1038.07	1079.32
12.	36- Urban Development	3743.96	4021.05
13.	39- Tourism	354.63	1043.17
14.	48- Agriculture	316.90	343.36
15.	55- Power Projects	936.52	2265.68
16.	58- Roads & Bridges	1581.56	4917.72
17.	60- Water Supply Schemes	74.18	2991.03
18.	70- Horticulture	91.75	91.75
19.	77- Development of Under Development Areas	1500.00	1911.22
Total Capital Section (Voted)		9794.70	18897.58
Grand Total		10731.51	22055.40

APPENDIX - XV

Statement showing cases where the supplementary grants was made in excess of actual requirement exceeding Rs.10 lakh
(Reference: Paragraph 2.2.4(b) ; Page 32)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
Revenue section (Voted)						
1.	5- Election	4.11	0.33	4.44	4.30	0.14
2.	12- Treasury and Accounts Administration	7.49	0.82	8.31	8.08	0.23
3.	18- Pension and Other Retirement Benefits	197.66	5.26	202.92	179.42	23.50
4.	19- Rajya Sainik Board	0.68	0.14	0.82	0.52	0.31
5.	25- Land Records and Survey	6.11	2.50	8.61	8.08	0.52
6.	26- Civil Secretariat	37.94	8.81	46.75	42.43	4.32
7.	28- Civil Police	257.17	35.89	293.06	286.61	6.45
8.	30- Administrative Training Institute	1.81	0.08	1.89	1.75	0.14
9.	34- Art and Culture and Gazetteers Unit	6.37	2.38	8.75	6.45	2.30
10.	37- Assistance to Municipalities and Development Works in towns	0.13	9.35	9.48	4.88	4.60
11.	39- Tourism	3.15	0.08	3.23	3.07	0.16
12.	40- Employment and Training	5.08	3.32	8.40	7.83	0.57
13.	42- Rural Development	41.53	2.77	44.30	41.30	3.00
14.	43- Social Security and Welfare	35.50	13.80	49.30	45.41	3.89
15.	44- Evaluation unit	1.55	0.09	1.64	1.47	0.17
16.	45- Cooperation	5.13	8.66	13.79	9.83	3.96
17.	50- Animal Husbandry & Dairy Development	33.43	4.07	37.50	37.10	0.40
18.	51- Fisheries	6.76	3.55	10.31	8.16	2.15
19.	52- Forest	20.34	16.64	36.98	24.79	12.19
20.	55- Power Projects	97.20	2.23	99.43	99.16	0.27
21.	59- Irrigation and Flood Control	19.50	5.87	25.37	25.07	0.30
22.	67- Home Guards	7.55	0.31	7.86	7.44	0.42

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
23.	72- Land Resource Development	24.30	27.45	51.75	45.14	6.61
24.	74- Mechanical Engineering	13.85	0.77	14.62	10.46	4.16
25.	78- Information Technology and Technical Education	15.28	8.18	23.46	17.96	5.50
	Total Revenue (Voted)	849.62	163.35	1012.97	926.71	86.26
Capital Section (Voted)						
26.	5- Election	1.00	1.00	2.00	0.24	1.76
27.	7- State Excise	1.00	1.98	2.98	1.65	1.33
28.	33- Youth Resources & Sports	16.15	10.38	26.53	15.74	10.79
29.	36- Urban Development	28.43	37.44	65.87	25.66	40.21
30.	39- Tourism	10.16	3.55	13.71	3.28	10.43
31.	45- Cooperation	1.89	19.10	20.99	17.97	3.02
32.	48- Agriculture	6.85	3.17	10.02	6.59	3.43
33.	51- Fisheries	1.75	0.51	2.26	1.83	0.43
34.	52- Forest	1.00	1.00	2.00	1.81	0.19
35.	53- Industries	18.78	0.48	19.26	18.78	0.48
36.	55- Power Projects	90.40	9.37	99.77	77.11	22.66
37.	58- Roads & Bridges	130.13	15.82	145.95	96.77	49.18
38.	60- Water Supply Scheme	86.55	0.74	87.29	57.38	29.91
39.	62- Civil Administration Works	12.70	3.27	15.97	13.33	2.64
40.	64- Housing	28.55	14.10	42.65	28.67	13.98
41.	65- State Council of Educational Research and Training	0.40	2.02	2.42	1.11	1.31
42.	70- Horticulture	0.89	0.92	1.81	0.89	0.92
43.	77- Development of Under Developed Areas	25.62	15.00	40.62	21.51	19.11
	Total Capital (Voted)	462.25	139.85	602.10	390.32	211.78
	Grand Total	1311.87	303.20	1615.07	1317.03	298.04

APPENDIX - XVI

Statement showing cases where supplementary provision was insufficient by more than Rs.10 lakh in each case
(Reference: Paragraph 2.2.4(c) ; Page 32)

(Rupees in crore)

Sl. No	Number & Name of Grant/Appropriation	Original	Supplementary	Total	Expenditure	Excess
	Revenue Section (Voted)					
1.	4- Administration of Justice	4.83	0.73	5.56	5.72	0.16
2.	11- District Administration and Special Welfare Schemes	31.88	7.71	39.59	42.66	3.07
3.	16- State Guest House	4.13	0.60	4.73	5.02	0.29
4.	21- Relief of Distress Caused by Natural Calamities	2.39	1.44	3.83	4.62	0.79
5.	29- Stationery and Printing	5.74	0.73	6.47	6.64	0.17
6.	31- School Education	210.00	23.00	233.00	246.66	13.66
7.	33- Youth Resources and Sports	6.88	2.17	9.05	10.01	0.96
8.	35- Medical, Public Health and Family Welfare	81.58	22.94	104.52	111.25	6.73
9.	48- Agriculture	33.23	11.75	44.98	45.09	0.11
10.	54- Mineral Development	5.78	0.29	6.07	6.80	0.73
11.	58- Roads and Bridges	41.75	5.31	47.06	62.84	15.78
12.	60- Water Supply Schemes	18.43	3.78	22.21	32.25	10.04
13.	64- Housing	15.48	4.26	19.74	23.22	3.48
14.	76- Women Welfare	3.83	0.57	4.40	5.28	0.88
	Total Revenue Section (Voted)	465.93	85.28	551.21	608.06	56.85
	Capital Section (Voted)					
15.	43- Social Security and Welfare	4.31	1.00	5.31	6.51	1.20
16.	50- Animal Husbandry and Dairy Development	0.47	0.15	0.62	1.02	0.40
	Total Capital Section (Voted)	4.78	1.15	5.93	7.53	1.60
	Revenue Section (Charged)					
17.	10- Public Service Commission	1.18	0.21	1.39	1.58	0.19
	Total Revenue Section (Charged)	1.18	0.21	1.39	1.58	0.19
	Grand Total	471.89	86.64	558.53	617.17	58.64

APPENDIX—XVII

Statement showing persistent savings in excess of Rs.10 lakh in each case and 10 per cent or more of the provision during 2003-04 to 2005-06
(Reference: Paragraph 2.2.5; Page 32)

(Rupees in crore)

Sl No	Number and name of the grant/appropriation	Amount of savings (percentage of savings)		
		2003-04	2004-05	2005-06
Revenue Section (Voted)				
1.	37- Assistance to Municipalities and Development Works in Towns	0.97 (11)	7.33 (89)	4.60 (49)
2.	53- Industries	6.02 (19)	11.36 (34)	5.76 (16)
3.	65- SCERT	3.62 (44)	3.89 (50)	4.16 (45)
4.	66- Sericulture	5.47 (51)	5.57 (51)	5.14 (46)
5.	72-Land Resource Development	5.39 (16)	13.55 (43)	6.62 (13)
6.	78- Information Technology and Technical Education	9.25 (79)	2.14 (19)	5.50 (23)
Capital Section (Voted)				
7.	4- Administration of Justice	0.94 (31)	1.27 (55)	0.70 (30)
8.	7- State Excise	0.19 (13)	1.06 (53)	1.33 (45)
9.	27- Planning Machinery	16.21 (69)	12.15 (52)	32.32 (72)
10.	31- School Education	5.07 (84)	2.46 (92)	1.23 (27)
11.	33- Youth Resources and Sports	0.75 (10)	14.32 (54)	10.79 (41)
12.	35- Medical, Public health and Family Welfare	35.84 (66)	12.73 (23)	28.38 (67)
13.	36- Urban Development	46.25 (72)	10.22 (42)	40.21 (61)
14.	39- Tourism	0.37 (100)	9.56 (57)	10.43 (76)
15.	45- Co-operation	6.57 (64)	3.21 (96)	3.02 (14)
16.	48- Agriculture	3.23 (54)	1.64 (27)	3.43 (34)
17.	55- Power Projects	23.02 (27)	36.48 (45)	22.66 (23)
18.	58- Roads and Bridges	16.85 (19)	51.80 (40)	49.18 (34)
19.	60- Water Supply Schemes	16.90 (21)	20.58 (32)	29.91 (34)
20.	65- SCERT	4.55 (91)	0.57 (15)	1.31 (54)
21.	69- Fire Services	0.14 (100)	0.10 (11)	0.50 (100)
22.	70- Horticulture	2.00 (93)	2.00 (67)	0.92 (51)
23.	74- Mechanical Engineering	3.34 (45)	1.88 (27)	4.57 (56)
24.	77- Development of Under Developed Areas	10.38 (68)	13.20 (51)	19.11 (47)
Revenue Section (Charged)				
25.	75- Servicing of Debt	35.96 (13)	51.29 (17)	62.31 (20)

APPENDIX- XVIII

Statement showing significant cases of excess expenditure by more than Rs.50 lakh and 10 per cent or more of the total provision during 2005-06

(Reference: Paragraph 2.2.6; Page 32)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Total provision	Actual expenditure	Amount of excess (percentage of excess)
(1)	(2)			(3)
Revenue section (voted)				
1.	58- Roads and Bridges	47.06	62.84	15.78 (34)
2.	60- Water Supply Schemes	22.21	32.25	10.04 (45)
3.	64- Housing	19.74	23.22	3.48 (18)
Capital section (voted)				
4.	26- Civil Secretariat	10.50	11.75	1.25 (12)
5.	43- Social Security and Welfare	5.31	6.51	1.20 (23)
6.	68- Police Engineering Project	11.40	15.69	4.29 (38)

APPENDIX-XIX

Statement showing the grant-wise details where expenditure was incurred without budget provision

(Reference: Paragraph 2.2.7; Page 33)

(Rupees in lakh)

Sl. No	Grant/ Appropriation Number	Head of Account	Budget Provision	Re- appropriation	Expenditure
1.	21	2245-101 Gratuities Relief	---	---	319.50
2.	31	4202-01-201 Elementary Education	---	---	11.83
3.	50	2403-102-04 Bull Calf Rearing Centres	-	-	1.18
4.	52	2406-111-10 Zoological Park	---	---	1.82
5.	55	2801-799-01 Debit Stock	---	---	12.07
6.	55	2801-799-03 Debit MPWA	---	---	44.55
7.	58	3054-052-02 Repair and Carriage Maintenance (R&B)	---	---	112.78
8.	58	3054-799-01 Stock (Dr)	---	---	40.24
9.	58	3054-799-03 Misc. Advance (Dr)	---	---	1.66
10.	60	2215-799-02 Stock (Dr)	---	---	1955.93
11.	64	2059-053-04 Buildings	---	---	140.41
12.	64	2059-102-02 Maintenance and Repairs (Building)	---	---	93.42
13.	68	4216-01-107 Police Housing	---	---	2.16
14.	74	2059-105-01 Establishment	---	---	1.55
TOTAL					2739.10

APPENDIX-XX

Statement showing anticipated savings of Rs.1 crore and above not surrendered during 2005-06

(Reference: Paragraph 2.2.8; Page 33)

(Rupees in crore)

Sl.No.	Number and name of Grant/ Appropriation	Total savings	Amount surrendered	Un-surrendered savings
Revenue Section (Voted)				
1.	18- Pensions and Other Retirement Benefits	23.50	---	23.50
2.	26- Civil Secretariat	4.32	2.07	2.25
3.	74- Mechanical Engineering	4.16	3.05	1.11
Total Revenue Section (Voted)		31.98	5.12	26.86
Capital Section (Voted)				
4.	7- State Excise	1.33	---	1.33
5.	31- School Education	1.23	---	1.23
6.	36- Urban Development	40.21	37.81	2.40
7.	39- Tourism	10.43	1.66	8.77
8.	58- Roads and Bridges	49.18	---	49.18
9.	60- Water Supply Schemes	29.91	5.43	24.48
10.	62- Civil Administration Works	2.64	---	2.64
11.	64- Housing	13.98	0.27	13.71
12.	74- Mechanical Engineering	4.57	1.41	3.16
13.	77- Development of Under Developed Areas	19.11	15.00	4.11
Total Capital Section (Voted)		172.59	61.58	111.01
Revenue Section (Charged)				
14.	<i>Servicing of Debt</i>	62.31	31.96	30.35
Total Revenue Section (Charged)		62.31	31.96	29.35
Capital Section (Charged)				
15.	<i>Servicing of Debt</i>	342.05	152.32	189.73
Total Capital Section (Charged)		342.05	152.32	189.73
Grand Total		608.93	250.98	357.95

APPENDIX—XXI

**Statement showing surrender of amounts in excess of savings
(Reference: Paragraph 2.2.9; Page 33)**

(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.	8- Sales Tax	0.65	1.21	0.56
2.	12- Treasury and Accounts Administration	23.44	23.45	0.01
3.	13- Village Guards	7.22	14.00	6.78
4.	15- Vigilance Commission	5.97	6.74	0.77
5.	27- Planning Machinery	170.94	171.43	0.49
6.	28- Civil Police	645.40	847.45	202.05
7.	36- Urban Development	6.98	6.99	0.01
8.	40- Employment and Training	57.39	57.40	0.01
9.	42- Rural Development	300.49	362.43	61.94
10.	43- Social Security and Welfare	388.76	614.38	225.62
11.	51- Fisheries	214.73	218.79	4.06
12.	52- Forest	1218.78	1285.43	66.65
13.	53- Industries	575.93	689.13	113.20
14.	62- Civil Administration Works	3.23	7.91	4.68
15.	65- SCERT	416.03	421.27	5.24
16.	67- Home Guards	41.72	41.73	0.01
17.	70- Horticulture	66.39	85.63	19.24
18.	72- Land Resource Development	661.54	670.57	9.03
19.	78- Information Technology and Technical Education	550.19	582.37	32.18
Total Revenue Section (Voted)		5355.78	6108.31	752.53
Capital Section (Voted)				
20.	33- Youth Resources and Sports	1079.32	1129.73	50.41
21.	35- Medical, Public Health and Family Welfare	2838.45	2942.27	103.82
22.	53- Industries	47.61	55.34	7.73
23.	65- SCERT	131.00	200.00	69.00
24.	70- Horticulture	91.75	97.05	5.30
Total Capital Section (Voted)		4188.13	4424.39	236.26
Grand Total:-		9543.91	10532.70	988.79

APPENDIX—XXII

Statement showing grant-wise details of recoveries adjusted in reduction of expenditure during the year 2005-06

(Reference: Paragraph 2.2.10; Page 33)

Number and name of grant	Budget Estimates	Actuals	Actuals compared with estimates	
			Excess (+)	Less (-)
			Excess	Savings
31- School Education	51,77,000	---	---	51,77,000
35- Medical, Public Health and Family Welfare	1,20,80,000	1,59,95,613	39,15,613	---
36- Urban Development	2,09,38,000	---	---	2,09,38,000
53- Industries	16,39,000	---	---	16,39,000
55- Power Projects	2,39,41,000	2,40,12,015	71,015	---
56- Road Transport	9,20,000	---	---	9,20,000
58- Roads and Bridges	6,98,14,000	5,15,26,688	---	1,82,87,312
60- Water Supply Schemes	1,65,29,000	33,12,788	---	1,32,16,212
62- Civil Administration Works	1,46,10,000	3,07,62,275	1,61,52,275	---
64- Housing	2,83,49,000	84,64,550	---	1,98,84,450
68- Police Engineering Project	1,31,15,000	1,35,61,052	4,46,051	---
77- Development of Under Developed Areas	2,47,58,000	---	---	2,47,58,000
Total	23,18,70,000	14,76,34,981	2,05,84,954	10,48,19,974

APPENDIX- XXIII
Statement showing amount drawn in AC Bills
(Reference: Paragraph 2.3 ; Page 35)

Bill No. & date	Purpose	Sanction order No. & date	Amount
138 of 17.5.2004	Visit of 12 th Finance Commission	GAB-II/Hospitality/GAB/Pro-3/2004 dt 26.1.2004	1,50,000
228 of 14.6.2004	Purchase of Gold medals	CON-2/Award/14/03-04 dt 4.6.2004	67,472
287 of 25.6.2004	Maintenance of Peace Camp	CON-13/Bud-12/01 dt 18.6.2004	3,63,650
300 of 29.6.2004	Cost of POL	TPT/POL-28/89 dt 24.5.2004	1,00,000
397 of 7.8.2004	Celebration of I/Day	GAB/GEN/TP/11/03 dt	3,58,000
424 of 16.8.2004	Mass Skill upgradation	GAB/1/491-92 dt 26.1.2004	1,69,000
708 of 18.10.2004	Conduct of Youth Seminar 04-05	Parli-1/18/04 dt 12.10.2004	1,60,000
425 of 16.8.2004	POL	TPT/POL/29/89 dt 13.8.2004	50,000
506 of 1.9.2004	Expenditure of Enquiry Commission	CON/6/LOR/1/04 dt 24.8.2004	85,000
CAB dt 1.9.2004	Purchase of vehicle	TPT/POL/92/01 dt 31.8.2004	13,42,020
533 dt 14.9.2004	Rehabilitation of UGRC	Con-13/Bud/2/01 dt 3.9.2004	9,00,000
534 dt 14.9.2004	Counsel fee	AR-2/TRG/99 dt 3.9.2004	31,900
536 dt 16.9.2004	POL	TPT/SPL/26/79/2004 dt 16.9.2004	50,000
617 dt 27.9.2004	Peace process	Con-10/03 dt 22.9.2004	89,650
618 dt 27.9.2004	Purchase of computer and Xerox	AR-3/GE/Expdr/04 dt 16.9.2004	6,33,107
619 dt 27.9.2004	Grant in Aid to Peace Centre	Con-63/88 dt 17.9.2004	30,000
640 dt 28.9.2004	Purchase of Gold medals	CON-2/Award/16 dt 22.9.2004	9,230
668 dt 4.10.2004	Expenditure on I/Day	GAB-1/GEN/7/33 dt 23.9.2004	7,000
707 dt 18.10.2004	Expenditure on celebration of 1 st year DAN Govt.	GAB/33/7/03 dt 8.9.2004	3,07,709
813 dt 25.11.2004	Conduct of Youth Seminar	Parli-1/18/04 dt 12.10.2004	1,60,000
747 dt 1.11.2004	Advisory Board sitting expenditure	CON-1/9/158/04 dt 16.7.2004	1,05,051
753 dt 3.11.2004	Cost of POL	TPT/SPL/28/90 dt 29.10.2004	50,000
CAB-21 dt 8.11.2004	Purchase of vehicle	TPT/SPL-114/03 dt 1.11.2004	84,74,753
792 dt 23.11.2004	Expenditure on Seminar	CON-10/00 (Pt) dt 18.11.2004	1,06,200
819 dt 29.11.2004	Expenditure of Governors Gold Cup	CON-2/Award/9/01 dt 10.11.2004	87,875
820 dt 29.11.2004	Legal Fee	TPT/SPL-85/04 dt 17.11.2004	50,000
832 dt 6.12.2004	Peace Process	CON-10/03 dt 27.11.2004	10,00,000
838 dt 7.12.2004	Grant in Aid to Peace Camp	CON-10/03 dt 22.11.2004	1,51,000
922 dt 18.12.2004	Payment of Legal fee	CON-1/99 dt 7.12.2004	10,00,000
923 dt 18.12.2004	Cost of POL	TPT/SPL-29/89 dt 16.12.2004	89,186
924 dt 18.12.2004	Mass Skill upgradation	AR-3/GEN/18/N/04 dt 4.12.2004	63,314
CB No 30 dt 3.1.2005	Celebration of R/Day	GAB/GEN/7/33/98 dt 24.1.2005	3,65,000
1041 dt 14.2.2005	Tour of DAN Sub Committee on Peace	CON-10/23 (Pt) dt 28.1.2005	15,00,000
1072 dt 17.2.2005	Expenditure on Indo Asian Car rally	GAB/PRO/3/84 dt 10.2.2005	1,50,000
1073 dt 17.2.2005	Cost of POL	TPT/POL/SPL-28/99 (Pt) dt 14.2.2005	75,000
CB 34 dt 19.2.2005	Peace Process	CON-10/03 (Pt) dt 18.2.2005	50,000
CB 35 dt 8.3.2005	Purchase of vehicle	TPT/SPL-120/00 dt 4.3.2005	4,41,291
1157 dt 10.3.2005	Celebration of R/Day	---	70,000
1224 dt 26.3.2005	Legal fee	GAB/61/2004 (Pt) dt 15.11.2005	2,000

Bill No. & date	Purpose	Sanction order No. & date	Amount
1231 dt 28.3.2005	Legal fee	CON-1/99 dt 24.3.2005	5,00,000
1258 dt 30.3.2005	Purchase of vehicle	CON-10/03 (Pt) dt 29.3.2005	4,95,244
1299 dt 31.3.2005	Gallantry Award	CON-2/Award/8/346 dt 31.3.2005	23,250
1291 dt 31.3.2005	Purchase of vehicle	TPT/SPL/48/2005 dt 30.3.2005	7,84,698
CB 42 dt 31.3.2005	Addl. Secretary (PAR)	AR-3/GEN/EXPN/2004 dt 30.3.2005	1,00,702
1294 dt 31.3.2005	Maintenance of UGRC Camp	CON-13/Bud/2 (Pt) dt 30.3.2005	7,81,605
1295 dt 31.3.2005	C. M. Secretariat Touring of Chairman	CON-10/2003 (Pt) dt 31.3.2005	35,300
296 dt 31.3.2005	DC, Maintenance of UGRC	CON/BUD/5/2000 dt 30.3.2005	3,81,368
1297 dt 31.3.2005	Peace Process	CON-10/2003 (Pt) dt 31.3.2005	16,00,000
1298 dt 31.3.2005	Repair of Police Barracks	CON-49/88 (Pt) dt 31.3.2005	1,00,000
1301 dt 31.3.2005	Special Officer (Accounts)	CON-9/92 dt 31.3.2005	1,01,000
1300 dt 31.3.2005	-do-	CON-49/88 (Vol.I) 2004 dt 31.3.2005	73,000
1302 dt 31.3.2005	Legal fee	---	9,56,505
57 dt 16.4.2003	Purchase of vehicle	CON-10/2003 dt NIL	20,00,000
104 dt 29.4.2003	-do-	TPT/SPL-9/2001/26/590 dt NIL	28,00,232
186 dt 30.5.2003	Cost of Gold medal	CON-2/Award/14/2002 Pt/5 dt 16.5.2000	59,111
199 dt 6.6.2003	Entertainment of Union Minister	GAB/PRO-3/01 dt 2.6.2003	84,000
314 dt 7.7.2003	Purchase of vehicle	TPT/SPL-01/01 dt 30.6.2003	18,74,476
327 dt 10.7.2003	Maintenance of rehabilitation Centre	CON-13/BUD/5/02 dt 26.4.2004	15,00,000
384 dt 30.7.2003	Cost of POL	TPT/POL/SPL-25/99 dt 29.7.2003	50,000
399 dt 12.8.2003	Celebration of I/Day	GAB/GEN dt 7.11.2003	1,38,500
403 dt 12.8.2003	Rehab Camp	CON-51/98 dt 1.8.2004	5,90,000
474 dt 11.9.2003	Expenditure on enquiry commission	CON-1/9/122/03 dt 29.8.2003	1,09,300
482 dt 15.9.2003	Cost of POL	TPT/SPL/28/09 dt 5.9.2003	50,000
618 dt 21.10.2003	Cost of vehicle	CON-10/03 dt 17.10.2003	6,72,048
625 dt 21.10.2003	Cost of POL	TPT/SPL/28/89 dt 15.10.2003	50,000
648 dt 24.10.2003	PM visit	GAB/PRO-3/2001 dt 23.10.2003	4,50,000
651 dt 24.10.2003	Cost of POL	TPT/SPL-84/97 dt 24.10.2003	1,50,000
684 dt 13.11.2003	Assistance to NPMHR	GAB/12/03-04 dt 4.11.2003	3,42,000
846 dt 15.12.2003	Cost of POL	TPT/SPL/28/59 dt NIL	50,000
847 dt 15.12.2003	Celebration of Statehood day	GAB/GEN/7/11/03 dt ---	1,77,000
950 dt 20.1.2004	R/Day Parade	GAB/11/1/96/5/03	20,00,000
981 dt 23.1.2004	R/Day celebration	GAB/GE/7/11/03 dt 22.1.2004	1,11,000
993 dt 29.1.2004	-do-	-do-	2,25,000
1068 dt 20.2.2004	Cost of vehicle	CON-10/3 (Pt)/26/16	5,28,860
1069 dt 20.2.2004	Cost of POL	TPT/SPL-28/89 dt 12.2.2004	50,000
CB 24 dt 13.3.2004	Purchase of vehicle	TPT/SPL/114/03 dt 25.2.2003	53,23,292
CB 25 dt 19.3.2004	Installation of EPABX	NAZ/26/96 (Pt) dt 12.3.2004	12,19,222
CB 26 dt 27.3.2004	Cost of POL	TPT/SPL/28/89 dt 16.3.2004	23,000
4059 (1) dt 31.3.2004	Construction of Public Toilets	---	84,00,000
1226 dt 30.3.2004	Peace Process	CON-10/2003 (Pt) dt 2.8.2003	10,00,000
1251 dt 31.3.2004	Cash relief	---	3,25,000
659 dt 27.10.2003	Youth Parliament Quiz	---	3,20,000
1260 of 31.3.2004	Peace Process	CON-10/2003 dt 31.3.2004	6,80,000
Total			5,61,79,121

APPENDIX-XXIV

Statements showing the value of medicines issued to different field units from the central medical store of DHS without any demand

(Reference: Paragraph 3.1.11.2; Page 43)

Date of issue	Issued to whom	Items of medicines issued	Value (Rs.)
15.9.2003	PHC, Mungsangymti	9	36,342
24.9.2003	Medical Superintendent, Tuensang	13	1,45,020
25.9.2003	Medical Superintendent, Dimapur	12	1,34,087
25.9.2003	- do -	16	3,64,820
30.9.2003	- do -	10	62,601
10.6.2005	Civil Surgeon, Wokha	27	5,66,134
13.6.2005	Civil Surgeon, Kohima	8	22,080
16.6.2005	Sub-centre Dungki, Jalukie	7	3,892
23.6.2005	SDMO, Pfutsero	15	62,480
23.6.2005	DFW, Mokokchung	29	3,68,433
24.6.2005	Civil Surgeon, Zunheboto	25	3,45,684
27.6.2005	SDMO, Tseminyu	25	2,83,163
22.7.2005	CHC, Noklak	26	2,04,412
29.7.2005	Civil Surgeon, Mokokchung	25	3,88,919
Total			29,88,067

APPENDIX-XXV

Statement showing the equipment and medicines required
for SARS as per action plan.

(Reference: Paragraph 3.1.16; Page 45)

Sl. No.	Name of the major items
1.	Laboratory Coat (Apron)
2.	Biohazard Bags (blue, yellow, black in colour)
3.	Autoclave
4.	Incinerator
5.	NP/OP Sterile Disposable SWAB
6.	Viral Transport Medium (VTM)
7.	Heparinized Vacuutainer (EDTA) (5ml)
8.	Sterile Screw Capped Container (UNIVERSAL) for urine
9.	Cold Chain for transportation of Clinical Specimens
10.	Bio Hazard Sticker
11.	Labels
12.	5% Sodium Hypochloride
13.	For Packaging (cotton, filter paper)
14.	Leucoplast/Cello tape for sealing
15.	Spirits
16.	N.95 Mask
17.	3 Layered Face Mask
18.	Head Over Cap
19.	Goggles
20.	Protective Footwear (Gumboot)
21.	ORS
22.	Capsule Mox-Clav (500 mg)
23.	Injection Deriphylline

APPENDIX-XXVI

Statements showing the Health Care Centres for which Department does not have any information where those centres are housed

(Reference: Paragraph 3.1.26; Page 51)

Sl No.	Name of the District	Name of the centers
1.	Kohima	1. Seithogei SC
		2. Viphoma SC
		3. Kidima SC
		4. Tsosinyu SC
		5. Rumesinyu SC
2.	Mokokchung	6. Molungyimsen SC
		7. Moalenden SC
		8. Pangsang SC
3.	Phek	9. <i>Lephor PHC</i>
		10. Chozuba Village SC
		11. Suthozu Nasa SC
		12. Chesezu SC
		13. Lanyi SC
		14. Sohomi SC
		15. Gidemi SC
		16. R.D Block Kikruma SC
		17. Rukizu Colony SC
		18. Chokriba SC
4.	Tuensang	19. Hakchang SC
		20. Chendang SC
		21. 3 rd NAP Pvt. Sector SC
5.	Mon	22. Tuimei SC
		23. Hongphoi SC
		24. Sheangha Wamsa SC
6.	Wokha	25. Koio SC
		26. Meshangpen SC
		27. Morakjo SC
		28. Pangtong SC
		29. Liphi SC
		30. Wozhu Old SC
		31. Yonchucho SC
7.	Zunheboto	32. Sheipu SC
		33. Lokobomi SC
		34. Old Shena SC
		35. Itovi SC
8.	Dimapur	36. <i>Singrijan PHC</i>
		37. Zukihe SC
		38. Thilixu SC
		39. Suhoi SC
		40. Sematila/Xuvihe SC
		41. 7 th Mile SC
9.	Peren	42. New Nkio SC
10.	Kiphire	43. Likhimro PHC
		44. Pungro Village SC
		45. Kisetong SC

APPENDIX-XXVII

Statements showing the Health Care Centres working in dilapidated buildings requiring either major repair or new Construction

(Reference: Paragraph 3.1.27; Page 51)

Name of district	Name of Primary Health Centres (PHCs) which require		Name of Community Health Centres (CHCs) which require		Name of Sub Centres (SCs) which require	
	Major repairs	New construction	Major repairs	New construction	Major repairs	New construction
Kohima	1. Botsa	1. Alongkima			1. Chandmari	1. Tsiesema
	2. Sechu	2. Chuchuyimlang			2. Agri-Forest	2. Sendendyu
	3. Jotsoma				3. AG Colony	
	4. Ziezou				4. Naga Bazar	
					5. Bayavu	
					6. Gariphema	
					7. Phenshonyu	
					8. Kandinu	
					9. Tseminyu New Town	
Mokokchung	5. Longiang				10. Kobulong	3. Sungratsu
	6. Ungma				11. Yimchenkimong	4. Molungkimong
	7. Mangmetong				12. Lirnen	5. Salulamang
	8. Longchem.				13. Longimisa	6. Yaongyimsen
					14. Yisemyong	7. Asangma
					15. Khar	8. Japu
					16. Khanimo	9. Tsudikong
					17. Aosettsu	10. Aosenden
					18. Longphayimsen	11. Kinunger
					19. Longnak	12. Kilengmen
					20. Saring	13. Workshop Block
					21. Nokpu	
					22. Longpha Old	
					23. Unger	
					24. Aliba	
					25. Kubza	
					26. Mokokchung Village	
					27. Longkong	
					28. Mongchen	
					29. Khensa	
				30. Yajang 'C'		
				31. Alempang		
				32. Mokokchung Town		
Dimapur	9. Ruzaphema	3. Chumukedima	1. Medziphema		33. Tsiepama	
			2. Dhansiripar		34. Rengmapanis	
					35. Khaghaboto	
					36. Samaguri	
					37. Diphupar	
					38. Razhaphe	
					39. Aoyimkum	
					40. Rangapahar	
					41. Kacharigaon	
					42. Duncan	
					43. Chekiye	
Total	9	3	2	Nil	43	13

APPENDIX-XXVIII

Statement showing the number of beneficiaries identified and covered under three major components of scheme during 2001-02 to 2005-06
(Reference: Paragraph 3.2.9 & 3.2.18; Page 61 and 65)

Year	Number of beneficiaries under three major component of the scheme								
	Supplementary nutrition			Immunisation			Non-Formal Pre-School		
	I	C	S (percentage)	I	C	S (percentage)	I	C	S (percentage)
2001-02	348420	348010	410 (0.12)	348420	34,700	304720 (87)	130960	130960	-
2002-03	348830	348590	240 (0.07)	348830	34,720	314110 (90)	130500	130200	300 (0.23)
2003-04	349190	348800	390 (0.12)	349190	34,810	314380 (90)	131750	131200	550 (0.42)
2004-05	349590	349460	130 (0.04)	349590	3,48,200	1390 (0.40)	131900	131680	220 (0.17)
2005-06	349890	349750	140 (0.04)	349890	3,49,230	660 (0.19)	133230	133010	220 (0.17)

(I: Identified, C: Covered and S: Shortfall)

APPENDIX-XXIX
Statement showing the non-receipt of ICDS materials by the test checked CDPOs during 2001-02 to 2005-06
(Reference: Paragraph 3.2.17; page 65)

Sl.No	Name of item(s)	To whom issued		Quantity issued in number	Rate (each in Rs)	Value Rs	Quantity received by the CDPOs	Qty not received	Value of short receipts (Rs)
		Date	Name of CDPOs						
1.	India Map	15/7/03	CDPO, Jakhama	96	Rs.65.00	6240	Nil	96	6240
2.	Phenyl	15/7/03		290	Rs.225.00	65250	Nil	290	65250
3.	Nagaland Map	15/7/03		96	Rs.65.00	6240	Nil	96	6240
4.	Register No.10	15/5/05	CDPO,Dimapur (U)	1000	Rs.85.00	85000	Nil	1000	85000
5.	Cooking Pot 20"	15/5/05		40	Rs.1490.00	59600	Nil	40	59600
6.	Cooking Pot 18"	15/5/05		50	Rs.1390.00	69500	Nil	50	69500
7.	Steel Bucket	15/5/05		300	Rs.210.00	63000	Nil	300	63000
8.	Counting Frame	15/5/05		1280	Rs.195.00	249600	280	1000	195000
9.	Steel Almirah	15/5/05		12	Rs.4750.00	57000	2	10	47500
10.	Water Filter	15/5/05		500	Rs.850.00	425000	100	400	340000
11.	Jigsaw Puzzle	15/5/05		3500	Rs.130.00	455000	500	3000	390000
12.	Cooking Pot 18"	7/7/05	CDPO,Nuiland	30	Rs.1390.00	41700	Nil	30	41700
13.	Jigsaw Puzzle	7/7/05		1400	Rs.130.00	182000	400	1000	130000
14.	Water colour tube	7/7/05		2000	Rs.65.00	130000	Nil	2000	130000
15.	Phenyl	25/8/05		160	Rs.225.00	36000	60	100	22500
16.	Register No.10	7/7/05		90	Rs.85.00	7650	Nil	90	7650
17.	Register No.12	25/8/05		1200	Rs.88.00	105600	200	1000	88000
18.	Towel	7/7/05		500	Rs.100.00	50000	Nil	500	50000
19.	Stainless Steel Bowl	7/7/05		1200	Rs.44.00	52800	200	1000	44000
20.	Steel Bucket	7/7/05		200	Rs.210.00	42000	Nil	200	42000
21.	ABC Block	9/10/02		CDPO,Nuiland	10000	Rs.65.00	650000	Nil	10000
22.	ABC Block	24/10/02	4000		Rs.65.00	260000	Nil	4000	260000
23.	Number Block	15/10/02	8500		Rs.73.00	620500	Nil	8500	620500
24.	Plastic Chair	15/10/02	4800		Rs.195.00	936000	Nil	4800	936000
25.	Square Centre Table	24/10/02	400		Rs.367.00	146800	Nil	400	146800
26.	Square Centre Table	9/10/02	2000		Rs.367.00	734000	Nil	2000	734000
27.	Counting Frame	9/10/02	1200		Rs.195.00	234000	Nil	1200	234000
28.	Jigsaw Puzzle	1/11/04	1400		Rs.130.00	182000	400	1000	130000
29.	Water Filter	3/2/04	150		Rs.850.00	127500	25	125	106250
30.	Number Block	24/10/02	8000		Rs.73.00	584000	Nil	8000	584000
31.	Square Centre Table	24/10/02	CDPO, Ongpangkong(S)	1750	Rs.367.00	642250	175	1575	578025
32.	Rubber Ball	8/12/01		2000	Rs.30.00	60000	Nil	2000	60000
33.	Medicine Kit	4/4/03	CDPO, Kobulong	40	Rs.600.00	24000	30	10	6000
34.	Phenyl	4/4/03		180	Rs.225.00	40500	Nil	180	40500
Total									Rs.69,69,255 Say Rs.0.70 crore

APPENDIX-XXX

Statement Showing the target and achievement on training of several of ICDS functionaries conducted during 2001-02 to 2005-06
(Reference: Paragraph 3.2.26; page 70)

Sl. No.	Name of courses organised	2001-02			2002-03			2003-04			2004-05 and 2005-06			Remarks
		T	A	S (%)	T	A	S (%)	T	A	S (%)	T	A	S (%)	
1.	Job training of AWWs	105	105	Nil	105	90	15 (14)	105	105	Nil	210	210	Nil	AWTC, Dimapur
2.	Refreshers course for AWWs	120	120	Nil	120	43	77 (64)	120	43	77 (64)	520	520	Nil	
3.	Orientation for AWHs	1000	909	91 (9)	700	580	120 (17)	600	359	241 (49)	1600	2477	Nil	
4.	CDPOs	10	Nil	10 (100)	Nil	Nil	Nil	19	Nil	Nil	Nil	Nil	Nil	Training conducted at NIPCCD, Guwahati
5.	Supervisor (Job and Refresher)	43	Nil	43 (100)	Nil	Nil	Nil	30	35	Nil	Nil	Nil	Nil	
6.	Orientation for VCCs/GBs	1000	994	6 (0.06)	700	460	240 (34)	750	459	291 (39)	Nil	89	Nil	
7.	Orientation for Women leaders of Women Organisation	1000	700	300 (30)	850	599	251 (30)	750	327	423 (56)	Nil	97	Nil	

T=Target, A=Achievement and S=Shortfall (percentage of shortfall).

APPENDIX-XXXI

Statements showing the District-wise break up of civil works targeted during 2002-03 to 2004-05

(Reference: Paragraph 3.3.9; Page 78)

District	Item	2002-03	2003-04	2004-05	Total	Unit cost (Rs)	Total (Rs)
Dimapur	EBRC Construction	2	2	0	4	6,00,000	24,00,000
	One room extension	8	9	20	37	1,25,000	46,25,000
	Two room extension	4	5	10	19	2,50,000	47,50,000
	GPS	4	3	0	7	3,00,000	21,00,000
	GMS	1	4	0	5	4,25,000	21,25,000
	Toilet	0	0	123	123	20,000	24,60,000
	Water facility	0	0	40	40	15,000	6,00,000
	Boundary Wall	78	37	12	127	40,000	50,80,000
	Electrification	0	0	50	50	15,000	7,50,000
Total						2,48,90,000	
Kohima	EBRC Construction	1	2	2	5	6,00,000	30,00,000
	One room extension	3	8	17	28	1,25,000	35,00,000
	Two room extension	5	7	8	20	2,50,000	50,00,000
	GPS	2	4	0	6	3,00,000	18,00,000
	GMS	1	2	0	3	4,25,000	12,75,000
	Toilet	0	0	50	50	20,000	10,00,000
	Water facility	0	0	50	50	15,000	7,50,000
	Boundary Wall	142	30	20	192	40,000	76,80,000
	Electrification	0	0	0	0	15,000	0
Total						2,40,05,000	
Mokokchung	EBRC Construction	1	1	2	4	6,00,000	24,00,000
	One room extension	10	8	10	28	1,25,000	35,00,000
	Two room extension	2	6	7	15	2,50,000	37,50,000
	GPS	1	5	0	6	3,00,000	18,00,000
	GMS	0	0	0	0	4,25,000	0
	Toilet	0	0	180	180	20,000	36,00,000
	Water facility	0	0	100	100	15,000	15,00,000
	Boundary Wall	66	41	30	137	40,000	54,80,000
	Electrification	0	0	0	0	15,000	0
Total						2,20,30,000	
Mon	EBRC Construction	1	3	0	4	6,00,000	24,00,000
	One room extension	11	13	20	44	1,25,000	55,00,000
	Two room extension	3	5	5	13	2,50,000	32,50,000
	GPS	1	4	0	5	3,00,000	15,00,000
	GMS	0	3	0	3	4,25,000	12,75,000
	Toilet	0	0	110	110	20,000	22,00,000
	Water facility	0	0	60	60	15,000	9,00,000
	Boundary Wall	100	29	5	134	40,000	53,60,000
	Electrification	0	0	30	30	15,000	4,50,000
Total						2,28,35,000	

Audit Report (Civil) for the year ended 31 March 2006

District	Item	2002-03	2003-04	2004-05	Total	Unit cost (Rs)	Total (Rs)
Phek	EBRC Construction	1	1	2	4	6,00,000	24,00,000
	One room extension	8	5	16	29	1,25,000	36,25,000
	Two room extension	2	4	8	14	2,50,000	35,00,000
	GPS	1	3	0	4	3,00,000	12,00,000
	GMS	1	2	0	3	4,25,000	12,75,000
	Toilet	0	0	30	30	20,000	6,00,000
	Water facility	0	0	30	30	15,000	4,50,000
	Boundary Wall	87	31	10	128	40,000	31,20,000
	Electrification	0	0	0	0	15,000	0
	Total						1,81,70,000
Tuensang	EBRC Construction	3	3	2	8	6,00,000	48,00,000
	One room extension	12	8	18	38	1,25,000	47,50,000
	Two room extension	8	6	10	24	2,50,000	60,00,000
	GPS	1	4	0	5	3,00,000	15,00,000
	GMS	1	4	0	5	4,25,000	21,25,000
	Toilet	0	0	75	75	20,000	15,00,000
	Water facility	0	0	80	80	15,000	12,00,000
	Boundary Wall	160	39	75	274	40,000	1,09,60,000
	Electrification	0	0	25	25	15,000	3,75,000
	Total						3,32,10,000
Wokha	EBRC Construction	1	1	1	3	6,00,000	18,00,000
	One room extension	4	7	21	32	1,25,000	40,00,000
	Two room extension	3	6	5	14	2,50,000	35,00,000
	GPS	1	3	0	4	3,00,000	12,00,000
	GMS	0	0	0	0	4,25,000	0
	Toilet	0	0	35	35	20,000	7,00,000
	Water facility	0	0	55	55	15,000	8,25,000
	Boundary Wall	82	32	30	144	40,000	57,60,000
	Electrification	0	0	0	0	15,000	0
	Total						1,77,85,000
Zunheboto	EBRC Construction	1	2	2	5	6,00,000	30,00,000
	One room extension	6	8	10	24	1,25,000	30,00,000
	Two room extension	7	5	5	17	2,50,000	42,50,000
	GPS	1	3	0	4	3,00,000	12,00,000
	GMS	0	1	0	1	4,25,000	4,25,000
	Toilet	0	0	40	40	20,000	8,00,000
	Water facility	0	0	40	40	15,000	6,00,000
	Boundary Wall	75	38	25	138	40,000	55,20,000
	Electrification	0	0	20	20	15,000	3,00,000
	Total						1,90,95,000
Grand Total						18,20,20,000	

APPENDIX -XXXII

Statement showing short billing

(Reference: Paragraph 3.4.12; page 94)

Name of the Division	Year	Units sold (MU)	Unit for which bills prepared (MU)	Shortfall (MU)	Average rate per unit (Rs.)	Amount (Rs. in crore)
Kohima	2001-02	44.79	25.41	19.38	1.96	3.80
	2002-03	30.81	21.05	9.76	1.65	1.61
	2004-05	42.68	22.67	20.01	1.67	3.34
	2005-06	52.13	24.12	28.01	1.75	4.90
Dimapur	2001-02	52.73	47.25	5.48	1.96	1.07
	2003-04	54.29	53.82	0.47	1.94	0.09
	2005-06	75.64	58.37	17.27	1.75	3.02
Total		353.07	252.69	100.38		17.83

APPENDIX-XXXIII

Statement showing closing balance of revenue at the end of each month in division-wise

Reference: Paragraph 3.4.21; Page 98)

(Rupees in lakh)

Name of the Division	Year	Months											
		April	May	June	July	August	September	October	November	December	January	February	March
Kohima (E)	2001-02	1.48	1.59	2.18	3.46	3.40	4.52	5.13	7.01	10.54	9.02	8.24	4.52
Dimapur (E)		4.88	1.81	6.25	3.92	8.76	6.93	6.08	4.94	7.80	5.82	9.88	1.34
Dimapur (T)		0.05	0.36	0.55	0.99	0.23	0.03	0.33	0.73	1.07	1.11	0.87	---
Mokokchung (E)		1.01	2.74	4.52	6.83	3.13	4.78	4.85	7.29	12.34	10.19	10.84	---
Total		7.42	6.50	13.50	15.20	15.52	16.26	16.39	19.97	31.75	26.14	29.83	5.86
Kohima (E)	2002-03	28.44	6.31	6.38	6.43	6.35	6.69	8.54	7.59	9.78	8.06	7.95	4.53
Dimapur (E)		8.25	2.59	4.24	5.46	7.68	11.42	11.91	10.98	13.38	7.84	13.15	---
Dimapur (T)		0.58	0.52	2.28	1.06	1.32	2.53	1.44	1.38	2.28	1.97	2.64	0.20
Mokokchung (E)		2.47	5.44	6.03	8.18	7.63	11.34	14.70	13.44	14.88	12.95	16.23	---
Total		39.74	14.86	18.93	21.13	22.98	31.98	36.59	33.39	40.32	30.82	39.87	4.73
Kohima (E)	2003-04	4.29	6.78	7.27	6.61	7.05	6.72	7.42	19.30	9.03	7.67	9.03	4.53
Dimapur (E)		4.48	5.72	9.30	18.51	7.88	23.33	10.29	15.84	11.88	12.32	18.31	---
Dimapur (T)		0.46	1.59	1.22	0.87	2.27	1.12	3.46	4.00	2.39	3.08	2.52	0.08
Mokokchung (E)		2.76	5.78	8.43	10.03	11.23	9.02	9.77	13.29	9.78	11.64	18.48	---
Total		11.99	19.87	26.22	36.02	28.43	40.19	30.94	52.43	33.08	34.71	48.34	4.61
Kohima (E)	2004-05	6.87	7.96	7.26	7.77	8.69	8.41	9.67	9.45	10.04	11.32	11.14	4.44
Dimapur (E)		6.49	8.78	13.85	9.15	9.37	9.69	12.82	14.71	11.41	9.98	16.22	---
Dimapur (T)		2.69	2.61	2.58	3.10	2.01	1.98	1.64	1.95	1.78	2.19	2.18	5.53
Mokokchung (E)		5.64	7.90	11.72	13.86	10.89	13.12	12.61	1.46	15.98	18.96	17.66	---
Total		21.69	27.25	35.41	33.88	30.96	23.20	36.74	27.57	39.21	42.45	47.20	9.97
Kohima (E)		6.91	7.53	10.21	12.67	13.18	13.41	13.38	12.22	12.65	12.45	12.60	10.30
Dimapur (E)		5.15	11.08	12.83	4.66	8.50	14.81	14.87	14.35	11.48	13.68	16.13	---
Mokokchung (E)		3.54	5.91	8.51	6.90	9.97	14.90	12.86	13.23	16.02	13.03	19.81	---
Dimapur (T)		Revenue collection activities since withdrawn from this Division											
Total		15.60	24.52	31.55	24.23	31.65	43.12	41.11	39.80	40.15	39.16	48.54	10.30

NB:- Collection and remittance of revenue verified from 2005-06 onwards devolved on newly created Chumukedima Division.

APPENDIX-XXXIV

Statement showing excess drawal of pay and allowances
(Reference: Paragraph 4.3; page 104)

Month	Gross salary	No. of employees for which pay and allowances were drawn	Actual Deployment (As per DISE 2003-04)	Excess	Amount drawn in excess (in Rupees) (Col 5 x 5682/-)
1	2	3	4	5	6
March 2004	85,22,526	1,136	719	417	23,69,394
April 04	95,01,399	1,242	719	523	29,71,686
May 04	52,83,029	1,167	719	448	25,45,536
June 04	93,60,539	1,265	719	546	31,02,372
July 04	88,95,512	1,157	719	438	24,88,716
August 04	97,54,494	1,255	719	536	30,45,552
September 04	99,25,047	1,283	719	564	32,04,648
October 04	80,22,364	1,051	719	332	18,86,424
November 04	1,08,87,266	1,358	719	639	36,30,798
December 04	1,30,49,586	1,701	719	982	55,79,724
January 05	99,65,849	1,213	719	494	28,06,908
February 05	1,09,78,806	1,409	719	690	39,20,580
March 05	1,59,45,154	2,140	719	1,421	80,74,122
Total				8,030	4,56,26,460

APPENDIX-XXXV

Statement showing the duplication in issue of Free Text Books to four districts (Mon, Tuensang, Kiphire and Longleng) in Second phase

(Reference: Paragraph 4.4.2.3; page 106)

Number of books distributed in the second phase											
Name of the District	A	B	I	II	III	IV	V	VI	VII	VIII	Total
DIS Tuensang	506	350	300	409	338	293	264	82	90	57	
DIS Kiphire	171	361	260	531	1010	89	647	147	290	157	
DIS Shamator	28	50	119	122	21						
DIS Noklak	320	90	151	393	185	192			7	16	
DIS Mon	1,085	700	250	434	294	100	208	115	127	124	
DIS Aboi	600	520	230	492	217	359			5	52	
DIS Longleng	495	460	382	457	652	294	194	129	310	127	
DEO Mon							141		9	146	
DEO Tuensang							1,279	401	148	407	
Total	3205	2531	1692	2838	2717	1327	1733	874	989	1094	19,000
Rate	63	90.50	102.30	86.35	140.85	151.40	278	300	316.20	319.60	
Total	2.02	2.29	1.73	2.45	3.83	2.00	4.82	2.62	3.13	3.50	28.39 lakh

APPENDIX-XXXVI

Statement showing payment of pay and allowances in excess of actual deployment of staff

(Reference: Paragraph 4.6; page 107)

Month	Total pay drawn	No. of Adhoc teachers as per A/Roll	No. of Adhoc teachers as per list produced	Excess Adhoc teachers	Average pay per teacher (Rs.)	Excess amount drawn (Rs.)
2/2004	10,43,065	110	82	28	9,482	2,65,496
6/2004	10,02,136	104	82	22	9,636	2,11,992
7/2004	8,60,645	91	82	9	9,458	85,122
8/2004	8,61,783	91	82	9	9,470	85,230
9/2004	10,69,141	119	82	37	8,984	3,32,408
10/2004	7,14,067	89	82	7	8,023	56,161
11/2004	6,52,633	91	82	9	7,172	64,548
12/2004	6,80,409	95	82	13	7,162	93,106
1/2005	7,38,584	108	82	26	6,839	1,77,814
2/2005	8,84,465	125	82	43	7,076	3,04,268
3/2005	8,90,406	126	82	44	7,068	3,10,992
4/2005	9,78,265	108	82	26	9,058	2,35,508
5/2005	9,66,247	110	82	28	8,754	2,45,952
6/2005	6,46,330	90	82	8	7,181	57,448
7/2005	7,49,704	106	82	24	7,073	1,69,752
Total	1,27,37,880					26,95,797

APPENDIX-XXXVII

Statement showing year-wise advances paid for various purposes during
2001-02 to 2006-07

(Reference: Paragraph 4.7; page 109)

Year	Amount paid as advances (Rs.)	Amount recovered/adjusted (Rs.)	Balance to be recovered (Rs.)
2001-02	19,000		19,000
2002-03	22,69,450		22,69,450
2003-04	13,42,581		13,42,581
2004-05	34,64,035		34,64,035
2005-06	3,87,72,198	9,71,000	3,78,01,198
2006-07	1,09,65,309		1,09,65,309
Total	5,68,32,573	9,71,000	5,58,61,573

APPENDIX-XXXVIII

Statement showing extra expenditure due to deployment of excess staff

(Reference: Paragraph 4.11; page 112)

Sl. No.	For the month & year	No. of employees	Total amount paid (Rs.)	Excess employees (Col. 3 - 100)	Extra expenditure (Rs.) (Col. No.5 x Rs.1350)
1	2	3	4	5	6
1.	03/04	172	2,32,200	72	97,200
2.	04/04	163	2,20,050	63	85,050
3.	05/04	163	2,20,050	63	85,050
4.	06/04	115	1,55,250	15	20,250
5.	07/04	146	1,97,100	46	62,100
6.	08/04	153	2,06,550	53	71,550
7.	09/04	145	1,95,750	45	60,750
8.	10/04	141	1,90,350	41	55,350
9.	11/04	173	2,33,550	73	98,550
10.	12/04	131	1,76,850	31	41,850
11.	01/05	156	2,10,600	56	75,600
12.	02/05	157	2,11,950	57	76,950
13.	03/05	155	2,09,250	55	74,250
14.	04/05	161	2,17,350	61	82,350
15.	05/05	159	2,14,650	59	79,650
16.	06/05	122	1,64,700	22	29,700
17.	07/05	163	2,20,050	63	85,050
18.	08/05	162	2,18,700	62	83,700
19.	09/05	156	2,10,600	56	75,600
	Total		39,05,550	993	13,40,550

Rate of pay for office peon (fixed pay)- Rs.1350 p.m.
Additional Office peons (fixed pay) 100 Nos.

APPENDIX-XXXIX

**Statement showing the release of funds by Government of India and
Government of Nagaland**

(Reference: Paragraph 4.16; page 118)

Year	Date of release of Fund by GOI	Amount (Rs. in crores)	Date of release of fund by GON	Amount (Rs. in crore)
2001-02	19.03.2001	1.89	17.08.01	1.87
2002-03	04.04.2002	2.67	15.10.02	2.64
	28.01.2003	10.47	31.03.03	5.42
			26.09.03	4.95
2003-04	24.10.2003	10.47	31.03.04	5.42
			20.12.04	4.95
2004-05	31.03.2005	19.22	04.10.05	18.25
			28.03.06	0.96
2005-06	25.01.2006	25.75	30.03.06	10.00
Total		70.47		54.46

APPENDIX-XI

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2006 in respect of Government companies

(Reference: Paragraph 7.1.3 and 7.1.4; Page 141)

(Figures in Col. 3 (a) to 4 (f) are rupees in crore)¹

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 2004-05		Other loans received during the year ²	Loans ³ outstanding at the close of the year			Debt equity ratio for 2005-06 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	8.57	--	--	4.73	13.30	0.35	4.34	9.64	--	26.39	26.39	1.98:1 (1.70:1)
2	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	5.12	1.22	--	--	6.34	0.15	--	--	0.73	--	0.73	0.12:1 (0.39:1)
3	Nagaland Industrial Raw-Materials and Supply Corporation Ltd., Dimapur	1.24	--	--	--	1.24	--	--	--	--	0.39	0.39	0.33:1 (0.32:1)
4	Nagaland Hotels Ltd. Dimapur ⁴	0.07	--	0.40	--	0.47	--	--	--	10.49	--	10.49	22.32:1 (22.32:1)
Total of the sector		15.00	1.22	0.40	4.73	21.35	0.50	4.34	9.64	11.22	26.78	38.00	
Geology and Mining													
5	Nagaland State Mineral Development Corporation Ltd., Kohima	1.60	--	--	--	1.60	--	--	--	0.54	--	0.54	0.34:1 (0.34:1)
Total of the sector		1.60	--	--	--	1.60	--	--	--	0.54	--	0.54	
Total (A)		16.60	1.22	0.40	4.73	22.95	0.50	4.34	9.64	11.76	26.78	38.54	
(B) Non-working Government companies													
1	Nagaland Sugar Mills ³ Company Ltd., Dimapur ⁶	4.96	--	--	--	4.96	--	--	--	--	--	--	
Total (B)		4.96	--	--	--	4.96	--	--	--	--	--	--	
Grand total:-(A+B)		21.56	1.22	0.40	4.73	27.91	0.50	4.34	9.64	11.76	26.78	38.54	

¹ All figures are provisional as given by the companies.
² Includes bonds, debentures, inter-corporate deposits etc.
³ Represents long term loans.
⁴ Previous year's figures adopted since current year's figures not furnished
⁵ Figure of 1995-96 have been adopted as Company has not furnished information from 1996-97.
⁶ Company closed down on 30.09.2001.

APPENDIX-XLI

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 142 to 143)

(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	6.79	8	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	--	--	22	-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	--	--	25	-do-	0.85	32
4	Nagaland Hotels Ltd. ⁶	- do -	17/03/82	1987-88	2001-02	--	--	0.00002	--	--	--	--	18	-do-	--	--
Total of the Sector A(i)						(-) 1.63		12.81	(-) 12.26	14.60	0.95					
A (ii) Geology and Mining																
5	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1993-94	2005-06	--	--	0.00004	--	5.28	--	--	12	-do-	--	111
Total of the Sector A (ii)						(-) 1.63		12.81	(-) 12.26	19.88	0.95					
Total: A						(-) 1.63		12.81	(-) 12.26	19.88	0.95					
B. Non-Working Government Companies																
1	Nagaland Sugar Mills Company Ltd., Dimapur ^{xx}	Industries and Commerce	22/03/73	1977-78	--	--	--	4.96	(-) 14.70	(-) 0.69	(-) 0.09	--	28	Non-working	--	--
Total: B								4.96	(-) 14.70	(-) 0.69	(-) 0.09					
Grand total:(A+B)						(-) 1.63		17.77	(-) 26.96	19.19	(-) 0.86					235

⁶ Previous year's figures adopted as current year's figures not furnished by the Company.

^{xx} 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 form 1996-97.

APPENDIX-XLII

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 2006

(Reference: Paragraph 7.1.7; Page 142)

(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 2006					Waiver of dues during the year 2005-06				Loan 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	--	1.44	2.00	3.44	--	9.64	--	--	9.64	--	--	--	--	--	--
2	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	--	0.60	--	0.60	0.10	--	--	--	0.10	--	--	--	--	--	--
3	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	--	1.30	--	1.30	--	--	--	--	--	--	--	--	--	--	--
Total - A		--	3.34	2.00	5.34	0.10	9.64	--	--	9.74	--	--	--	--	--	--
B. Geology and Mining																
1	Nagaland State Mineral Development Corporation Ltd., Kohima	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total - B		--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Grand total		--	3.34	2.00	5.34	0.10	9.64	--	--	9.74	--	--	--	--	--	--

APPENDIX-XLIII

Statement showing non-implementation of Committee on Public Undertakings' recommendation on the report of Comptroller and Auditor General of India for the year 1998-99 pertaining to Industries & Commerce Department (Nagaland Industrial Development Corporation)

(Reference: Paragraph 7.2.1; page 148)

Sl. No.	Para No.	Name of the assisted units/loanee	Recommendation of COPU	Present status
1.	8.2.8	Shri Sashi Walling, M/s Hosiery Knitting Unit, Dimapur	Apply all methods of legal means and even if the loanee expired, the assets so supplied be seized or principles amount be realised from the guarantor.	Demand notice served (5.10.05)
2.	8.2.8	Shri H. Mankhat	-do-	Legal notice served (7/99) no response.
3.	8.2.8	Sri Hozheli Sema	-do-	Letter written for One Time Settlement (4.10.05). Demand notice served (15.05.2006).
4.	8.2.8	Sri Zunhepranyo, Chakhesang	-do-	Demand notice served (15.02.2005)
5.	8.2.8	V. Kechu angami	-do-	No action. Legal notice served (3/94)
6.	8.2.8	Shri Zonyi Ritse. M/s Nagaland Bone co. (P) Ltd., Dimapur	-do-	No legal action initiated. Letter of revival obtained (10.11.05). But the loanee did not turn up.
7	8.2.8	Smt. Kheneli Sema	-do-	No legal action. Letter written for one time settlement (16.09.2005).
8	8.2.8	Shri Zukiye Kits	-do-	Demand notice served (22.02.2006). No action thereafter.
9	8.2.8.1 (a)	(i) Nasha Toys (P) Ltd. (Rs.21 lakh) (ii) Luminous Gas (P) Ltd. (Rs.9 lakh) (iii) Nagaland Oils (P) Ltd. (Rs.5 lakh)	File legal suit against the promoters and guarantors and realise the invested mount.	No legal suit filed as of now for recovery of the invested amount.
10	8.2.8.1 (c)	M/s Agri Tool Implements	The loss so incurred be recovered without delay by enforcing the legal sanction.	Letter of revival obtained on 30.11.2005. No further legal action taken.
11	8.2.8.3 (b)	M/s Nagaland Conductors and Cables, Dimapur	The Committee desired that the Department settle the matter in earnest and appraise of the settlement within appropriate time.	The unit was closed. No activity after 1/94. No legal action initiated.
12	8.2.8.2 (c)	M/s Jonshi Wati Stone Crushers, Mokokchung	Recoverable amount should be recovered by filing legal suits. Erring Officer should be warned.	No action taken . Only letter of revival obtained.
13.	8.2.8.3 (c)	M/s Green Valley Veneers (P) Ltd.	Filing of civil suit and balance recovered.	Letter of revival obtained in 2001, but no further action.

APPENDIX-XLIV

Financial position of NIDC for the five year from 2001-02 to 2005-06 (Based on provisional accounts)

(Reference: Paragraph 7.2.10; page 151)

(Rupees in crore)

	2001-02	2002-03	2003-04	2004-05	2005-06
A. LIABILITIES					
i) Issued Paid up Capital	11.25	11.25	11.25	11.25	11.25
ii) Shares application money (pending allotment)	9.07	0.98	1.25	1.70	2.05
Sub-total (i + ii)	20.32	12.23***	12.50	12.95	13.30
iii) Reserves & Surplus	4.68	10.71	12.96	14.96	18.40
iv) Borrowings	23.64	19.83	20.30	22.05	26.39
v) Trade dues & other current liabilities	0.80	1.06	1.09	2.26	2.11
Total	49.44	43.83	46.85	52.22	60.20
B. ASSET					
i) Gross Fixed Asset	1.91	1.73	1.72	1.69	1.74
ii) Less: Depreciation	0.19	0.18	0.15	0.14	0.17
iii) Net Fixed Asset	1.72	1.55	1.57	1.55	1.57
iv) Capital Work-in-progress	4.59	8.11	10.61	11.61	13.06
v) Investments	2.59	0.98	0.71	0.71	0.71
vi) Current Assets	3.76	3.10	2.31	4.41	2.25
vii) Loans and Advances	23.84	21.97	22.99	24.18	31.84
viii) Accumulated loss	12.94	8.12	8.66	9.76	10.76
Total	49.44	43.83	46.85	52.22	60.20
Capital employed*	45.79	45.70	44.26	47.86	54.02
Net worth**	12.06	14.82	16.80	18.15	20.94

* Capital employed represent mean of the aggregate of the opening and closing balances of paid up capital, reserves and surplus and borrowings.

**Net worth represents paid up capital plus reserves and surplus less accumulative loss.

*** Paid up capital reduced due to book adjustment on state Government share application money on transfer of assets of Nagaland Sugar Mills Company to State Government.

APPENDIX XLV

Working results of NIDC Ltd from the year 2001-02 to 2005-06 (Based on provisional accounts)

(Reference: Paragraph: 7.2.10; page 151)

(Rupees in crore)

	Particulars	2001-02	2002-03	2003-04	2004-05	2005-06
A.	INCOME					
	i) Interest on loans and advances	9.59	4.02	1.05	0.97	2.32
	Total	9.59	4.02	1.05	0.97	2.32
B.	EXPENDITURE					
	i) Salaries and other administrative expenses (including depreciation)	1.73	2.08	1.57	1.64	1.98
	ii) Bad Debts	8.52	0.09	0.03	0.06	1.14
	iii) Interest on borrowings	0.46	1.19	1.43	0.56	0.54
	Total	10.71	3.36	3.03	2.26	3.66
	Profit(+)/Loss(-)	(-)1.12	(+)0.66	(-)1.98	(-)1.29	(-)1.34
	Percentage of Salaries and other administrative expenses to the interest income(A-i)	18	52	149	170	85

Note: 1. The interest income of loans and advances is accounted for on cash basis.
 2. The interest on borrowings is also accounted for on Cash -basis

APPENDIX-XLVI

Statement showing the trend of receipt and disposal of loan application

(Reference: Paragraph 7.2.12; page 152)

(Rupees in crore)

Sl. No.	Particulars	2001-02		2002-03		2003-04		2004-05		2005-06		Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	i) Opening balance	256	2.97	219	2.97	352	4.63	197	2.71	158	2.43	1182	15.71
	ii) Application received	626	8.18	475	6.10	385	3.32	465	5.06	540	11.05	2491	33.71
	Total	882	11.15	694	9.07	737	7.95	662	7.77	698	13.48	3673	49.42
	iii) Application rejected/withdrawn	120	1.57	125	1.61	105	0.99	75	0.85	90	1.84	515	6.86
	iv) Application sanctioned	543	6.61	217	2.83	435	4.66	429	4.49	457	9.01	2081	27.60
	v) Application pending	219	2.97	352	4.63	197	2.30	158	2.43	151	2.63	1077	14.96
2.	i) Undisbursed commitment at the beginning of the year	57	0.67	116	1.43	91	1.19	89	1.028	109	1.16	2708	34.95
	ii) Net effective sanctioned	600	7.29	333	4.26	526	5.85	518	5.51	566	12.00	2543	34.91
	iii) Effective commitment	600	7.29	333	4.26	526	5.85	518	5.51	566	12.00	2543	34.91
	iv) Less : Loan disbursed	484	5.86	242	3.07	437	4.83	409	4.35	397	9.20	1969	27.31
	v) Undisbursed commitment	116	1.43	91	1.19	89	1.02	109	1.16	169	2.80	574	7.60
	vi) Percentage of undisbursed commitment to effective commitment		19.62		27.93		17.43		21.05		23.23		

APPENDIX-XLVII

Statement showing the overdue amount showing the inadequate follow up action, misutilisation of loan, lack of monitoring and defective pre-sanction appraisal which awaited recovery from the loanee

(Reference: Paragraphs 7.2.15 and 7.2.18; pages 156 and 159)

Defective Pre-sanction Appraisal

Sl. No.	Name of loanee/assisted units	Amount sanctioned	Month of release of loan	Overdue amount		Total	Reasons for overdue and remarks
				Principal	Interest		
1.	P.Kihoto Sumi, M/s Sweet Restaurant. (NSF/ I 039)	1,50,000	June 2000	1,50,486	47,465	1,97,951	The unit was appraised as commercially viable and technically feasible but no instalment paid by the loanee
2.	Bokato Hotel. C/o Nobin Chishi (NMD/I 057)	40,000	August 1999	40,000	25,579	65,579	In the appraisal, it was stated that there will be no problem of recovery, but only one instalment paid and thereafter legal notice served.
3.	Shri Longri Ao, Duncan Bosti, Hardware shop (NMD/I728)	1,00,000	May 2003	75,428	19,825	95,253	Pre-sanction inspection report does not indicate detail of rent to be paid by loanee and the existence of the unit is in doubt.
Total						3,58,783	

Inadequate follow-up action;**(A) Not a single instalment paid by loanee***(In rupees)*

Sl. No.	Name of loanee/assisted units	Amount sanction	Month of release of loan	Overdue amount		Total	Reasons for overdue and remarks
				Principal	Interest		
1.	Atila Ponger NMD/1736	40000.00	May 2003	36655.00	9676.00	46331.00	Not a single instalment paid by the entrepreneur Corporation neither took action against the loanee nor against the guarantor
2.	Akola T Longchar NMD/1751	42500.00	June 2003	37780.00	9949.00	47729.00	
3.	Teka Temon, NMD/1763	40000.00	June 2003	34425.00	9097.00	43522.00	
4.	Tiamenla, NMD/1770	40000.00	July 2003	34425.00	8991.00	43416.00	
5.	I. Nungshila, NMD/1747	42500.00	June 2003	37780.00	9949.00	47729.00	
6.	Shashimongla Imchen, NMD/11073	40000.00	August 2004	18000.00	5769.00	23769.00	
7.	Nokenila, NMD/1149	50000.00	Nov 2004	15000.00	5952.00	20952.00	
8.	Nungsangla, NMD/1150	50000.00	Nov 2004	15000.00	5942.00	20952.00	
9.	Alemla, NMD/1131	40000.00	Nov 2004	15000.00	4796.00	19796.00	
10.	Imtiwati Ao, NMD/1038	50000.00	August 2004	18000.00	7148.00	25148.00	
11.	A. Toshi, NMD/1086	50000.00	Dec 2004	17500.00	5547.00	23047.00	
12.	Khutoli Chishi, SRT/0119	129489.00	March 2004	122582.00	154783.00	277365.00	
13.	Longermongla, NMD/1135	50000.00	Sept 2004	16000.00	6350.00	22350.00	
14.	Moasenla Walling, NMD/1-865	40000.00	Nov. 2003	27000.00	8987.00	35987.00	
15.	Lanuakum Ao, NMD/1-800	42500.00	May 2003	38945.00	10334.00	49279.00	
16.	Aotoshi, NMD/1-826	42500.00	Sept. 2003	30950.00	8611.00	39561.00	
17.	T. Arenla, NMD/1-881	80000.00	Jan. 2004	40000.00	16129.00	56129.00	
18.	Rongsen Ao, NMD/1-885	170000.00	Jan. 2004	85000.00	34491.00	119491.00	
19.	Tochang Air, NMD/1-159	20000.00	Jan. 2005	48000.00	19037.00	67037.00	
20.	Temsuchila, NMD/1-962	150000.00	April 2004	52500.00	22883.00	75383.00	
21.	Meneto Kash, M/S Monen, Duncan Basti, Dimapur NSF/1021	30000.00	May 2001	30000.00	30822.00	60822.00	
22.	Shri Hekhui Sema(Pottery) NST/10056	100000	November 2004	27150	11734	38884	
23.	Shri Mankang Konyak NMD/11070	30000	September 2004	13500	4274	17774	
24.	Smti S.Amenla Jamir(Tea packaging) NST/I	500000	March 2002	375000	225207	600207	
25.	Shri N.N.Nungshi Imchen(Nungshi Stone crushers) TL/TLO54	145000	September 1987	145000	817816	962816	
26.	Shri Katoho V Yephoni (Stone cresher Unit) NST/10045	350000	August 2004	103500	48403	151903	
27.	Shri Tsikingse Sangthem (Tata spacio) NST/0010R	249798	March 2002	36203	2708	38911	
28.	Shri Ahoche Sema NST/0012	249726	April 2002	51188	7963	59151	
29.	Shri I Tiaba Ao (Photostat Unit) TL/TL75	150000	October 2002	150000	88668	238668	
					Total	3274109	

Audit Report (Civil) for the year ended 31 March 2006

(B) Ineffective proposal for one time settlement

(In rupees)

Sl.No	Name of loanee/assisted units	Amount sanctioned	Date of release	Overdue amount		Total	Remarks
				Principal	Interest		
1	Sosangthemjen AO,CL211	40,000	14.10.99	37,760	37,003	74,763	The loanee did not pay the dues. The Corporation written to the loanee for one time settlement. But no response was received. No action was taken against the loanee as well as guarantor.
2	Kiyeto Sumi C/o Tricom furniture,CL206	45,000	28.05.99	45,000	70,048	1,15,048	
3	Vedesule Angami CL216	12,000	06.11.2000	11,498	92,76	20,774	
4	Labiru Weaving &knitting CL213	40,000	9.12.99	22,492	17,359	39,851	
5	B.Narola Walling C/o Beauty Parlour, CL197	45,000	23.9.98	45,000	79,712	1,24,712	
6	Ayo Thami, CL 188	50,000	27.02.98	50,000	98,281	1,48,281	
7	Sunil Bal,CL214	40,000	03.05.2000	40,000	49,545	89,545	
8	Khenili sema C/oNational Arms and Eroslane, CL179	50,000	06.02.91	50,000	1,55,669	2,05,669	
9	Hözhele Sema C/o Dy GM/NST, Dimapur,CL 013	50,000	22.11.91	50,000	2,22,125	2,72,125	
10.	Khalang Aier Podum Pukhri, Dimapur CL 217	50,000	31.10. 2000	39,632	30,999	70,631	
11.	Tainla C/o I- Arenla, NIDC Dimapur CL 212	5,000	18.11.99	48,053	51,857	99,910	
Total				TOTAL		22,61,309	

(C) Legal notice served but no effective action

(In rupees)

Sl No	Name of assisted unit/loanee	Amount sanctioned	Month of release	Overdue Amount		TOTAL	Legal notice served on	REMARKS
				Principal	Interest			
1.	Kiyehö Zhimomi Nuiland NST/10026	2.00,000	Jan'2004	96,947	34,981	1,31,928	7/06	Legal notice served to the Loanee. The loanee did not response. The Corporation neither took action against the loanee nor against the guarantor after the limitation period for non payment of dues except serving demand notice.
2	Mhalie Dison 5 th mile SRT/0152	90,509	March,1988	12,701	53,785	66,486	7/96	
3	Hukavi Travel 2 ½ mile,Dimapur. SRT/B 019	5,87,209	March,1999	5,30,056	3,42,430	8,72,486	11/05	
4	Noklemremba,H/No.56 Langrijan,DimapurNSF/0182	1,00,000	Nov',1999	30,253	13,931	44,184	2/04	
5	Akola Ao,M/s.Akola Travel Dimapur. NSF/0140	1,30,000	April,1999	34,336	2,386	36,722	6/05	
6.	Atso Keza, C/o Atso Furniture Unit. Dimapur NSF/L	30,000	March,2000	20,000	11,076	31,166	6/05	

7.	Lanutemu, Half Nagarjun Dimapur. NSF/I 037	90,000	May,2000	90,486	64,032	1,54,518	7/05
8.	Tendikala Ao NMD/I 374	45,000	June,2001	45,000	27,389	72,389	8/05
9.	H. Mankhat Konyak TL 023	78,000	June,1991	65,000	2,60,488	3,25,488	7/99
10.	Zanupranya TL 124	90,000	Oct,1989	90,000	4,42,033	5,32,033	7/99
11.	Khulu Watsa, C/o.P.Zuhito Watsa. NIDC. NSF/B 042	3,75,000	Sept,2000	2,56,508	73,915	3,30,423	10/05
12.	John Kent Rengma. C/o.Inato PughOboto SRT/0091	1,20,000	April,1999	1,07,851	1,20,212	2,28,063	11/05
13.	Toshi Ao C/o. Mayang Lime NSF/T/019	4,50,000	July,1999	4,60,700	6,28,389	10,89,089	3/04
14.	Jongshiwati, Stone Crusher Unit. Mokokchung TLI/TL 032	1,80,000	April,1992	1,80,000	8,48,244	10,28,244	9/05
15.	Hukiye Sema. C/o Kavito ,Dimapur NST/T0008	2,70,000	August,2002	2,17,751	30,411	2,48,162	12/05
16.	Ahoto H. Yephomi.C/0 Senti Hotel,Dimapur. NST/I 0164	3,00,000	Oct,2003	71,246	988	72,234	10/05
17.	Toto Achumi,3 rd mile.Dimapur NSF/I 019	5,00,000	April,1999	4,69,263	4,94,880	9,64,143	10/05
18.	Alem Ao. C/o Reliable Engineering. NSF /B 030	7,50,000	June,1999	7,50,486	5,14,049	12,64,535	2/04
19.	Lipok Imsong, M/s Creative Express, Mokokchung (NSF/T017)	4,64,395	June, 1999	435483	494902	930385	12/2005
20.	Smt. Nungshilemla , Grocery shop, (NMD/I319)	40,000	August, 2004	37207	15816	53023	7/ 2005
21.	Sri Zakuno Tetsö, Maruti van (SRT/0122)	128000	May, 2000	113662	43609	157271	11/ 2005
					Total	86,32,882	

(D) Mis-utilisation of Loan

1.	Holuvi H Shohe. C/o Atoi Assumi Nuiland,Dimapur CL 208	30,000	Aug,1999	24,715	30,312	55027	The unit is no more and the also not available. No further action
2.	V.S.Thanga,M/s. Bapui'furniture NH 39 Dimapur CL 210	30,000	June,1999	30,000	41,718	71,718	The unit is no more in existence. No further action except serving Demand Notice.
3.	T.Yizama Lotha,, Diphupar, Dimapur SRT A/103	39,933	Sept'2000	39,933	61,681	1,01,614	The loanee is not available at the given address. No further effective action.
4.	Vitoli Swu,Near Police Station, Dimapur NSF/I 029	50,000	Nov,1999	50,486	46,235	96,721	The unit was not set up by Loanee. Loanee cannot be identified nearby shopper.
					Total	3,25,080	

APPENDIX-XLVIII

Statement showing the loss due to one time settlement

(Reference: Paragraph 7.2.19; page 159)

(In Rupees)

Sl. No.	Name of the loanee/assisted units	Amount sanctioned	Date of sanction	Overdue amount as on the date of One Time Settlement			Recoveries made by OTS		Waived amount		Total loss
				Principal	Interest	Total	Principal	Interest	Principal	Interest	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Kilang MPCS	2000486	3.03.93	2000486	7088643	9089129	2000486	204000	-	6884643	6884643
2.	Bethel Restaurant	70000	10.3.94	70000	52959	122959	70000	-	-	52959	52959
3.	Rani Sangma	50000	2.9.2000	47631	37827	85458	47631	13100	-	24727	24727
4.	Grace Hotel	500000	28.11.85	496379	1332697	1829076	496379	203621	-	1129076	1129076
5.	M/s Martha Weaving Unit	50000	04.12.91	50000	145927	195927	50000	-	-	145927	145927
6.	M/s Stone crushing Unit	225000	15.03.91	225000	247633	472633	225000	-	-	247633	247633
7.	M/s Chumukedima Rice Mill	200000	16.05.84	200000	519977	719977	200000	-	-	519977	519977
8.	Smt. Temsukaba	259755	25.02.88	127247	14387	141634	127247	2753	-	11634	11634
9.	M/s Alem Aier	338000	12.04.99	126920	16504	143424	126920	3080	-	13424	13424
10.	M/s Hotel Swagat, Dimapur	4100000	22.11.88	4100000	7985326	12085326	4100000	1000000	-	6985326	6985326
11.	Imti Jamir	800000	8.01.01	553904	88471	642375	553904	46096	-	42375	42375
12.	Dr. Kanito M/s Green Hill Timber	200000	28.05.86	185718	735788	921506	185718	338680	-	397108	397108
13.	Sheneli Sema, Air field, Dimapur	25000	15.02.91	25000	86936	111936	25000	-	-	86936	86936
14.	Apuno Vikieno	5000	23.03.98	46200	72339	118439	46200	-	-	72239	72239
15.	Alitenjen Imsong C/o R. Khate Nagarjun, Dimapur	35000	23.07.99	26447	27324	53771	26447	553	-	26773	26773
16.	Maokala C/o A. Jamir EAC HQ/DC Office, Kohima	100000	27.02.97	61757	47551	109308	61757	8243	-	39308	39308
Total											16680163 Or Rs.1.67 crore