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

**FOR THE YEAR ENDED 31 MARCH 2004**

**GOVERNMENT OF NAGALAND**



**COMPTROLLER AND AUDITOR GENERAL OF INDIA**  
**2005**

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## **PREFACE**

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government respectively for the year ended 31 March 2004. Chapter-V deals with the internal control mechanism and internal audit arrangements of the State Government.
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 2003-04 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 2003-04 have also been included wherever necessary.



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# *OVERVIEW*

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## OVERVIEW

This Report includes two chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2003-04 and five other chapters with one audit review, two long paragraphs and 21 draft paragraphs dealing with the results of the audit of selected schemes, programmes and the financial transactions of the Government and its commercial and trading activities.

Copies of the audit paragraphs and audit reviews are sent to the concerned Secretary to the State Government by the Accountant General, with a request to furnish replies within six weeks. The Secretaries are also reminded by the Accountant General for replies. Despite these efforts, in respect of 15 audit paragraphs and one long paragraph included in this Report, no response was received from the concerned Secretary to the State Government.

### 1. Finances of the State Government

The revenue receipts of the State increased from Rs.1131.46 crore in 1999-2000 to Rs.2359.79 crore in 2003-04. While 6 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, central tax transfers and grants-in-aid together contributed 94 *per cent* of the total revenue.

(Paragraph 1.5.2)

As on 31 March 2004, Government had invested Rs.69.36 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. Government's return on this investment was less than one *per cent* in the last five years.

(Paragraph 1.8.1)

In addition to investments in co-operatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. The total outstanding balance as on 31 March 2004 was Rs.45.22 crore. Interest received on such loans had varied from 1.46 *per cent* to 1.73 *per cent* during 1999-2004. Total implicit subsidy during 1999-2004 on such loans was Rs.25.41 crore.

(Paragraph 1.8.2)

Overall fiscal liabilities of the State increased from Rs.1146 crore in 1999-2000 to Rs.1924 crore in 2003-04 on an average rate of 15.44 *per cent* during 1999-2004. The ratio of these liabilities to GSDP also increased from 38.60 *per cent* in 1999-2000 to 43.20 *per cent* in 2003-04.

(Paragraph 1.8.5)



The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 1999-2003 increased substantially during 2003-04 owing to increase in central tax transfers and Grants-in-aid from the Government of India. The ratio of own tax to GSDP, however, decreased during the last three years indicating deficient tax administration. The balance from current revenues (BCR) also continued to be negative indicating continued dependence on external resources for plan and development expenditure.

(Paragraph 1.10)

## **2. Allocative priorities and Appropriation**

The overall saving of Rs.166.18 crore was the net result of excess of Rs.230.79 crore in 30 cases of grants and two cases of appropriations and saving of Rs.396.97 crore in 62 cases of grants and four cases of appropriations.

(Paragraph 2.2.1)

According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularized by the State Legislature. However, it was noticed that excess expenditure of Rs.1780.48 crore reported during 1991-92 to 2002-03 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 2005.

(Paragraph 2.3.2(ii))

According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs.120.03 crore was incurred in 23 cases without provision having been made in the original estimates/supplementary demands.

(Paragraph 2.3.7)

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 79 controlling officers, nine involving Rs.294.71 crore pertaining to 2003-04 remained unreconciled.

(Paragraph 2.3.12)



### **3. Performance Review (Civil)**

#### ***Receipt, issue and accounting of stores in Power Department***

The stores procured by the Power Department are mainly conductors, transformers, steel tubular poles, cables, street light material, high tension/low tension line material, metering equipment etc. Significant points noticed during test check of receipts, issue and accounting of stores in Power Department were as under:

- No specific allocation of funds for procurement of stores was made in the annual budget of the Power Department. Procurements were made against the budget allocations made for different schemes. Most of the expenditure on procurement of stores was charged to works concerned and the procurement against the Suspense Head stock was meagre.
- None of the divisions test checked maintained value accounts of stores and as such value of stores available with the Department could not be ascertained in audit.
- Outstanding inter-divisional stock transactions remained unadjusted resulting in minus balance of Rs.5.07 crore in stock account of seven divisions at the end of March 2004.
- Stock valuing Rs.59.52 lakh was lying idle for a period ranging between four and seven years. There was also a large stock of slow moving items valuing Rs.1.54 crore.
- Internal Control mechanism was virtually non-existent in the material and stores management of Power Department.

**(Paragraph 3.1)**

### **4. Audit of Transactions (Civil)**

- Deputy Commissioner, Zunheboto, incurred infructuous expenditure of Rs.71.79 lakh towards payment of salaries to idle staff.

**(Paragraph 4.2)**

- Avoidable interest burden to the tune of Rs.1.24 crore on account of delay in release of loan money.

**(Paragraph 4.4)**

- Irregular expenditure of Rs.1.80 crore incurred on unauthorized appointments

**(Paragraph 4.6)**



- Extra avoidable expenditure of Rs.5.03 crore due to deployment of teachers in excess of norms in Government Primary and Middle Schools and excess staff in the Civil Hospital, Dimapur.

(Paragraph 4.7)

- Purchase of bridge components in advance of requirement led to blocking of Government funds of Rs.86.11 lakh.

(Paragraph 4.9)

- Medical advances of Rs.40.06 lakh were disbursed by the Chief Engineer, Public Works Department (R&B) without supporting documents and remained unadjusted.

(Paragraph 4.12)

## **5. Internal Control Mechanism in Government Department**

Director of Treasury and Accounts is entrusted with the internal audit of all Government departments, local bodies, Government undertakings, etc. Auditing Standards and Audit Manual were not in place. Response to audit was poor.

- In the absence of annual audit planning and non fixing of targets against 852 auditee units only 97 units were inspected during the period 1999-2004, leaving a large number of Government organizations uncovered.

(Paragraph 5.1.5)

- There were no Audit manuals/Audit standards which rendered the functioning of the Internal Audit Wing ineffective.

(Paragraph 5.1.6)

- Out of 98 Inspection Reports (IRs) containing 456 paras issued during 1999-2004 only 50 paras were settled and no Inspection Report was settled in full, thus vitiating the purpose for which the Internal Audit Wing was set up.

(Paragraph 5.1.8)

## **6. Revenue Receipts**

### **General**

- The total revenue receipts of the State Government for the year 2003-04 amounted to Rs.2,359.79 crore against Rs.1,346.90 crore for the previous



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## **CHAPTER - I**

# **FINANCES OF THE STATE GOVERNMENT**

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modernization and expansion of mini plant for civil construction at the plant site and for construction of housing facilities for limestone workers. The company also established two Decorative and Dimensional Stone Plants which were also incurring losses right from inception.

Some of the important points noticed in the review were as under:

- There was an excess expenditure of Rs.1.51 crore in production cost of cement due to non-adherence to norms of consumption.

**(Paragraph 7.2.11)**

- The State Government provided pricing support of Rs.3.05 crore against actual expenditure of Rs.1.11 crore.

**(Paragraph 7.2.13)**

- The company incurred an expenditure of Rs.26.70 lakh for People Development Programme before making arrangement of funds for the entrepreneurs for Self Employment Generation Scheme.

**(Paragraph 7.2.23)**

<b>Miscellaneous topics of interest relating to Government companies and Statutory corporations</b>
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***Nagaland Industrial Development Corporation Limited***

- Due to injudicious investment in joint venture collaboration Nagaland Industrial Development Corporation Limited sustained loss of Rs.48.43 lakh.

**(Paragraph 7.3)**





## CHAPTER I

### FINANCES OF THE STATE GOVERNMENT

#### In Summary

Large revenue and fiscal deficits year after year indicate continued macro imbalances in the State. In Nagaland, revenue deficit had increased from Rs.9.34 crore in 1999-2000 to Rs.159.37 crore in 2002-03. However, there was revenue surplus of Rs.546.80 crore in 2003-04.

Revenue of the State consisted mainly of its own tax and non-tax revenue, Central tax transfers and Grants-in-aid from Government of India. Overall revenue receipts increased from Rs.1131.46 crore in 1999-2000 to Rs.2359.79 crore in 2003-04 at an average trend rate of 21.54 *per cent*. There were, however, significant inter year variations in the growth rates. While 6 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, Central tax transfer and Grants-in-aid together contributed 94 *per cent* of the total revenue.

Total expenditure of the State increased from Rs.1330.35 crore in 1999-2000 to Rs.2209.20 crore in 2003-04 at an average trend rate of 13.28 *per cent*. The rate of growth of expenditure in 2003-04 was 19.46 *per cent*, which was higher than the average trend rate (13.28 *per cent*) for five years.

The interest payment during 2003-04 was Rs.234.74 crore. Debt burden (fiscal liabilities) of the State, which at the end of 2003-04 was Rs.1924 crore, had decreased by 8.46 *per cent* over the previous year.

#### 1.1 Introduction

The Finance Accounts of the Government of Nagaland are laid out in eighteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1



**Box 1.1**

**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 2003-04.

Statement No.3 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.4 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.5 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.6 gives the summary of cash balances and investments made out of such balances.

Statement No.7 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2004.

Statement No.8 shows the revenue and expenditure under different heads for the year 2003-04 as a percentage of total revenue/expenditure.

Statement No.9 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.10 indicates the detailed account of revenue receipts by minor heads.

Statement No.11 provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head-wise.

Statement No.12 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No.13 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 2003-04.

Statement No.14 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

Statement No.15 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.16 presents detailed account of debt and other interest bearing obligations of the Government.

Statement No.17 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 2004.

Statement No.18 gives the details of earmarked balances.

**1.2 Trend of Finances with reference to previous year**

Finances of the State Government during the current year compared to previous year were as under:

(Rupees in crore)

2002-03	Sl. No.	Major Aggregates	2003-04
1346.90	1	Revenue Receipts (2+3+4)	2359.79
62.00	2.	Tax Revenue	68.55
43.94	3.	Non-Tax Revenue	60.91
1240.96	4.	Other Receipts	2230.33
7.42	5.	Non-Debt Capital Receipts	6.81
7.42	6.	Of which Recovery of Loans and Advances	6.81
1354.32	7.	Total Non-Debt Receipts (1+5)	2366.60
1264.52	8.	Non-Plan Expenditure (9+11+12)	1464.29
1263.36	9.	On Revenue Account	1449.59
214.58	10.	Of which Interest Payments	234.74
0.79	11.	On Capital Account	10.98
0.37	12.	On Loans disbursed	3.72
584.77	13.	Plan Expenditure (14+15+16)	744.91
242.91	14.	On Revenue Account	363.40
339.90	15.	On Capital Account	380.15
1.96	16.	On Loans disbursed	1.36
1849.29	17.	Total Expenditure (8+13)	2209.20
(-)494.97	18.	Fiscal surplus(+)/Fiscal Deficit(-) (7-17)	157.40
(-)159.37	19.	Revenue Surplus(+)/Deficit(-) (1-9-14)	546.80
(-)280.39	20.	Primary surplus (+)/Primary Deficit(-) 18+10)	392.14

**1.3 Summary of Receipts and Disbursements for the year**

Table 1 summarises the finances of the Government of Nagaland for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

**Table 1 : SUMMARY OF RECEIPTS AND DISBURSEMENT FOR THE YEAR 2003-2004**

(Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	(Rupees in crore) 2003-04		
Section-A : Revenue							
					Non-Plan	Plan	Total
1346.90	I. Revenue receipts	2359.79	1506.27	I. Revenue expenditure	1449.59	363.40	1812.99
62.00	Tax revenue	68.55	798.67	General Services	859.45	15.46	874.91
43.94	Non-tax revenue	60.91	385.57	Social Services	294.91	127.41	422.32
46.01	Share of Union Taxes/Duties	256.97	322.03	Economic Services	295.23	220.53	515.76
1194.95	Grants from Government of India	1973.36	-	Grants-in-aid/Contribution	-	-	-

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
Section-B:Capital							
-	II. Misc.Capital Receipts	-	340.69	II. Capital Outlay	10.98	380.15	391.13
7.42	III.Recoveries of Loans and Advances	6.81	2.33	III. Loans and Advances disbursed	-	-	5.08
473.85	IV. Public debt receipts <sup>1</sup>	(-)3.22	67.57	IV. Repayment of Public Debt <sup>2</sup>	-	-	174.59
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
990.10	VI. Public account receipts	658.48	789.77	VI. Public account disbursements	-	-	971.27
9.24	Opening Balance	120.88	120.88	Closing Balance	-	-	(-)212.32
2827.51	Total	3142.74	2827.51	Total			3142.74

## 1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever necessary, show these in the light of time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources. (ii) Application of resources (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. 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, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in *Appendix-I*. The other statements of Liabilities and Assets, Receipts and Payments, Sources and Application of funds and Time Series Data are given in *Appendix-II to V*.

The reporting parameters are depicted in the Box 1.2

### Box 1.2 Reporting Parameters

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 as base as published by the Bureau of Economics and Statistics Department 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.

For most series a trend growth during 1999-2004 has been indicated. The ratios with respect to GSDP have also been depicted.

<sup>1</sup> Includes net ways and means and advances and overdraft also.

<sup>2</sup> Bifurcation of Plan and non-Plan not available.

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account as defined in Box 1.3.

### Box 1.3 State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	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 authorization 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.	Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursement are made from it.

### 1.5 State finances by key indicators

1.5.1 *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 Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources viz., market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from Public account.

Table 2 shows that the total receipts of the State Government for the year 2003-04 were Rs.3021.86 crore. Of these, the revenue receipts of the State Government were Rs.2359.79 crore only, constituting 78.09 per cent of the total receipts. The balance of receipts came from borrowings, recovery of loans and advances and public account receipts.

Table 2 – Resources of Nagaland

(Rupees in crore)		
I.	Revenue Receipts	2359.79
II.	Capital Receipts	3.59
(a)	Miscellaneous Receipts	-
(b)	Recovery of Loans and Advances	6.81
(c)	Public Debt Receipts	(-)3.22
III.	Contingency Fund Receipts	-
IV.	Public Account Receipts	658.48
(a)	Small Savings, Provident Fund, etc.	106.45
(b)	Reserve Fund	0.85
(c)	Deposits and Advances	81.50
(d)	Suspense and Miscellaneous	(-)93.39
(e)	Remittances	563.07
Total Receipts		3021.86

**1.5.2 Revenue Receipts:** Statement-10 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist mainly of its own tax and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

**Table 3 : Revenue Receipts-Basic Parameters**

*(Value: Rupees in crore and others in per cent)*

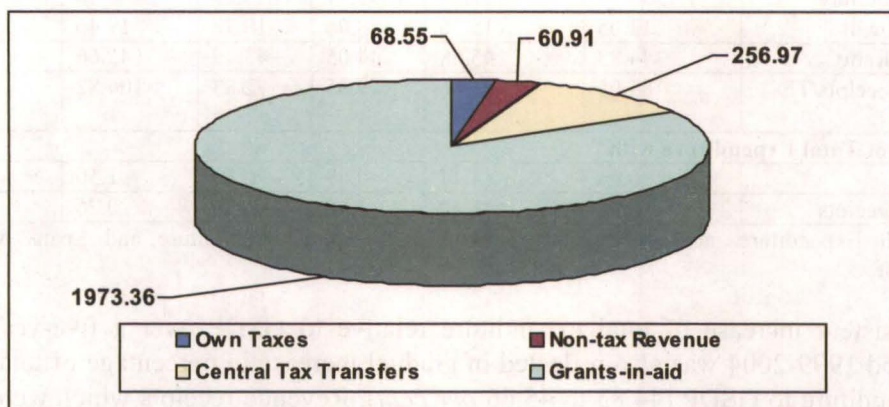
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Receipts	1131.46	1254.10	1324.53	1346.90	2359.79	1483.36
Own Taxes	3.49	3.69	4.71	4.60	2.90	3.88
Non-Tax Revenue	3.43	3.13	3.28	3.26	2.58	3.14
Central tax Transfers	46.49	7.69	1.75	3.42	10.89	14.05
Grants-in-aid	46.58	85.49	90.26	88.72	83.62	78.93
Rate of Growth (%)	14.36	10.84	5.62	1.69	75.20	21.54
Revenue Receipts/GSDP	38.13	37.40	34.95	31.45	48.77	38.14
Revenue Buoyancy	1.10	0.834	0.432	0.130	5.785	1.66
GSDP Growth (%)	13.00	13.00	13.00	13.00	13.00	13.00

The revenue receipts of the State increased from Rs.1131.46 crore in 1999-2000 to Rs.2359.79 crore in 2003-04 at an average trend rate of 21.54 *per cent*. There were, however, significant inter-year variations in the growth rates. During the five-year period 1999-2004, the State had a buoyant economy with its GSDP growth averaging 13 *per cent*. Rate of growth of revenue receipts which had remained lower than the growth of GSDP during 2000-2003, surged to over 75 *per cent* in 2003-04. A buoyancy of 5.785 in 2003-04 pushed the overall buoyancy of revenue receipts to 1.66 during 1999-2004. Almost the entire increase in revenue receipts was, however, contributed by grants in aid and tax transfers.

While 6 *per cent* of the revenue receipts during 2003-04 came from State's own resources comprising taxes and non-taxes, central tax transfers and grants-in-aid together contributed 94 *per cent* of the total revenue. Sales Tax was the major contributor (67 *per cent*) of State own tax revenue followed by other taxes (21 *per cent*). Of non-tax revenue sources Power (43 *per cent*) and receipts from Road Transport (8 *per cent*) were the principal contributors.



### Revenue Receipts for 2003-04 (Rupees in crore)



The source of total receipts under different heads and GSDP during 1999-2004 is indicated in Table 4.

Table 4 – Sources of Receipts: Trends

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
1999-00	1131.46	15.98	344.23	-	538.71	2030.38	2967.64
2000-01	1254.10	6.45	335.97	-	601.87	2198.39	3353.43
2001-02	1324.53	7.78	335.28	-	646.31	2313.90	3789.38
2002-03	1346.90	7.42	473.85	-	990.10	2818.27	4282.00
2003-04	2359.79	6.81	(-)3.22	-	658.48	3021.86	4838.66

## 1.6 Application of resources

**1.6.1 Trend of growth:** Statement 11 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs.1330.35 crore in 1999-2000 to Rs.2209.20 crore in 2003-04 at an average trend rate of 13.28 per cent per annum. Overall rate of growth of expenditure was less than the rate of growth of revenue receipt.

Total expenditure of the State, its trend and annual growth, ratio of expenditure to the State's GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:



**Table 5: Total Expenditure-Basic Parameters**

(Value: Rupees in crore and others in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Total Expenditure*	1330.35	1531.98	1669.27	1849.29	2209.20	1718.00
Rate of Growth	12.05	15.16	8.96	10.78	19.46	13.28
TE/GSDP Ratio	44.83	45.68	44.05	43.19	45.66	44.68
Revenue Receipts/TE ratio	85.05	81.86	79.35	72.83	106.82	85.18
<b>Buoyancy of Total Expenditure with</b>						
GSDP	0.93	1.17	0.69	0.83	1.50	1.02
Revenue Receipts	0.84	1.40	1.60	6.39	0.26	0.62

\*Total Expenditure includes Revenue Expenditure, Capital Expenditure and Loans & Advances.

Consistent increase of total expenditure relative to GSDP over a five-year period 1999-2004 was also reflected in gradual increase in percentage of total expenditure to GSDP (44.83 to 45.66 *per cent*). Revenue receipts which were financing only 85 *per cent* of total expenditure in 1999-2000 were more than enough to meet the same in 2003-04. The year ended with a fiscal surplus.

In terms of the activities, total expenditure could be considered as being composed of expenditure on General Services, interest payments, Social and Economic Services and loans and advances. Relative share of these components in total expenditure is indicated in Table 6.

**Table 6: Components of Expenditure – Relative Share (in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
General Services	30.38	30.99	32.21	32.92	31.24	31.55
Interest Payments	11.45	11.56	12.01	11.60	10.63	11.45
Social Services	30.63	28.21	28.52	28.90	25.37	28.33
Economic Services	26.78	28.11	27.06	26.44	32.53	28.18
Loans and Advances	0.77	1.13	0.21	0.13	0.23	0.49

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. Notwithstanding these inter year and intercomponent variations in relative shares over all share between developmental expenditure (social and economic services) and non-developmental expenditure (general services and interest payments) was generally stable. Around 42 *per cent* of the total expenditure was non-developmental in nature and the balance developmental.

**1.6.2 Incidence of revenue expenditure:** In the total expenditure, revenue expenditure had the predominant share. 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 7.



Table 7: Revenue Expenditure – Basic Parameters

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue Expenditure (Rupees in crore)	1140.80	1290.23	1427.11	1506.27	1812.99	1435.48
Rate of Growth ( <i>per cent</i> )	12.68	13.10	10.61	5.55	20.36	12.46
RE/GSDP	38.44	38.47	37.66	35.18	37.47	37.44
RE as % of TE	85.75	84.22	85.49	81.45	82.07	83.80
RE as % of Revenue Receipts	100.83	102.88	107.74	111.83	76.83	100.02
<b>Buoyancy of Revenue Expenditure with (<i>per cent</i>)</b>						
GSDP	0.98	1.01	0.82	0.43	1.57	0.96
Revenue Receipts	0.88	1.21	1.89	3.28	0.27	0.58

Overall revenue expenditure of the State increased at an average trend rate of 12.46 *per cent*. Rate of growth of revenue expenditure reached a level of 12.68 *per cent* in 1999-2000. On an average, 83.80 *per cent* of the total expenditure was on current consumption.

i) **Salary expenditure:** Salaries accounted for 32.55 *per cent* of revenue receipts and 42.37 *per cent* of revenue expenditure of the State during 2003-04. Expenditure on salaries increased from Rs.522.28 crore in 1999-2000 to Rs.768.19 crore in 2003-04 registering an increase of 47 *per cent* in five years. Salary expenditure as *per cent* to revenue receipt and revenue expenditure, however, witnessed a sharp deceleration in 2003-04. The details are indicated in the Table 8.

Table 8

(Rupees in crore)

Heads	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary expenditure	522.28	678.46	712.09	695.52	768.19
As a percentage of GSDP	17.60	20.23	18.79	16.24	15.88
As a percentage of revenue receipts	46.16	54.10	53.76	51.64	32.55
As a percentage of revenue expenditure	45.78	52.58	49.90	46.17	42.37

ii) **Expenditure on pension payments:** Pension payments increased by 139.30 *per cent* from Rs.58.84 crore in 1999-2000 to Rs.140.81 crore in 2003-04. Year-wise break-up of expenditure incurred on pension payments during the years 1999-2000 to 2003-2004 was as under:

Table 9

(Rupees in crore)

Year	Expenditure	Percentage to total revenue expenditure
1999-2000	58.84	5.16
2000-2001	87.56	6.79
2001-2002	112.26	7.87
2002-2003	133.38	8.85
2003-2004	140.81	7.77

The rates of Pension and DCRG were revised by the Government of Nagaland for its employees w.e.f. 1 April 2000 and the arrears on this account were drawn during 2000-01, 2001-02 and 2002-03 due to which the expenditure on pension during these years was exceptionally high.

iii) **Interest payments:** Interest payments and percentage of interest payment with reference to revenue receipts and revenue expenditure were as shown below.

**Table 10**

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
1999-2000	152.28	13.46	13.35
2000-2001	177.09	14.12	13.73
2001-2002	200.47	15.14	14.05
2002-2003	214.58	15.93	14.25
2003-2004	234.74	9.95	12.95

Interest payments increased steadily by 54.15 *per cent* from Rs.152.28 crore in 1999-2000 to Rs.234.74 crore in 2003-04 primarily due to higher borrowings. The interest payment was on Internal Debt (Rs.148.87 crore), loans received from Central Government (Rs.53.15 crore) and Small Savings, PF, etc. (Rs.32.72 crore).

### **1.7 Expenditure by Allocative priorities**

The expenditure of the State in the nature of plan expenditure, capital expenditure and development expenditure reflects its quality. Higher the ratio of these components to total expenditure better is the quality of expenditure. Table 11 gives these ratios during 1999-2004, as follows.

**Table 11 : Quality of Expenditure (*per cent* to total expenditure)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Plan Expenditure	30.95	29.50	28.29	31.56	33.73	30.81
Capital Expenditure	13.58	14.82	14.33	18.45	17.75	15.78
Development Expenditure	57.85	56.96	55.69	55.42	58.03	56.79

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure had inter-year variations but a significant improvement was noticed in 2003-04 compared to earlier years. In the year 2003-04, Plan expenditure, Capital expenditure and Development expenditure (expenditure on Economic and Social Services) increased by 81.98 *per cent*, 118.09 *per cent* and 67.49 *per cent* respectively compared to 1999-2000.

Out of the developmental expenditure of Rs.1279.16 crore during the year, social services accounted for 43.82 *per cent* (Rs.560.47 crore). Expenditure on General Education, Health, Medical and Family Welfare, Water Supply and sanitation constituted 85 *per cent* of the expenditure on Social sector.

**Table 12 : Social Sector Expenditure**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Education	168.83	191.90	220.89	210.04	256.40
Health, Medical and Family Welfare	91.68	89.37	80.72	89.18	94.68
Water Supply and sanitation	98.35	95.87	113.77	155.22	125.30
<b>Total</b>	<b>358.86</b>	<b>377.14</b>	<b>415.38</b>	<b>454.44</b>	<b>476.38</b>
<b>As a percentage of total expenditure on Social sector</b>	88.06	87.27	87.25	85.02	85.00

Similarly, the expenditure on Economic Services (Rs.718.69 crore) accounted for 56.18 *per cent* of the development expenditure, of which, irrigation and flood control, energy and transport accounted for 46.12 *per cent*.

Table 13 : Economic Sector Expenditure

	(Rupees in crore)				
	1999-2000	2000-01	2001-02	2002-03	2003-04
Irrigation and flood control	10.90	12.83	13.47	18.66	21.34
Energy	68.20	111.13	113.41	132.36	219.64
Transport	65.45	49.23	52.95	72.25	90.45
<b>Total</b>	<b>144.55</b>	<b>173.19</b>	<b>179.83</b>	<b>223.27</b>	<b>331.43</b>
As a percentage of total expenditure on Economic sector	40.58	40.22	39.82	45.66	46.12

### 1.7.1 Financial Assistance to Local Bodies and other Institutions

*i) Extent of assistance:* The quantum of assistance Rs.30.66 crore provided by way of grants to different local bodies etc., during the period of five years ending 2003-04 was as follows:

Table 14

(Rupees in crore)

		1999-2000	2000-01	2001-02	2002-03	2003-04
(A)	Universities and Educational Institutions	0.42	0.94	0.65	1.45	2.10
(B)	Development Agencies	13.57	13.01	2.67	0.43	-
(C)	Hospitals and other Charitable Institutions	0.02	-	-	-	0.10
(D)	Other Institutions	17.93	5.17	12.44	10.03	28.46
<b>Total</b>		<b>31.94</b>	<b>19.12</b>	<b>15.76</b>	<b>11.91</b>	<b>30.66</b>
Percentage of growth over previous year		100*	-	-	-	157
Assistance as percentage of Revenue expenditure		2.80	1.48	1.10	0.79	1.69

Source: Detailed Appropriation Accounts.

\*There was no figure in the previous year.

The assistance to the local bodies and other institutions at the end 2003-04 had decreased by 4 *per cent* over the level of 1999-2000 but increased by 157.43 *per cent* compared to previous year mainly as a result of increased assistance to other institutions.

*ii) Delay in furnishing Utilisation Certificates:* At the end of March 2004, 3253 utilisation certificates (UCs) relating to Rs.84.16 crore in respect of grants released up to September 2003 and due by March 2004 from seven departments were outstanding as detailed below:

Table 15

Sl. No.	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2003-04	47	23.57
2.	School Education	1982-83 to 2003-04	644	27.28
3.	Co-operation	1967-68 to 2003-04	286	6.03
4.	Rural Development	1980-81 to 2003-04	2255	20.34
5.	Agriculture	1999-2000 to 2003-04	9	6.92
6.	Art and Culture	2001-02 to 2003-04	11	0.01
7.	Social Security and Welfare	2000-01 to 2003-04	1	0.01
<b>Total:-</b>			<b>3253</b>	<b>84.16<sup>3</sup></b>

<sup>3</sup> The position of outstanding utilisation certificates was as per last year's position as the information upto (September 2003) is awaited (January 2005).

Due to non-receipt of utilisation certificates, it was not possible to ascertain whether the recipients had utilised the grants for the purpose(s) for which these were intended.

**iii) Delay in submission of accounts:** To identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, Government and Heads of departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions. On the basis of information available with Audit, annual accounts of bodies and authorities for 2003-04 and earlier years had not been received by the Accountant General as of October 2004, except Development Authority, Nagaland, Dimapur. The names of bodies and authorities, the accounts of which had not been received and the grants/loans received from the Government of India and the State Government during 2002-03 and 2003-04 are detailed in *Appendix-VI*.

## **1.8 Assets and liabilities**

In the government accounting system, comprehensive accounting of fixed assets like land and buildings etc. owned by Government is not done. However, government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. *Appendix II* gives an abstract of such liabilities and the assets as on 31 March 2004, compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. *Appendix II* shows that while the liabilities declined by 14 *per cent*, the assets increased by 6 *per cent*. Liabilities had full back up of assets as defined. The liabilities of Government of Nagaland depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retiring state employees, guarantees/letters of comforts issued by the State Government. *Appendix V* depicts the time series data on State Government finances for the period 1999-2004.

### **1.8.1 Investments and returns:**

As on 31 March 2004, Government had invested Rs.69.36 crore in its statutory corporations, Government companies, joint stock companies and co-operative Societies. Government's return on this investment was less than one *per cent* in the last five years. With an average interest rate of 12.68 *per cent* being paid by Government on its borrowings, the average annual subsidy amounted to 12.68 *per cent* and the implicit subsidy during the period 1999-2004 was Rs.35.30 crore.



**Table 16 : Return on Investment**

	(Rupees in crore)					
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Investment (Rs. in crore)	48.05	51.04	53.87	58.47	69.36	56.16
Returns (Rs. in crore)	0.00	0.00	0.00	0.00	0.00	0.00
Percentage of returns	0.00	0.00	0.00	0.00	0.00	0.00
Average interest rate paid by Government	13.87	13.75	12.83	11.30	11.66	12.68
Difference between interest rates and return	13.87	13.75	12.83	11.30	11.66	12.68
Implicit subsidy (Rs. in crore)	6.67	7.02	6.91	6.61	8.09	7.06

**1.8.2 Loans and advances by State Government:**

In addition to investments in co-operatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balance as on 31 March 2004 was Rs.45.22 crore. Interest received on such loans had varied from 1.46 *per cent* to 1.73 *per cent* during 1999-2004 (Table 17). Total implicit subsidy during 1999-2004 on such loans was Rs.25.41 crore.

**Table 17 :Average Interest Received on Loans Advanced by the State Government**

	(Rupees in crore)					
	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Opening Balance	47.26	41.49	52.39	48.04	42.96	46.43
Amount advanced during the year	10.21	17.35	3.43	2.33	5.08	7.68
Amount repaid during the year	15.98	6.45	7.78	7.42	6.81	8.89
Closing Balance	41.49	52.39	48.04	42.96	41.23	45.22
Net addition	(-)5.77	10.99	(-)4.35	(-)5.09	(-)1.73	(-)1.21
Interest received	0.65	0.73	0.93	0.75	0.89	0.79
Average Interest paid by the State ( <i>per cent</i> )	13.87	13.75	12.83	11.30	11.66	12.68
Difference between interest paid and received ( <i>per cent</i> )	12.41	12.19	10.97	9.65	9.55	10.95
Implicit subsidy	5.86	5.06	5.75	4.64	4.10	5.08

**1.8.3 Commercial activities -Lack of accountability in the use of public funds in departmental commercial undertakings:** Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are required to prepare *pro forma* accounts annually in prescribed formats showing the results of financial operations so that Government can assess their functioning. The Heads of Departments in Government are to ensure that the undertakings which are funded by the budgetary releases, prepare the accounts in time and submit the same to Accountant General for Audit.

As of 31 March 2004, there were nine such departmentally managed commercial and quasi-commercial undertakings under the control of Government of Nagaland. However, the preparation of *pro forma* accounts for these units up to 2003-04 was in arrears for periods ranging from 1971-72 to 2003-04.



The failure of the Heads of Departments and the managements of the undertakings, in timely preparation of the *pro forma* accounts was repeatedly commented upon in the earlier Reports of the Comptroller and Auditor General of India. Yet, there was no improvement in the position.

**1.8.4 Management of cash balances:** It is generally desirable that 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) and overdraft from Reserve Bank of India has been put in place. State has shown improvement in management of cash balances as WMA facilities were used for six days during 2003-04 as against 311 days in previous year. As regards overdraft, the State Government has used this facility for 365 days only in 2003-04, signifying distinct improvement in cash management.

**Table 18: Ways and Means Advances and Overdrafts of the State and interest paid thereon**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<i>(Rupees in crore)</i>						
<b>Ways and means advance</b>						
Taken in the year	55.01	245.47	304.61	656.80	44.55	261.29
Outstanding	10.75	69.29	40.00	-	-	24.01
Interest paid	0.25	0.54	0.93	1.77	0.63	0.82
Number of days	10	136	188	311	6	68.62
<b>Overdraft</b>						
Taken in the year	140.28	208.57	363.82	349.55	-	212.44
Outstanding	34.50	99.30	177.63	5.23	5.23	64.38
Interest paid	0.97	20.60	0.52	0.71	0.13	4.59
Number of days	64	56	73	158	365	143.20

#### **1.8.5 Undischarged liabilities**

**Fiscal liabilities – public debt and guarantees:** 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. However, no such law has been passed by the State, to lay down any such limit. Table 20 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

**Table 19: Fiscal Liabilities-Basic Parameters**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<i>(Value: Rupees in crore and ratio in per cent)</i>						
Fiscal Liabilities <sup>\$</sup>	1146	1430	1696	2102	1924	1660
Rate of Growth	9.22	24.78	18.60	23.96	(-)8.46	15.44
<b>Ratio of Fiscal Liabilities to</b>						
GSDP	38.60	42.60	44.80	49.10	39.80	43.20
Revenue Receipts	101.30	114.00	128.00	156.10	81.60	110.80
Own Resources	1462.40	1672.80	1603.00	1984.30	1486.50	1622.30
<b>Buoyancy of Fiscal Liabilities to</b>						
GSDP	0.710	1.906	1.431	1.843	*	1.187
Revenue Receipts	0.642	2.286	3.312	14.185	*	1.022
Own Resources	(-)0.111	2.727	0.783	181.045	*	1.461

<sup>\$</sup> Includes internal debt, loans and advances from GOI and other obligations.

\* Rate of growth of fiscal liabilities was negative.

Overall fiscal liabilities of the State increased from Rs.1146 crore in 1999-2000 to Rs.1924 crore in 2003-04 on an average rate of 15.44 *per cent* during 1999-2004. The ratio of these liabilities to GSDP also increased from 38.60 *per cent* in 1999-2000 to 43.20 *per cent* in 2003-04. These liabilities stood at 0.82 times of its revenue receipts and 14.87 times of its own resources.

The fiscal liabilities had grown faster than the State's GSDP, revenue receipts and own resources. Average buoyancy of these liabilities with respect to GSDP was 1.19 indicating that for each one *per cent* increase GSDP fiscal liabilities were growing at the rate of 1.19 *per cent*.

Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. Fiscal liabilities in Nagaland satisfies this sustainability indication.

**Table 20: Debt Sustainability-Interest Rate and GSDP Growth  
(in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Weighted Interest Rate	13.87	13.75	12.83	11.30	11.66	12.68
GSDP Growth	13.00	13.00	13.00	13.00	13.00	13.00
Interest spread	(-)0.87	(-)0.75	0.17	1.70	1.34	0.32

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table 21 below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including public account) declined from 30.17 *per cent* in 1999-2000 to (-)219.59 *per cent* in 2003-04. This is due to increased interest payments and repayment of loans from borrowed funds.

**Table 21: Net Availability of Borrowed Funds**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>Internal debt</b>						
Receipt	167.24	163.05	224.23	238.58	393.93	237.41
Repayment(Principal + Interest)	114.86	127.34	267.79	180.55	211.80	180.47
Net Fund Available	52.38	35.71	(-)43.56	58.03	182.13	56.94
Net Fund Available ( <i>per cent</i> )	31.32	21.90	(-)19.43	24.32	46.23	20.87
<b>Loans and Advances from Government of India</b>						
Receipt	51.99	49.58	62.01	447.67	(-)397.15	42.82
Repayment (Principal + Interest)	54.95	63.66	86.73	76.61	164.81	89.35
Net Fund Available	(-)2.96	(-)14.08	(-)24.72	371.06	(-)561.96	(-)46.53
Net Fund Available ( <i>per cent</i> )	(-)5.69	(-)28.40	(-)39.86	82.89	141.50	30.09
<b>Other obligations</b>						
Receipt	159.36	192.03	143.31	242.88	186.99	184.91
Repayment (Principal + Interest)	94.57	189.47	159.77	168.68	210.70	164.64
<b>Total liabilities</b>						
Receipt	378.59	404.66	429.55	929.13	183.77	465.14
Payments	264.38	380.47	514.29	425.84	587.31	434.46
Net receipts	114.21	24.19	(-)84.74	503.29	(-)403.54	30.68
Net Funds Available ( <i>per cent</i> )	30.17	5.98	(-)19.73	54.17	(-)219.59	(-)29.80



## 1.9 Management of deficits

**1.9.1 Fiscal imbalances:** The 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. The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, increased from Rs.9 crore in 1999-2000 to Rs.159 crore in 2002-03, whereas in 2003-04 revenue receipts over revenue expenditure was Rs.547 crore (Table 22).

**Table-22 Fiscal Imbalances-Basic Parameters**

(Value: Rupees in crore and ratio in per cent)

	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
Revenue deficit(-)/surplus (+)	(-)9.00	(-)36.00	(-)103.00	(-)159.00	547.00	48.00
Fiscal deficit (-)/surplus (+)	(-)183.00	(-)271.00	(-)337.00	(-)495.00	157.00	(-)226.00
Primary deficit(-)/surplus(+)	(-)31.00	(-)94.00	(-)136.00	(-)280.00	392.14	(-)108.00
RD/GSDP	(-)0.31	(-)1.08	(-)2.71	(-)3.72	11.30	1.24
FD/GSDP	(-)6.16	(-)8.09	(-)8.89	(-)11.56	3.25	(-)5.87
PD/GSDP	(-)1.03	(-)2.81	(-)3.60	(-)6.55	-	(-)2.80
RD/FD	5.11	13.31	30.44	32.20	*	(-)16.21

(Negative figures indicate deficit)

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

## 1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 23 below presents a summarized position of government finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facets.

**Table 23: Indicators of Fiscal Health (in per cent)**

Fiscal Indicators	1999-2000	2000-01	2001-02	2002-03	2003-04	Average
<b>I. Resource Mobilization</b>						
Revenue Receipts/GSDP	38.13	37.40	34.95	31.45	48.77	38.14
Revenue Buoyancy	1.105	0.834	0.432	0.130	5.785	1.66
Own tax/GSDP	1.33	1.38	1.65	1.45	1.42	1.44
<b>II. Expenditure Management</b>						
Total Expenditure/GSDP	44.83	45.68	44.05	43.19	45.66	44.68
Revenue Receipts/Total Expenditure	85.05	81.86	79.35	72.83	106.82	85.18
Revenue Expenditure/ Total Expenditure	85.75	84.22	85.49	81.45	82.07	83.80
Plan Expenditure/Total Expenditure	30.95	29.50	28.29	31.56	33.73	30.81
Capital Expenditure/Total Expenditure	13.58	14.82	14.33	18.45	17.75	15.78
Development Expenditure/Total Expenditure	57.85	56.96	55.69	55.42	58.03	56.79
Buoyancy of TE with RR	0.84	1.40	1.60	6.39	0.26	0.62
Buoyancy of RE with RR	0.88	1.21	1.89	3.28	0.27	0.58



<b>III. Management of Fiscal Imbalances</b>						
Revenue surplus(+)/deficit(-) (Rs. in crore)	(-)9.34	(-)36.13	(-)102.58	(-)159.37	546.80	47.88
Fiscal deficit(-)/surplus(+) (Rs. in crore)	(-)182.91	(-)271.43	(-)336.96	(-)494.97	157.40	(-)225.77
Primary deficit(-)/surplus(+) (Rs. in crore)	(-)30.63	(-)94.34	(-)136.49	(-)280.39	392.14	(-)108.37
Revenue deficit/Fiscal deficit	5.11	13.31	30.44	32.20	*	16.21
<b>IV. Management of Fiscal Liabilities (FL)</b>						
Fiscal Liabilities/GSDP	38.62	42.64	44.75	49.09	39.77	42.98
Fiscal Liabilities/RR	101.28	114.02	128.04	156.08	81.55	116.19
Buoyancy of FL with RR	0.64	2.29	3.31	14.18	(-)0.11	4.06
Buoyancy of FL with OR	(-)0.111	2.727	0.783	181.045	(-)0.381	36.81
Interest spread	(-)0.87	(-)0.75	0.17	1.70	1.34	0.32
Net Fund Available	30.17	5.98	(-)19.73	54.17	(-)219.59	22.98
<b>V. Other Fiscal Health Indicators</b>						
Return on Investment	0.00	0.00	0.00	0.00	0.00	0.00
BCR (Rs. in crore)	(-)277.14	(-)296.20	(-)974.63	(-)555.96	(-)247.88	(-)371.21
Financial Assets/Liabilities	1.10	1.05	0.97	0.95	1.17	1.05

\*There was Revenue surplus.

The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 1999-2003 increased substantially during 2003-04 owing to increase in central tax transfers and Grants-in-aid from the Government of India. The ratio of own tax to GSDP, however, decreased during the last three years indicating deficient tax administration. The balance from current revenues (BCR) also continued to be negative indicating continued dependence on external resources for plan and development expenditure.

### 1.11 Medium Term Fiscal Reforms Programme

**1.11.1** In April 1999, Government of Nagaland signed a Memorandum of Agreement (MOA) with Government of India to effect long term Fiscal Reforms. Later, a Memorandum of Understanding (MOU) was signed in November 2001 to implement the Medium Term Fiscal Reforms Programme (MTFRP). The main objective of MTFRP is to reduce the Gross Fiscal Deficit of the state as an aggregate to 2.5 per cent of the GSDP at the end of 2004-05. The other objectives were reducing revenue deficit, rationalising manpower, implementing additional resource measures, rationalising user charges, reducing non plan revenue expenditure, improving functioning of the power sector and leasing out of loss making public sector undertakings (PSUs).

According to the MOU, incentives to the tune of Rs.535.48 crore would be provided by the Government of India to the State during the period 2000-05 under the State's Fiscal Reforms Facility to overcome fiscal constraints subject to the State's adherence to fiscal commitments consistent with the Medium Term Fiscal Reforms Programme. Incentives would be withheld for non adherence. On the basis of performance, the State Government received the following amounts under the scheme up to 2002-03.

**Table 24**

(Rupees in crore)

Year	Amount of incentive	Amount of incentive Bonus	Funds released by GOI
2000-01	96.65	0.57	97.22
2001-02	101.09	0.99	102.08
2002-03	108.02	1.07	109.09
<b>Total</b>	<b>305.76</b>	<b>2.63</b>	<b>308.39</b>

Source: Departmental figures

The release of the dues for the year 2003-04 is under consideration by the Government of India.

### **1.11.2 Revenue Measures**

The Government of Nagaland agreed to undertake revenue generation and expenditure compression to broadly achieve fiscal targets as projected in the MTFRP as follows.

**Table 25**

	1999-2000		2000-01		2001-02		2002-03		2003-04	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Consolidated revenue deficit as % of GSDP	--	3.37	--	1.08	1.44	2.71	2.45	3.72	2.60	11.30
Fiscal deficit as % of GSDP	--	6.16	--	8.09	6.38	8.89	5.14	11.86	4.77	3.25
State own tax revenue as % of GSDP	--	1.33	--	1.38	1.71	1.45	1.63	1.45	1.53	1.00
States own non-tax revenue as % of GSDP	--	1.31	--	1.17	1.23	1.15	1.15	1.03	1.08	1.26
Consolidated debt as % of GSDP	--	38.62	--	42.64	59.05	44.75	60.09	49.09	61.71	39.77

Source:- Audit Report

A review (August 2004) of the progress of implementation of the fiscal reform measures by the GOI revealed the following:

### **1.11.3 Tax Reforms**

Due to concerted efforts made by the State Government to streamline the tax collection machinery, collection of tax and non tax revenue was raised to Rs.129.46 crore in 2003-04 against Rs.78.36 crore in base year 1999-2000 (growth of 73.33 *per cent*), but there were still huge arrears of revenue amounting to Rs.23.63 crore at the end of March 2003.

### **1.11.4 Power Sector Reforms**

To reduce the transmission and distribution (T&D) losses by 5 *per cent* every year and bringing the level to 40 *per cent* in five years, it was proposed to implement the single point metering system in villages by April 2001 and hand over the village electricity revenue management to village councils to check pilferage and theft of energy. To improve the revenue generation the Power Department revised the tariffs, introduced computerisation of billing system and 253 villages were brought under single metering system.

### ***1.11.5 Expenditure Reforms***

As per MOU, the share of salary and pension payment was to be reduced to 15.2 and 2 *per cent* of GSDP but actually the shares went up to 15.88 and 2.91 *per cent* respectively during 2003-04.

The report of the High Powered Committee to downsize the State Transport Department was processed for implementation. Forty seven employees identified as surplus were already redeployed thereby improving the bus/men ratio from 1:10 to 1:8.5.

As recommended by the Commission on Nagaland Work Charged and Casual Employees, the Public Health Engineering Department was to reduce the number of employees by 4,814 in the work charged category and by 619 in casual category. The Department reduced 3,143 work charged employees in phase-I by implementing Voluntary Retirement Scheme (VRS) and most of the casual employees were removed.

### ***1.11.6 Public Sector Undertakings (PSUs)***

To reduce government support to PSUs, the State Government reduced the budgetary support in the form of subsidy/grant from Rs.439.67 crore to Rs.3.81 crore during 1999-2004 and closed down one sick PSU (Nagaland Sugar Mill) on 30.9.2001.

## **1.12 Impact of Government Policies**

*Appendix-VII* depicts the progress achieved in different socio-economic sectors during 2003-04 as compared to 2001-02 and 2002-03 according to information furnished by the Directors, Chief Engineers etc., of various departments of the State Government.





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## **CHAPTER - II**

# **ALLOCATIVE PRIORITIES AND APPROPRIATION**

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## CHAPTER II

### ALLOCATIVE PRIORITIES AND APPROPRIATION

#### 2.1 Introduction

In accordance with the provision of Article 204 of the Constitution of India, soon after the grants under Article 203 are made by the State Legislature, an Appropriation Bill is introduced to provide for appropriation out of the Consolidated Fund of the State. The Appropriation Bill passed by the State Legislature contains authority to appropriate sums from the Consolidated Fund of the State for the specified services. Subsequently, supplementary or additional grants can also be sanctioned by subsequent Appropriation Acts in terms of Article 205 of the Constitution of India.

The Appropriation Act, includes the expenditure which has been voted by the Legislature on various grants, in terms of Articles 204 and 205 of the Constitution of India, and also the expenditure which is required to be charged on the Consolidated Fund of the State. The Appropriation Accounts are prepared every year, indicating the details of amounts on various specified services actually spent by Government vis-à-vis those authorised by the Appropriation Act.

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act, and ensure that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

#### 2.2 Summary of Appropriation Accounts

2.2.1 The summarised position of original and supplementary Grants/Appropriations and expenditure thereagainst is given below:-

**Total number of Grants : 79 (76 Grants and 3 Appropriations)**  
**Total Provision and Actual Expenditure**

Table No.2.1 (Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	2350.71	Revenue	1822.69
Supplementary	253.51	Capital <sup>1</sup>	615.35
<b>Total gross provision</b>	<b>2604.22</b>	<b>Total gross expenditure</b>	<b>2438.04</b>
Deduct estimated recoveries in reduction of expenditure	17.01	Deduct actual recoveries in reduction of expenditure	9.70
<b>Total net provision</b>	<b>2587.21</b>	<b>Total net expenditure</b>	<b>2428.34</b>

<sup>1</sup> Capital includes Loans and Advances and Public Debt.

## Voted and Charged Provision and Expenditure

Table No.2.2

(Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1578.22	275.45	1583.21	239.48
Capital <sup>2</sup>	613.09	137.46	396.21	219.14
<b>Total Gross</b>	<b>2191.31</b>	<b>412.91</b>	<b>1979.42</b>	<b>458.62</b>
Deduct recoveries in reduction of expenditure	17.01	---	9.70	---
<b>Total : Net</b>	<b>2174.30</b>	<b>412.91</b>	<b>1969.72</b>	<b>458.62</b>

The summarised position of actual expenditure, excess and savings during 2003-2004 against Grants/Appropriation was as follows:-

Table No.2.3

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure <sup>3</sup>	Saving (-) Excess (+)
Voted	I Revenue	1387.53	190.69	1578.22	1583.21	(+)4.99
	II Capital	546.44	58.63	605.07	391.13	(-)213.94
	III Loans and Advances	4.00	4.02	8.02	5.08	(-)2.94
	<b>Total Voted</b>	<b>1937.97</b>	<b>253.34</b>	<b>2191.31</b>	<b>1979.42</b>	<b>(-)211.89</b>
Charged	IV Revenue	275.28	0.17	275.45	239.48	(-)35.97
	V Capital	---	---	---	---	---
	VI Public Debt.	137.46	---	137.46	219.14	(+)81.68
	<b>Total Charged</b>	<b>412.74</b>	<b>0.17</b>	<b>412.91</b>	<b>458.62</b>	<b>(+)45.71</b>
	Appropriation to Contingency Fund	---	---	---	---	---
<b>Grand Total</b>		<b>2350.71</b>	<b>253.51</b>	<b>2604.22</b>	<b>2438.04</b>	<b>(-)166.18</b>

Source: Appropriation Accounts

The overall saving of Rs.166.18 crore was the net result of excess of Rs.230.79 crore in 30 cases of grants and two cases of appropriations and saving of Rs.396.97 crore in 62 cases of grants and four cases of appropriations.

## 2.3 Fulfilment of Allocative Priorities

## 2.3.1 Appropriation by Allocative Priorities

i) Out of overall savings of Rs.396.97 crore, major savings of Rs.355.61 crore (90 per cent) occurred in 29 Grants/Appropriations as mentioned below.

(Rupees in crore).

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Actual expenditure	Savings
1.	18-Pensions and other Retirement Benefits (Revenue-Voted)	123.48	29.95	153.43	140.81	12.62
2.	27-Planning Machinery (Capital-Voted)	23.37	---	23.37	7.16	16.21

<sup>2</sup> Capital includes Loans and Advances and Public Debt.

<sup>3</sup> These are gross figures before adjustment of recoveries in reduction of expenditure viz. Revenue expenditure Rs.9.70 crore and Capital expenditure NIL.



**Audit Report (Civil) for the year ended 31 March 2004**

<b>Sl. No.</b>	<b>Number and name of the grant/appropriation</b>	<b>Original</b>	<b>Supplementary</b>	<b>Total</b>	<b>Actual expenditure</b>	<b>Savings</b>
3.	28-Civil Police (Revenue-Voted)	233.46	33.54	267.00	258.97	8.03
4.	31-School Education (Capital-Voted)	5.60	0.40	6.00	0.93	5.07
5.	35-Medical, Public Health and Family Welfare (Capital-Voted)	54.69	---	54.69	18.85	35.84
6.	36-Urban Development (Revenue-Voted)	9.39	---	9.39	1.98	7.41
7.	36-Urban Development (Capital-Voted)	64.13	---	64.13	17.88	46.25
8.	40-Employment and Training (Revenue-Voted)	4.35	3.36	7.71	3.57	4.14
9.	43-Social Security and Welfare (Revenue-Voted)	32.80	12.34	45.14	40.73	4.41
10.	45-Co-operation (Capital-Voted)	3.34	6.85	10.19	3.62	6.57
11.	49-Soil and Water Conservation (Revenue-Voted)	16.21	6.19	22.40	15.87	6.53
12.	50-Animal Husbandry and Dairy Development (Revenue-Voted)	28.30	2.27	30.57	22.35	8.22
13.	51-Fisheries (Revenue-Voted)	7.43	7.43	14.86	6.76	8.10
14.	53-Industries (Revenue-Voted)	29.81	1.28	31.09	25.07	6.02
15.	53-Industries (Capital-Voted)	13.68	11.96	25.64	15.89	9.75
16.	55-Power Projects (Revenue-Voted)	80.16	3.78	83.94	60.92	23.02
17.	58-Roads and Bridges (Capital-Voted)	87.82	---	87.82	70.97	16.85
18.	59-Irrigation and Flood Control (Revenue-Voted)	22.29	3.09	25.38	21.33	4.05
19.	60-Water Supply Schemes (Revenue-Voted)	18.38	1.52	19.90	(-)4.30 <sup>4</sup>	24.20
20.	60-Water Supply Schemes (Capital-Voted)	63.72	16.37	80.09	63.19	16.90
21.	62-Civil Administration Works (Capital-Voted)	8.40	5.79	14.19	6.73	7.46
22.	65-SCERT (Revenue-Voted)	8.20	---	8.20	4.58	3.62
23.	65-SCERT (Capital-Voted)	2.81	2.17	4.98	0.43	4.55
24.	66-Sericulture (Revenue-Voted)	10.76	---	10.76	5.29	5.47
25.	72-Wasteland Development (Revenue-Voted)	33.51	0.22	33.73	28.34	5.39
26.	74-Mechanical Engineering (Capital-Voted)	6.58	0.79	7.37	4.03	3.34
27.	76-Service of Debt (Revenue-Charged)	270.70	---	270.70	234.74	35.96
28.	78- Development of Under Developed Areas (Capital-Voted)	14.36	1.00	15.36	4.98	10.38
29.	79-Information Technology (Revenue-Voted)	---	11.75	11.75	2.50	9.25
		<b>1277.73</b>	<b>162.05</b>	<b>1439.78</b>	<b>1084.17</b>	<b>355.61</b>

<sup>4</sup> Minus Expenditure is due to more recoveries under stock than actual expenditure.

Reasons for savings were not intimated by the departments except for the following two grants.

(a) The saving under 59-Irrigation and Flood Control grant was stated to be due to less release of fund by the Finance Department.

(b) The saving under 60-Water Supply Scheme (Revenue and Capital) was stated to be due to absence of budget provision for clearance of outstanding balance left under 8658-129-Material Purchase Settlement Suspense Account in the accounts of 2002-03 and due to disproportionate provision under BMS in the final grant issued by the Finance Department respectively.

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

ii) 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-IX*.

### 2.3.2 Excess requiring regularisation

#### i) Excess over provision during 2003-04 requiring regularisation

The excess of Rs.145.12 crore under Revenue Section and Rs.85.67 crore under Capital Section as detailed in *Appendix-X* require 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 regularized by the State Legislature. However, it was noticed that excess expenditure of Rs.1780.48 crore reported during 1991-92 to 2002-03 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 2005. Details of such excess e.g., number of Grants/Appropriations and amount involved therein requiring regularization are given below:

Table No.2.4

(Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/ Appropriations	Grant Number	Amount involved
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63,65,69,70,35,36,72	152.27
2	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
3.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47,48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
4.	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
5.	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
6.	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
7.	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

8.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
9.	2001-02	16	18,38,40,43,49,52,58,62,64,72,75,14,32,34,68,70	27.98
10.	2002-03	19	16,18,22,28,35,38,42,43,49,58,61,62,64,65,67,69,73,74,76	723.75
		<b>Total:-</b>		<b>1780.48</b>

Source: Appropriation Accounts

### **2.3.3 Original budget and supplementary provisions**

Supplementary provisions (Rs.253.51 crore) made during the year constituted 11 *per cent* of the original provision (Rs.2350.71 crore) as against 13 *per cent* in the previous year.

### **2.3.4 Unnecessary/excessive/insufficient supplementary grants**

a) Supplementary provision of Rs.60 crore made in 25 Grants/Appropriations during the year proved unnecessary in view of aggregate savings of Rs.145.13 crore as detailed in *Appendix—XI*.

b) In 40 Grants/Appropriations, against additional requirement of Rs.1.64 crore, supplementary grants and appropriation of Rs.205.86 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.204.22 crore. Details of these cases are given in *Appendix—XII*.

c) In 14 Grants/Appropriations supplementary provisions of Rs.36.53 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.111.83 crore as per details given in *Appendix—XIII*.

### **2.3.5 Persistent savings**

In two grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in *Appendix—XIV*.

### **2.3.6 Significant excess**

In seven Grants/Appropriations the expenditure exceeded the approved provision by more than Rs.50 lakh in each case and also by more than 10 *per cent* of the total provision. Details are given in *Appendix—XV*.

### **2.3.7 Expenditure without provision**

According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs.120.03 crore was incurred in 23 cases as detailed in *Appendix—XVI* without provision having been made in the original estimates/supplementary demands.

### **2.3.8 Anticipated savings not surrendered**

According to rules, the spending departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 13 Grants/Appropriation, the amount of



available savings of Rs.1 crore and above in each Grant/Appropriation not surrendered aggregated Rs.87.65 crore. Details are given in *Appendix-XVII*.

### ***2.3.9 Surrender in excess of savings***

In 18 Grants/Appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.78.80 crore, the amount surrendered was Rs.99.62 crore resulting in excess surrender of Rs.20.82 crore. Details are given in *Appendix-XVIII*. The irregularities persisted in the absence of any action taken by the Government departments on similar instances of budgetary irregularities which have been reported from year to year in Chapter II of the Audit Reports.

### ***2.3.10 Trend of Recoveries and Credits***

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

During 2003-04, the actual recoveries (Rs.9.70 crore) were less than the estimated recoveries (Rs.17.01 crore) by Rs.7.31 crore. This was the net result of less recoveries of Rs.8.13 crore in seven grants, and excess recovery of Rs.0.82 crore in two grants. Details are given in *Appendix* to the Appropriation Accounts.

### ***2.3.11 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 79 Grants/Appropriations, explanations for savings/excess were received for 32 grants only. The replies in respect of 30 grants were incomplete.

### ***2.3.12 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 79 controlling officers, nine involving Rs.294.71 crore pertaining to 2003-04 remained unreconciled.

The extent of non-reconciliation of expenditure by the controlling officers, however, increased from five *per cent* in 2001-02 to twelve *per cent* of the total expenditure in 2003-04 as shown below:-

Table No.2.5		(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
2001-02	76	8	5	116.13
2002-03	76	8	8	252.40
2003-04	79	9	12	294.71

Source: Appropriation Accounts





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**CHAPTER - III**

**PERFORMANCE REVIEWS(CIVIL)**

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## CHAPTER – III

### POWER DEPARTMENT

#### 3.1 Receipts, issue and accounting of stores in Power Department

##### 3.1.1 Introduction

The stores procured by the Power Department are mainly conductors, transformers, steel tubular poles, cables, street light material, high tension (HT)/low tension (LT) line material, metering equipment, etc. The Store Division at Dimapur headed by an Executive Engineer is responsible for receipt and distribution of stores.

The receipt and distribution of stores during the period from 1999-2000 to 2003-04 were reviewed by test check of records of the Chief Engineer, Store Division, Dimapur and five divisions (three of Dimapur Electrical Circle and two of Mokokchung Electrical Circle).

##### 3.1.2 Budgetary arrangements and availability of funds

No specific allocation of funds for procurement of stores was made in the annual budget of the Power Department. Procurements were made against the budget allocations made for the different schemes such as PMGY, Rural Electrification Works, Accelerated Power Development Reforms Programme (APDRP), Kutir Jyoti Programme (KJP), System Improvement Scheme (SIS), etc.

The value of stores as appearing in the Appropriation Accounts and the expenditure incurred on procurement of material and value of issue thereof during last five years are shown below:

Table No.3.5						(Rupees in lakh)
Year	Opening Balance	Value of material procured for		Value of material issued against		Closing balance
		Stock	Works	Stock	Works	
1999-2000	1603.06	15.17	483.87	36.72	377.85	1687.53
2000-2001	1687.53	12.41	1072.37	11.40	651.66	2109.25
2001-2002	2109.25	95.47	865.19	10.50	544.41	2515.00
2002-2003	2515.00	21.32	1996.67	---	675.00	3857.99
2003-2004	3857.99	19.68	2626.82	---	1249.79	5254.70

Source: Appropriation Accounts & Departmental figures.

Most of the expenditure on procurement of stores was charged to works concerned and the procurement against the suspense head 'stock' was meagre. Huge overstocking of material at the year-end during 1999-2004 was also noticed.



### **3.1.3 Absence of Procurement plan and records**

According to the procedure, material requirements were to be assessed on the basis of the detailed project reports/sanctioned estimates of the works/projects concerned. The assessment was, however, done by the Chief Engineer without calling for the actual requirement from the executing divisions. Thus, the procurement was not planned according to the need, which was one of the major attributes of overstocking of material. Requirement of stores need to be assessed on a scientific basis and procured accordingly.

For the procurement/purchases, relevant NITs, tender documents, comparative statements, estimates etc. were not made available to Audit. As such, the evaluation of tenders, competitiveness of rates and the basis of selection of suppliers could not be verified. Possibility of overspending, undue advantage to suppliers, etc. cannot be ruled out.

None of the divisions test checked maintained value accounts of stores and as such value of stores available with the Department could not be ascertained in audit.

## **Maintenance of Accounts**

### **3.1.4 Minus balances in stock**

Test check of records revealed that the Department had gradually reduced operation of the suspense head 'stock' and material were mostly procured by charging the expenditure direct to the respective schemes. But the old outstanding inter-divisional stock transactions remained un-adjusted resulting in minus balance of Rs.5.07 crore in stock account of seven divisions<sup>1</sup> at the end of March 2004. The minus balances were mainly attributable to (i) non-adjustment of inter-divisional transactions, (ii) fictitious adjustment of stores and stock and (iii) non-adjustment of profit/loss on stores and non-revision of issue rates as discussed in the succeeding paragraphs.

### **3.1.5 Cash settlement suspense Accounts (CSSA)**

The cost of material or services rendered by a division to another division is initially debited to the suspense head "Cash settlement Suspense Accounts (CSSA)" and the amount as and when received is credited to the same head by the originating division. The operation of this suspense head of account was dispensed with from 1 April 1996 by the State Government, but as of March 2004, stores valuing Rs.4.25 crore issued from stock by debiting CSSA remained unadjusted in the accounts of seven divisions in the Power Department due to non-receipt of payment from other divisions .

<sup>1</sup> (1) Dimapur Transmission Division: Rs.1.14 crore; (2) Dimapur Electrical Division: Rs.46.81 lakh; (3) Kohima Electrical Division: Rs.9.56 lakh; (4) Mokokchung Electrical Division: Rs.1.46 crore; (5) Changtongya Electrical Division: Rs.5.20 lakh; (6) Zunheboto Electrical Division: Rs.48.32 lakh; (7) Tuensang Electrical Division: Rs.1.37 crore.

Further, the material received centrally in the Store Division was to be issued to user Divisions on 'cash and carry basis'. Despite introduction of this system, the information furnished by the Store Division revealed that an amount of Rs.52.67 lakh<sup>2</sup> was yet to be recovered towards cost of material issued to five divisions during 1999-2004.

### **3.1.6 Material purchase settlement Suspense Accounts (MPSSA)**

When the material is received from a supplier or from another division and is not paid on the same day (if the material is procured for works) or at the close of the monthly stock accounts (if the material is procured for stock) their value should be credited to the suspense head "Material Purchase Settlement Suspense Accounts (MPSSA)" when the payment is made the amount originally credited to this head is set off by debiting the same suspense head of Accounts. The department had credited Rs.7.43 crore in the MPSSA during the period prior to 1999-2000 and could clear only Rs.14.88 lakh during last five years leaving a balance of Rs.7.29 crore till September 2004 for which no reasons were available on record. None of the divisions test-checked could furnish the details of material credited to the purchase accounts and as such in the absence of which possibility of incorrect booking could not be ruled out.

### **3.1.7 Miscellaneous Public Works Advances (MPWA)**

The transactions recorded under the head "Miscellaneous Public Works Advances (MPWA)" inter-alia include advances made to different suppliers for procurement of stores etc. which could not be debited to final head. The debit balances in the MPWA are cleared on receipt of material. The balances under MPWA had an outstanding debit balance of Rs.9.11 crore at the beginning of 1999-2000, which further increased by of Rs.25.17 lakh during 1999-2004 as shown below:

Table No.3.6 (Rupees in lakh)				
<i>Year</i>	<i>Opening balance</i>	<i>Payment Debit (+)</i>	<i>Receipt Credit (-)</i>	<i>Closing balance</i>
1999-2000	911.36	6.67	Nil	918.03
2000-2001	918.03	22.17	Nil	940.20
2001-2002	940.20	41.60	42.15	939.65
2002-2003	939.65	-	-	939.65
2003-2004	939.65	5.26	8.38	936.53

Source: Appropriation Accounts

Test check further revealed that an amount of Rs.14.58 lakh advanced to SAIL and debited to MPWA in December 2001 was cleared in September 2003 by crediting MPWA but without recording the details of the material received and reference of the corresponding stock entry, in the absence of which the veracity of the transactions could not be verified in audit. Immediate steps need to be taken to adjust old outstanding lying in suspense accounts.

<sup>2</sup> i). Mokokchung Transmission Division: Rs.12.13 lakh; (ii) Civil Construction Division, Likhimro Rs.6.13 lakh; (iii) Electrical Construction Division, Likhimro: Rs.27.90 lakh; (iv) Hydroelectric Division, Kohima : Rs.4.41 lakh and (v) Hydel Division, Kohima : Rs.2.10 lakh.

## Material and Stores management

### 3.1.8 Stock taking

Physical verification of stock, tools and plants is required to be carried out at the end of September every year by the concerned Sub-Divisional Officer and the Divisional Officer. Out of six divisions test checked, five divisions<sup>3</sup> carried out this exercise up to September 2003. Physical verification of Dimapur Transmission Division was never carried out during the last five years under review. The records of the Store Division, Dimapur revealed that stores valuing Rs.4.70 crore were issued to the Transmission Division, which were received by the Sub-Divisional Officer (SDO) on different occasions during 1999-2004, but the latter Division did not maintain any records indicating receipt and utilization of material at site (Material at Site Account, Stock Account, etc.). Therefore, material issued by the Store Division to the Transmission Division and their utilisation by the latter could not be verified and established.

### 3.1.9 Obsolete stores

During test check of records of six divisions, it was noticed that none of the Executive Engineers, except Store Division, Dimapur, had prepared accounts showing surplus/unserviceable stores and value thereof as required under rules. The Store Division, Dimapur, however, compiled a list of obsolete and unserviceable stock worth Rs.37.14 lakh but did not submit it to the Chief Engineer as of September 2004 for further action. The reasons for over procurement and non-utilization of stores, rendering them obsolete/unserviceable, were not furnished to audit. In the absence of proper account of surplus/unserviceable/obsolete stores by the remaining divisions, the audit could not ascertain the total value of such stores in the department.

### 3.1.10 Fictitious issue of stores

Test check of receipt and issue of material in the divisional ledgers of the Store Division revealed that in many cases the material was shown issued to different divisions even when the balances (as indicated in the stock ledger) available were nil or less than quantities issued, thereby showing a minus balance in the stock accounts. The reasons as to how some of the store items were issued, when there was no stock in hand and less stock of the items available were not on record. Test check revealed that there were minus balances in respect of 13 items, value of which worked out to Rs.99.28 lakh at the issue rate (*Appendix-XIX*).

### 3.1.11 Fixation of issue rates

According to NPWD Code an issue rate is assigned to each new article as it is brought to stock. This rate is fixed on the principle that the cost to be charged to works on which materials are to be issued should approximately equal the actual cost of the stores and that there may be no ultimate profit or

<sup>3</sup> (i)-Dimapur Electrical Division, (ii) Dimapur Transmission Division, (iii) Kohima Electrical Division, (iv) Mokokchung Electrical Division and (v) Mokokchung Transmission Division.



loss in the stock account. The issue rate is to be fixed at the beginning of each year. However, it was noticed that the Department (CE) did not revise the issue rate after August 2002 and the Store Division was charging from the Divisions at the unrevised rates and occasionally at the procurement rate for the stores supplied by it. The department also did not work out the profit or loss occurred in the stock account due to difference between the cost of procurement and the issue rate at which the expenditure is finally booked against work. An analysis carried out in audit revealed that there were considerable differences between the procurement and issue rates as a result of which in three items, there was a total profit of Rs.12.01 lakh while in other four there was a total loss of Rs.68.49 lakh during 2002-04. There were as many as 939 items in the Store for which net profit or loss was never worked out by the Department, due to which actual profit/loss in the stock account could not be ascertained by Audit.

### **3.1.12 Maintenance of Material-at-site account.**

Though most of the material is procured against works, no proper Material at Site (MAS) Account for every individual work was maintained as required under the NPWD code by any of the five working divisions test checked. However, a consolidated stock ledger was maintained in four<sup>4</sup> out of five divisions, but the work/scheme wise receipt, issue and balances were not available with those divisions. In view of these, possibility of committing frauds in MAS accounts could not be ruled out.

### **3.1.13 Idle stock**

Test check of stock ledgers maintained in the Store Division revealed that there were as many as thirty six items in the stock which were either idle for a long time or of very slow moving nature. In some cases, despite availability of sufficient balances in the stock further procurement was made by the department without assessing the future requirement, resulting in stock valuing Rs.59.52 lakh lying completely idle for a period ranging between four and seven years besides huge stocking of slow moving items valuing Rs.1.54 crore. This is indicative of procurements being made without proper assessment of requirement.

## **Procurement of material**

### **3.1.14 Extra expenditure**

A test check of supply orders placed on local suppliers by the CE for procurement of steel poles revealed that the rates approved by the Purchase Board from time to time were much higher than the rates of the manufacturers quoted in their invoices issued to the local suppliers. On analysing the procurement rates of steel poles, it was noticed that had these poles been procured directly from the manufacturers, an expenditure of Rs.1.51 crore could have been avoided (*Appendix-XX*). The NIT, tender

<sup>4</sup> (i) Dimapur Electrical Division, (ii) Kohima Electrical Division, (iii) Mokokchung Electrical Division and (iv) Mokokchung Transmission Division

documents and the comparative statement were not made available to audit therefore, competitiveness of rates at which the material were procured and the basis of selection of suppliers could not be ascertained and possibility of undue advantage and favour to suppliers could not be ruled out.

Further, the terms of the supply orders stipulates that the supplier will furnish copies of the original invoice signed by the owner of the factory or his authorized agent and marked as "Original for Buyer" indicating the amount of excise duty on the item supplied, date of despatch, etc. along with delivery challans of the supplier. Test check of records in the Store Division revealed that during 1999-2004 the Division had received materials of different categories valuing Rs.7.82 crore (*Appendix-XXI*) for which neither the original invoice of the manufacturer nor the delivery challans of the suppliers were available with the Division. In the absence of which the bonafide of the materials supplied in regard to its manufacturers' rates, specification, quality and quantity remained out of audit scrutiny.

#### ***3.1.15 Issue of supply order at the request of supplier***

A scrutiny of purchase files revealed that a local firm delivered eight transformers of specifications different from what was ordered (neither supply order nor its details were available in the file). The supplier also had informed the CE in October 2001 that the manufacturer had erroneously delivered transformers costing Rs.19.72 lakh of ratings<sup>5</sup> other than what was ordered for requesting him to regularize the supply by issuing a supply order incorporating the ratings of the supplied transformers. The CE regularized the supply by issuing two supply orders in December 2001 for transformers with specifications already supplied. The receipt of the transformers was recorded in March 2002 and an amount of Rs.19.72 lakh was paid to the supplier in June 2002. Thus, the expenditure of Rs.19.72 lakh was incurred to extend undue benefit to the supplier. The eight transformers were issued to four divisions. Records of two divisions, out of the four, were test checked. It was noticed that these divisions had received three transformers but due to non-maintenance of work-wise site accounts their utilisation could not be verified in audit nor did the divisions furnish any record to Audit relating to their utilisation.

#### ***3.1.16 Receipt of material without requisite quality test certificate***

A test check of terms and conditions appended to the supply orders revealed that provisions relating to testing of quality of material under procurement were not uniformly applied. In one case, it was stated that CEs accredited representative should conduct inspection and testing of material at the manufacturers' factory while in the other testing by the manufacturer's representative was provided for. In the absence of relevant records it could

<sup>5</sup>

As per supply order	As supplied erroneously
500 KVA, 33/11KV-4 Nos.	500 KVA,33/0.433 KV-4 Nos.
250 KVA, 33/11 KV-4 Nos.	250 KVA, 33/0.433 KV-4 Nos.

not be established whether the language of the supply orders were got vetted from the Law Department in view of the material variations present in them.

A scrutiny of records of the Store Division revealed that between April 1999 and March 2004 the Store Division at Dimapur received material of different varieties (Pole, Transformer, Metering equipment etc.) valuing Rs.3.47 crore without obtaining any approved test certificates or carrying out any quality inspection by the Store Division. Thus, possibility of procurement of sub-standard stores could not be ruled out.

***3.1.17 Reimbursement of excise duty and CST to suppliers without production of documentary evidence***

According to terms and conditions of the supply order the excise duty was to be reimbursed to the firm on production of documentary evidence of payment of excise duty to the manufacturer along with excise duty gate pass. The CST is payable to the local supplier or authorized 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 Store Division paid Rs.13.04 lakh in December 2002 on account of excise duty (Rs.10.24 lakh) and CST (Rs.2.80 lakh) to a supplier<sup>6</sup> (for supply of poles) without obtaining proof of payment of excise duty and CST by the supplier.

***3.1.18 Penalty not recovered from defaulting suppliers***

Between April 1999 and March 2004, the CE placed supply orders for poles and conductors with the stipulation to complete supply within 30 days to 120 days to be reckoned from the 10<sup>th</sup> day of the issue of the order. For delay in supply, penalty at the rate  $\frac{1}{4}$ <sup>th</sup> (one fourth) *per cent* per week or part thereof subject to a maximum of 10(ten) *per cent* of the value of the order should be levied beyond the stipulated delivery period.

Test check of records, however, revealed that in three cases of delay in supply ranging from 14 to 19 weeks, penalty which worked out to Rs.7.47 lakh was not levied.

***3.1.19 Undue financial benefit to supplier***

A supply order was issued by the Chief Engineer in March 2002 to procure conductor of a particular specification. The said supply order was subsequently revised on four occasions enhancing items and rate of procurement. It was seen in audit that although the supplier completed its supply according to the previous supply order, the supplier was paid at higher rate quoted in the amended supply order, giving an undue financial benefit of Rs.4.69 lakh to the supplier.

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<sup>6</sup> M/S Powertronics, Dimapur



**Other points**

**3.1.20 Diversion of funds**

The Government sanctioned Rs.2.26 crore (March 2002) for procurement of different store material under PMGY Scheme, which were drawn (March 2002) by the EE, Electrical Store Division. Test check of records revealed that the Divisional Officer procured (March 2003) two vehicles at the cost of Rs.12.94 lakh by diverting the funds meant for PMGY Scheme. The Divisional Officer stated that the vehicles were procured as per instructions of the CE.

During October 2002, the Government sanctioned Rs.2.67 crore for procurement of store material under Government of India Sponsored Scheme "Accelerated Power Development Reform Programme (APDRP)" to different Electrical Divisions. Test check of records revealed that Rs.12.13 lakh were diverted (December, 2002) by the Store Division for making payment of salary of work charged staff of another division (Transmission Division). The divisions stated (April 2004) that the funds were diverted as per CE's instructions.

Approval of Finance Department was made compulsory for procurement of vehicles by any department of the Government. The Power Department procured 15 vehicles (Bolero Invader 13 Nos., and Ambassador 2 Nos.) between March and August 2004 at a total cost of Rs.76.45 lakh by diverting funds from Deposit Work, Rural Electrification and System Improvement Scheme (Deposit Work: Rs.8.32 lakh, RE: Rs.54.63 lakh and SIS: Rs.13.50 lakh) without the approval of the Finance Department.

**3.1.21 Unaccounted for material**

A test-reconciliation of issue of material shown in the stock ledger with that of the receipt in other divisions revealed that material worth Rs.22.44 lakh shown to have been issued by the Store Division were not found in the receipt account of the respective division (*Appendix-XXII*).

**3.1.22 Internal Control System**

Internal control mechanism was virtually non-existent in the material and stores management of the Power Department. The physical verification conducted by the officers were ineffective as no discrepancy could be pointed out in any of the cases during the last five years despite serious apparent lapses (like non-maintenance of basic stock records).

**Recommendations**

- Store requirements need to be assessed on a scientific basis and principles of materials management taking into account the requirements of the individual Divisions vis-à-vis project documents need to be adhered to.
- Immediate steps need to be taken to adjust the old outstanding balances lying in suspense accounts.

- All basic records such as MAS Account, Contractors Ledger, Register of Works, Expenditure Control Register, Register of Agreements/Supply Orders, etc. need to be maintained as required under the NPWD Code.
- The documentation in the Divisions need to be improved on priority to prevent possible misappropriations and frauds.

The matter was referred to the Government in October 2004 reply had not been received (January 2005).





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**CHAPTER - IV**

**AUDIT OF TRANSACTIONS**

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## CHAPTER – IV

### AUDIT OF TRANSACTIONS

Audit of transactions of the Departments of Government, their field formations as well as that of the autonomous bodies brought out several instances of ineffective management of resources and failure in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

#### **Infructuous/wasteful expenditure and overpayment**

#### **HEALTH AND FAMILY WELFARE DEPARTMENT**

##### **4.1 Infructuous and avoidable expenditure**

**Blocking of fund of Rs.10.50 lakh on purchase of land and building, loss of interest thereon of Rs.9.73 lakh and extra avoidable expenditure of Rs.3.42 lakh towards payment of rent.**

Test check of records (August 2003) of Zonal Malaria Officer, (ZMO) Mokokchung (October 1994 to July 2003) revealed that Government of Nagaland, Health and Family Welfare Department sanctioned Rs.10.50 lakh (August 1997) for purchase of a building for the office of the ZMO housed in a rented building at Aongza ward at Mokokchung town.

Accordingly, the ZMO Mokokchung paid Rs.10.50 lakh (August 1997) being the cost of the building (Rs.9.00 lakh) and land (Rs.1.50 lakh) to Mr 'X'<sup>1</sup> and executed a sale deed with him in December 1997. It was decided to shift the office from the rented premises to the newly purchased building in the first week of January 1998. But the ZMO did not shift his office to the newly purchased building as of February 2004 and continued to occupy the rented building on payment of rent at the rate of Rs.2,732 per month upto 31/3/2000 and thereafter at the rate of Rs.5,472. The reason for non-shifting the office to the newly purchased building was not on record.

The matter was reported to the Government and the Department in December 2003. The ZMO in his reply (February 2004) stated that the shifting could not take place due to technical difficulties like location, security, etc. However, 492 sq.ft. out of 2,838 sq.ft. of the building area was used to store DDT chemicals, equipment, etc. The reply is not tenable as the technical difficulties were to be considered before purchasing the building and the DDT chemicals, etc. were already being stored in the rented building. Government also in their reply admitted the fact (September 2004).

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<sup>1</sup> "X" Mr. S. Tiayanger



Non-shifting of the office thereto, resulted in the entire investment of Rs.10.50 lakh remaining idle and unproductive and thereby loss of interest of Rs.8.64<sup>2</sup>lakh, calculated at 12.5 *per cent* simple interest per annum for the period from September 1997 to March 2004, due to locking of funds, besides an expenditure of Rs.3.42<sup>3</sup> lakh towards payment of rent of the office building, which could have been avoided had the Department shifted the office to the newly purchased building.

## **HOME (GENERAL ADMINISTRATION) DEPARTMENT**

### **4.2 Infuctuous expenditure**

**Deputy Commissioner, Zunheboto, incurred infuctuous expenditure of Rs.71.79 lakh towards payment of salaries to idle staff.**

Test check of records (September 2003) of the office of the Deputy Commissioner (D.C), Zunheboto revealed that against eight vehicles (light), 17 drivers, seven handymen and two mechanics were entertained during the period from November 1995 to March 2004. Information supplied by the office revealed that, there was a workshop under the control of the Deputy Commissioner, Zunheboto, which was not functioning since 1993 due to non-allocation of funds.

As the workshop was not functional, the services of two mechanics could not be utilised by the department. Similarly, seven handymen were also paid without assigning any job to them as the office of the DC have only eight light vehicles which do not justify engagement of handymen. Further, out of 17 drivers, only eight were engaged for the vehicles available under the DC's disposal. The department could not produce any record to show how the services of nine excess drivers were utilised.

Thus, the Office of the Deputy Commissioner, Zunheboto, incurred infuctuous expenditure of Rs.71.79 lakh (Handymen: Rs.27.01 lakh; Mechanics: Rs.6.79 lakh and Drivers: Rs.37.99 lakh) towards the salary of idle staff during the period from November 1995 to March 2004.

The matter was reported to the Government and the Department in June 2004; their replies were awaited (January 2005).

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<sup>2</sup> Loss of interest: Rs.10.50 lakh at the rate of 12.50 *per cent* from 9/97 to 3/04  
i.e. for 79 months –8.64 lakh

<sup>3</sup> Rent for 9/97 3/2000 at the rate Rs.2732 for 31 months      Rs 84,692  
Rent for 4/2000 to 2/2004 at the rate Rs.5472 for 47 months      Rs.2,57,184  
Total      Rs.3,41,876 Say Rs.3.42 lakh.

## **PLANNING AND CO-ORDINATION DEPARTMENT**

### **4.3 Excess payment to the contractor**

**Payment for Rs.8.00 lakh was made in excess to the contractor for construction of 20 units of rural houses.**

Test check of records (December 2003) of the District Planning Officer, Wokha (January 1996 to November 2003) revealed that an estimate was prepared by the Project Officer for construction of 20 units of rural houses at Bhandari, at the rate of Rs.10, 000 per unit under the District Plan for the year 2001-02. Accordingly a work order was issued (December 2001) to a contractor 'X'<sup>4</sup> without following any codal formalities like; notice inviting tender etc., with a stipulation to complete the work within 95 days from the date of issue of work order. As per the estimate, the cost of 20 units of housing works out to Rs.2 lakh, against which the work order was issued for Rs.10 lakh.

Based on the completion certificate furnished by the Additional Deputy Commissioner, Bhandari, the contractor was paid Rs.10 lakh (January 2002).

Thus, against the estimate of Rs.2 lakh prepared on the basis of actual requirement, payment of Rs.10 lakh resulted in excess payment of Rs.8 lakh to the contractor.

The matter was reported to the Government and the Department in June 2004; reply was awaited (January 2005).

**Avoidable/excess/unfruitful expenditure**

## **CO-OPERATION DEPARTMENT**

### **4.4 Unnecessary interest liability**

**Avoidable interest burden to the tune of Rs.1.24 crore on account of delay in release of loan money.**

Test check of records (May 2003) of the Registrar of Co-operative Societies, Kohima revealed that National Co-operative Development Corporation (NCDC) New Delhi conveyed its approval (March 2001) for implementation of two Integrated Co-operative Development Projects (ICDP) in Tuensang and Phek districts at a cost of Rs.10.16 crore and Rs.8.15 crore respectively. The

<sup>4</sup> Shri Y.P. Lotha

Nagaland State Co-operative Bank Limited (NSCB) was to act as Project Implementation Agency (PIA) during the five years 2001-06. The main objectives of the projects were to give financial assistance in the form of loans, grants and subsidy to co-operative societies for creation of infrastructure like fishponds, piggery/poultry sheds, handloom work sheds, agriculture implements, godown etc. The societies were to be financially sound, functional for two-three years and in a position to repay the loan including interest.

In order to implement the projects, the State Government would sanction the funds and release it to PIA and prefer claim with NCDC for re-imburement. Due to acute financial constraint, the Government requested (March 2001) NCDC to release two years outlay in advance so as to enable the department to speed up the implementation of ICDP. On this specific request, NCDC released (March 2001) Rs.4.38 crore (loan: Rs.3.15 crore and subsidy: Rs.1.23 crore) with a condition that the amounts were to be paid to PIA within one month from the date of receipt of the same and fund sanctioned, should strictly be utilised for the purpose for which the same was sanctioned. The rate of interest on loan was 13.75 *per cent* per annum, accrued w.e.f April 2001, to be paid on completion of the first anniversary from the date of receipt of the loan. The Government of Nagaland released the amount between September and November 2001 and these were disbursed to the beneficiaries in May 2002.

Similarly, NCDC released (March 2002) Rs.5.63 crore (loan: Rs.4.76 crore and subsidy: Rs.0.87 crore) for the second year (2001-2002) with similar conditions indicated above. The rate of interest on this loan was 13 *per cent* per annum, accruing from April 2002. Both the instalments were received through bank drafts. The Government of Nagaland released the funds to PIA on March 2003 but the same was not disbursed to beneficiaries till June 2003.

Due to non-release of the project funds within the stipulated period of one month to the PIA for onward distribution to the societies, the Government incurred an interest liability of Rs.1.24<sup>5</sup> crore on loan component of Rs.7.91 crore (Rs. 3.15 crore + Rs.4.76 crore) besides the corresponding delay in accrual of the intended benefits.

Further, had the Government of Nagaland opted even for overdraft instead of utilizing the project funds for other purposes, the burden for payment of interest amounting to Rs.46 lakh<sup>6</sup> due to interest differentials could have been avoided.

During discussion (December 2004), the Government accepted the facts of audit observation.

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<sup>5</sup> calculation of interest

Principal Rs.315.49 lakh @ 13.75 *per cent* w.e.f.4/2001 to 4/2002-Rs.0.47 crore

Principal Rs.476.35 lakh @ 13 *per cent* w.e.f.4/2002 to 6/2003- Rs.0.77 crore

**Rs.1.24 crore**

<sup>6</sup> Rs.3.15 crore @8.5 *per cent* (rate of interest on over draft) from 4/01 to 4/02 Rs.0.29 crore

Rs.4.76 crore @ 8.25 *per cent* (rate of interest on over draft) from 4/02 to 6/03 Rs.0.49 crore

**Total Rs.0.78 crore**

**Difference Rs.1.24 crore – 0.78 crore = 0.46 crore**

## HOME (GENERAL ADMINISTRATION) AND WORKS AND HOUSING (R&B) DEPARTMENT

### 4.5 Extra avoidable expenditure

#### Extra avoidable expenditure on purchase of land Rs.34 lakh.

For construction of State Guest House in Mumbai, the Government of Nagaland approached (January 1992) the City and Industrial Development Corporation (CIDCO) for a plot of land at Navi Mumbai. Accordingly, CIDCO allotted (October 1995) a plot of land measuring 4,030 sq.mt valued at Rs.2.26 crore on 90 years lease basis with the following terms and condition:

Cost of land and other charges were to be paid in two installments within January 1996.

To submit the plan for construction of building to the Town Planning Officer for its approval within six months, commence its construction within 12 months and to complete construction within five years from the date of lease agreement, failing which Earnest Money Deposit (EMD) or 10 *per cent* of lease amount paid in advance whichever is more would be forfeited.

Out of Rs.2.26 crore, an amount of Rs.22.40 lakh was paid (September 1995) to CIDCO as EMD by the Executive Engineer, PWD, Estate Division, Kohima and thereafter no payment was made. Reasons for not taking timely decision for payment of the balance and non-pursuance of the matter with CIDCO were not on record. Since the Government did not pay the lease amount, CIDCO cancelled (May 1997) the allotment order and issued re-allotment order (May 1997) and the cost was enhanced to Rs.2.60 crore. After adjusting the amount of Rs.22.40 lakh, the Government paid (September 1997) Rs.2.40 crore (Rs.2.37 crore lease premium + Rs.2.87 lakh other charges to CIDCO).

Though, the Government of Nagaland on 26/5/1999 took the land possession, no plan for construction of building was submitted to the CIDCO as of August 2004. Reasons for non-submission of plan for construction were not on record.

Thus, due to delay of two years in payment of lease premium to CIDCO, the Government incurred an extra avoidable expenditure of Rs.34 lakh (Rs.2.60 crore – Rs.2.26 crore).

The matter was reported to the Government and the Department in June 2004; their replies were awaited (January 2005).



#### **4.6 Unauthorised appointment**

##### **Irregular expenditure of Rs.1.80 crore incurred on unauthorised appointments.**

The Government of Nagaland, Finance Department vide letters dated 18.7.90 and 2.4.93 banned appointment of workcharged staff, substitute appointment, contingency paid staff and casual workers by Government Department.

Scrutiny of records (October-November 2003) of the Special Officer (Accounts), Civil Secretariat, Kohima revealed that in violation of the Government orders, the Department engaged 960<sup>7</sup> contingency paid/fixed pay employees like; sweeper/peon/lower division assistants, during September 1999 to September 2003 and incurred an expenditure of Rs.1.51<sup>8</sup> crore towards their wages and salaries during the same period.

Similarly, test check of records (May 2003) of the Executive Engineer, PWD (R&B), Pfutsero (June 1999 to April 2003) revealed that the Chief Engineer/Superintending Engineer engaged 14 workcharged staff without works during the period from July 1993 and May 1996 and 11 workcharged staff between June 1996 and January 2002 in the office of the Executive Engineer, PWD (R&B) Division, Pfutsero, in contravention of the Government orders. Neither any job register showing the work done by them was maintained nor was the cost of their wages charged to any works or sub-work as required under Para 43 (a) of Nagaland Public Works Accounts (NPWA) code. Records showed that the Department spent Rs.28.79 lakh towards the wages of these workcharged staff during June 1996 to January 2002.

Had the departments followed the Government order of April 1993, the huge expenditure of Rs.1.80 crore (Rs.1.51 crore + Rs.0.29 crore) could have been avoided.

The matters were reported to the Government and the respective Departments in May 2004 and October 2003 respectively; their replies were awaited (January 2005).

7	Chowkidar 39 Nos .Sweeper 301 Nos Mali 46 Nos. Peon 312 Nos .LDA-262	
8	Chowkidar , .Sweeper , Mali , . Peon	Rs. 28,56,438
	LDA	<u>Rs.1,22,44,656</u>
	<b>Total</b>	<b>Rs.1,51,01,094</b>
		<b>Say Rs.1.51 crore</b>

HEALTH AND FAMILY WELFARE AND SCHOOL EDUCATION  
DEPARTMENT

**4.7 Extra avoidable expenditure**

**Extra avoidable expenditure of Rs.5.03 crore due to deployment of teachers in excess of norms in Government Primary and Middle Schools and excess staff in the Civil Hospital, Dimapur.**

According to norms prescribed by the Government (April 1993), a maximum of five and 11 teachers can be deployed in a Government Primary School (GPS) and Government Middle School (GMS) respectively. This ceiling is further restricted to teacher student ratio of 1:25 as stipulated in the Education Department Notification dated 29 April 1993.

Test check of records (March 2004) of the Deputy Inspector of Schools (DIS), Dimapur (September 2002 to February 2004) revealed that 601 teachers were deployed (366 teachers in GPS and 235 teachers in GMS) in 54 schools (GPS-41 and GMS-13) against 386 teachers required as per norms (243-GPS & 143-GMS). Thus, deployment of 215 excess teachers (123-GPS & 92-GMS) resulted in excess expenditure of Rs.2.22 crore during the period (September 2002 to February 2004).

Similarly, test check (April 2004) of records of DIS, Kohima (August 2002 to March 2004) revealed that the DIS deployed 597 teachers (GPS-327 & GMS-270) in 54 schools (GPS-37 & GMS-17) against 405 teachers as per norms (GPS-218 & GMS-187). Thus, deployment of 192 excess teachers (GPS-109 & GMS-83) resulted in excess expenditure of Rs.2.41 crore during the period (August 2002 to March 2004).

Test check of records (May 2003) of Medical Superintendent, Civil Hospital, Dimapur (June 2001 to March 2003) revealed that the office engaged 59 employees (Staff Nurse – 35 and ANM – 24) against the sanctioned strength of 33 (Staff Nurse – 20 and ANM – 13), which resulted in extra expenditure of Rs.40.22 lakh<sup>9</sup> towards pay and allowances of the 26 excess staff (Staff Nurse 15 and ANM-11) during the period from July 2001 to April 2003.

Thus, the Departments incurred extra avoidable expenditure of Rs.5.03 crore (Rs.2.22 crore + Rs.2.41 crore + Rs.0.40 crore) on deployment of teachers/staff in excess of norms and sanctioned strength.

The matter was reported to the Government and the Departments in April and June 2004. In reply, the Consultant Cum Medical Superintendent, Civil Hospital, Dimapur stated (September 2004) that instead of creation of additional posts and in order to meet the need, some staff had been deployed withdrawing from other units where the workload is comparatively less. In

<sup>9</sup> Calculated on the minimum of pay + DA (time to time declared) + HRA @ 7.5 per cent + Medical allowance @ Rs.200 per month.

reply (December 2004) the Government (Education Department) stated that due to heavy pressures from the VVIPs, the norms could not be followed to a great extent especially in the urban areas, which led to excess expenditure. The replies are not tenable since the staff engaged was in excess of the sanctioned strength.

#### **4.8 Extra avoidable expenditure on procurement of stationery articles**

**Injudicious procurement of stationery articles by the Director, School Education at higher rates resulted in extra expenditure of Rs.14.36 lakh.**

Rule 103 of General Financial Rules, provides that purchases should be made in the most economical manner and in accordance with requirements.

Test check of the monthly accounts for March 2003 (in Central Audit) of the Director, School Education, Kohima revealed that the Government sanctioned Rs.1.18 crore during March 2003 for purchase of stationery articles, office furniture etc. Various stationery items valuing Rs.56.01 lakh were procured centrally for different schools and offices under the Directorate.

Scrutiny of the bills submitted by the suppliers revealed that the purchase was made at much higher rate than the rate approved by the Government<sup>10</sup> resulting in avoidable extra expenditure of Rs.14.36 lakh as shown in *Appendix – XXIII*.

The matter was reported to the Government and the Department in June 2004; in reply (December 2004) the Government accepted the fact and stated that action was taken to streamline judicious procurement of stationery articles in future. The reply is not tenable, as the Government initiated no action towards fixing responsibility on the officers concerned.

#### **Idle investment/Idle establishment/blocking of funds**

### **WORKS AND HOUSING (R&B) DEPARTMENT**

#### **4.9 Blocking of Government funds**

**Purchase of bridge components in advance of requirement led to blocking of Government funds of Rs.86.11 lakh.**

Test check of records (February 2004) of Executive Engineer, PWD (R&B) Zunheboto (April 2001 to December 2003) revealed that for reconstruction of built up Girder Bridges over River Tizu on Sukhai-Satoi Road in Zunheboto

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<sup>10</sup> Director of Printing and Stationery approves rate for centralized procurement of stationery by Government departments after call of tender.

district, a tender was floated (January 2000) for designing, manufacturing, supply and erection of Girder Bridge. After negotiation, M/s "X"<sup>11</sup> was selected for the work at the cost of Rs.86.11 lakh (90 *per cent* for supply and 10 *per cent* for erection) and the supply order was issued (February 2000). All the components of bridge material were received (March 2001) by the Division and were kept in the PWD store at Zunheboto, since, civil works were not completed. But, full payment of Rs.86.11 lakh was made to the contractor (May 2002) instead of Rs.77.50<sup>12</sup> lakh though erection of bridge components were not made.

According to terms and conditions of the work order (September 1997) the civil work of the bridge was to be commenced by October 1997 and to be completed by September 2000, however, the civil work was commenced in March 2000, and same was not yet completed (January 2004) and consequently the bridge components were still lying unutilised in the store of the department as of January 2004.

Thus, due to injudicious purchase of bridge components much in advance of requirement by the department, Government funds worth Rs.86.11 lakh were locked up.

Absence of proper planning and internal checks in the department, resulted in hasty and injudicious purchases of bridge components.

The matter was reported to the Government and the Department in June 2004; their replies were awaited (January 2005).

#### Regulatory issues and other points

### PLANNING AND CO-ORDINATION DEPARTMENT

#### 4.10 Release of payment against work not executed

##### Loss of Rs.10.30 lakh due to payment made for the work, which was not executed at all.

Test check of records (December 2003) of the District Planning Officer, Wokha (January 1996 to November 2003) revealed that under the district plan 2002-03 for 38 Wokha Assembly Constituency, work order for soiling, metalling and black topping of Longsa Approach Road was issued July 2003) to a contractor<sup>13</sup> for Rs.10.30 lakh. The work was to be completed within 90 days from the date of issue of work order. However, it was noticed that no estimate was prepared and codal formalities like inviting tenders etc., was not

<sup>11</sup> M/s Machfab Engg. Industries (P) Ltd. Guwahati.

<sup>12</sup> 90 *per cent* of Rs.86.11 lakh =Rs.77.50 lakh.

<sup>13</sup> Shri Phonglan Murry



followed. It was further observed that the approval for the issue of work order was given by the DC Wokha, Chairman, District Planning and Development Board, Wokha, on 2 August 2003 whereas, work order was issued on 2 July 2003. The reasons for antedating the work order to July 2003 was not on record.

After a lapse of six days only (8 August 2003) Rs.10.30 lakh was paid to the said contractor on the basis of the completion certificate issued by the Chairman, Implementation Committee. The actual execution of the work in six days, against the completion period of 90 days as stipulated in the work order, does not appear to be physically possible, as such possibility of fraudulent payment of Rs.10.30 lakh to the contractor could not be ruled out.

Thus, due to lack of internal control/checks in the Department, payment of Rs.10.30 lakh was made to the contractor without any documentary evidence of the work being executed.

The matter was reported to the Government and the Department in June 2004; their replies were awaited (January 2005).

## **DEPARTMENT OF POWER**

### **4.11 Diversion of funds**

#### **Non-lapsable central pool funds of Rs.11.47 lakh were diverted for meeting cost of land compensation.**

The Government of India constituted a Non-Lapsable Central Pool of Resources (NLCPR) for the North East Region (NER), to ensure speedy development of infrastructure in the North-East by increasing the flow of budgetary financing for specific viable project/schemes in the Region. The funds available under the Central Pool were not meant to supplement the normal plan programmes and no diversion was permissible.

According to Para 8 (a) of the guidelines for implementation of NLCPR, the cost of land compensation is not eligible for funding under the Central Pool.

Test check of records (October 2003) of the Executive Engineer (Electrical Division), Dimapur revealed that the Division received Rs.21.69 crore during 2000-01(Rs.2.46 crore) and 2002-03(Rs.19.23 crore) for Implementation of System Improvement Scheme in Dimapur town under NLCPR. But in contravention of terms and conditions the department paid Rs.11.47 lakh (December 2002) from the NLCPR fund to the Deputy Commissioner, Dimapur, being land compensation during 2002-03.

Thus, utilisation of central pool fund of Rs.11.47 lakh for the purposes not covered by the guidelines for the implementation of NLCPR was irregular, unauthorized and affecting the development works adversely.

The matter was reported to the Government and the Department in June 2004. The Government stated in reply (October 2004) stated that utilisation of NLCPR fund Rs.11.47 lakh was made only on temporary arrangement. Generally, the funding authority did not allow payment against purchase of land and payment of compensation for damages. The reply is not tenable since the amount is not yet recouped even after a lapse of two years.

## **WORKS AND HOUSING (R&B) DEPARTMENT**

### **4.12 Irregular and unadjusted medical advances**

**Medical advances of Rs.40.06 lakh were disbursed by the Chief Engineer Public Works Department (R&B) without supporting documents and remained unadjusted.**

According to Central Services (Medical Attendance) Rule, 1944 Medical Advances are granted to Government Servants for treatment of self or any member of their family. Certificates from the Authorized Medical Officers indicating duration and anticipated cost of such treatment must necessarily support applications for advances. Advances are to be adjusted against the claims within one month from the date of discharge from the hospital (in case of in door patients) or completion of treatment, or three months from the date of drawal of advances, whichever is earliest and balance, if any, is to be refunded.

Test check of records (October 2003) of the Chief Engineer, PWD (R&B) and Executive Engineer, PWD Zunheboto revealed that medical advances of Rs.40.06 lakh was sanctioned and paid to 78 officials (February 2000 to July 2003) by the Chief Engineer. The final bills for adjustment of advances had not been received till after the due date. The department could not produce any application or certificate from the medical authorities indicating the duration of treatment and anticipated cost thereof as required to be furnished by the employees. In the absence of these particulars, the possibility of fraudulent payment of medical advances to 78 officials could not be ruled out.

Thus, due to failure of the Drawing and Disbursing Officers (DDOs) to discharge their statutory responsibilities, the aforesaid 78 employees were allowed to reap undue financial benefit.

The matter was reported to the Government and the Department in July 2004; their replies were awaited (January 2005).

**General**

**WORKS AND HOUSING (ROADS & BRIDGES)  
AND RURAL DEVELOPMENT**

**4.13 Failure to respond to Audit objections and non-compliance**

**1527 paragraphs relating to 173 Inspection Reports involving to Rs.286.68 crore had not been settled as of June 2004.**

The Accountant General (Audit) conducts periodical inspections of Government departments, to test check the veracity of transactions, and verify the maintenance of important accounting and other records, as per prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, are incorporated in the IRs and issued to the Heads of Offices inspected with a copy to the next higher authorities. The State Government had accepted some of the recommendations of Shakdhar Committee. Regarding establishment of appropriate mechanism in Government to monitor Government's response to Audit, the Public Accounts Committee stated that it itself has been doing this job, no separate monitoring cell has been established by the State Government as of September 2004. The Heads of Offices and the next higher authorities are required to comply with the observations contained in the IRs, and rectify the defects and omissions promptly and report compliance to the Accountant General. Serious irregularities are also brought to the notice of the Heads of the Department by the office of the Accountant General. A half yearly report of pending inspection reports is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of settlement of the audit observations.

Review of Inspection Reports (issued upto June 2004) pertaining to Works and Housing (R&B) Department and Rural Development disclosed that 1527 paragraphs relating to 173 IRs involving to Rs.286.68 crore remained outstanding at the end of June 2004. Of these, 78 IRs containing 590 paragraphs had not been replied to for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix - XXIV*. Some irregularities of serious nature in these IRs had not been settled, as of January 2005, as shown below:

<i>Sl. No.</i>	<i>Nature of irregularities</i>	<i>No. of paragraphs</i>	<i>Amount (Rupees crore)</i>
1.	Avoidable expenditure/excess payment	70	17.04
2.	Misappropriation/shortage/loss of Government money/store	109	22.44
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	126	20.40
4.	Loss due to non-realisation of Government money	47	2.42
5.	Money kept outside Government accounts	2	0.30
6.	Advance drawal	11	1.36
7.	Deviation of fund/Misuse of fund	16	2.02
8.	Fictitious/doubtful drawal	85	10.02
9.	Miscellaneous/Others	1061	210.68
	<b>Total:-</b>	<b>1527</b>	<b>286.68</b>

A review of the IRs awaiting settlement revealed that Heads of Offices and the concerned Head of the Department (Chief Engineer, Roads & Bridges and Director, Rural Development) had not discharged their responsibilities as they did not send any reply to 1527 number of IRs/paragraphs indicating thereby their failure to initiate action in regard to the defects, omissions and irregularities pointed out by Audit. Secretary of the concerned department, who was apprised 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.

Thus it indicated inaction against the defaulting officers and thereby facilitated the continuation of serious financial irregularities and loss to the Government.

It is recommended that Government re-examine this matter and ensure that procedure exists for (a) action against the officials who fail 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 to (c) establish an appropriate mechanism in government to monitor Government's response to audit, as per recommendation of Shakhdar Committee.

The matter was reported to the Government in June 2004; their replies were awaited (January 2005).





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**CHAPTER - V**

**INTERNAL CONTROL MECHANISM**

**AND**

**INTERNAL AUDIT**

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## **CHAPTER – V**

### **INTERNAL CONTROL MECHANISM AND INTERNAL AUDIT**

#### **FINANCE DEPARTMENT**

##### **5.1. Internal Control Mechanism in Government Department**

**Director of Treasury and Accounts is entrusted with the internal audit of all Government departments, local bodies, Government undertakings, etc. Auditing Standards and Audit Manual were not in place. Response to audit was poor.**

##### ***Highlights***

**In the absence of annual audit planning and non fixing of targets against 852 auditee units only 97 units were inspected during the period 1999-2004, leaving a large number of Government organisations uncovered .**

**(Paragraph 5.1.5)**

**There were no Audit manuals/Audit standards which rendered the functioning of the Internal Audit Wing ineffective**

**(Paragraph 5.1.6)**

**Out of 98 Inspection Reports (IRs) containing 456 paras issued during 1999-2004 only 50 paras were settled and no Inspection Report was settled in full, thus vitiating the purpose for which the Internal Audit Wing was set up.**

**(Paragraph 5.1.8)**

##### ***5.1.1 Introduction***

**Internal Control Mechanism (ICM) safeguards against errors and irregularities in operational and financial matters. It examines and evaluates the level of compliance of the departmental rules and procedures. The control is exercised through instructions and orders to the subordinate officers based on the information received from them from time to time in the form of regular reports and returns as well as special reports and other information. Inspection of offices by senior officers is another important source of information and feed back.**



Internal audit's objective is to ensure smooth and efficient fiscal management through financial discipline. The Government of Nagaland, Finance Department (Treasury and Accounts branch) entrusted the Director of Treasuries and Accounts, Nagaland with internal audit of all departments of Government of Nagaland, local bodies, town committees and other Government undertakings and institutions receiving grants-in-aid from the Government.

### ***5.1.2 Internal Control system***

Test check of records and information furnished by five administrative directorates<sup>1</sup> covered by audit revealed that the internal control system was not effective enough as was evident from the following deficiencies/irregularities.

Finance department of the State Government is the focal point of the financial administration. It is responsible for preparation and execution of budget and financial management in respect of all the Government departments and administrative departments in the Government Secretariat.

Audit review of the functioning of Internal Control Mechanism (ICM) during 2003-04 in respect of five Directorates revealed deficient budgetary and expenditure control. The General Financial Rules (GFR) which is followed by the Government of Nagaland envisaged effective adherence to budgetary controls, which among other things required the administrative departments to prepare budget estimates based on inputs from lower formations, spend within the budgeted amounts, avoid rush of expenditure towards the close of the year and surrender the anticipated savings in time. Supplementary provision for funds was to be asked only in case the original allotment would prove insufficient. This required regular monitoring of monthly expenditure incurred by the Drawing and Disbursing Officers (DDOs) of subordinate offices by the Directorate and of the Directorate by the administrative departments. The Finance department also issued explicit orders imposing restrictions on filling up vacant posts and that budget provision for such vacant posts should not be made.

From the information furnished, it was noticed that no budget proposal was received from the Drawing and Disbursing Officers of the field offices and Budget Estimates were prepared by the Heads of the department on lump sum basis by adding certain percentage to previous year's budget figures. These were submitted to the Finance Department (through the administrative department) in the prescribed formats. Thus preparation of budget was not in accordance with prescribed procedure.

The actual expenditure vis-à-vis budget provisions of the five departments during 2002-04 were shown in *Appendix-XXV*. From the Appendix, it was apparent that failure to adhere to the provisions of the GFR resulted in unnecessary savings which had not been surrendered and against the cases of excess no supplementary

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<sup>1</sup> (i) Education (ii) Medical (iii) Police Headquarter (iv) Power and (v) Public Health Engineering.

grants were taken during these years. The savings are partly due to making provision for vacant posts.

All these indicate that internal control was weak in the five departments covered by audit.

### **5.1.3. Internal Audit**

#### ***Structure of Internal Audit Wing***

The Government of Nagaland, Finance Department (Treasury and Accounts Branch) entrusted the Director, Treasuries and Accounts for conducting internal audit of all the Government departments. Since no separate Internal Audit Cell (IAC) was constituted in the Government departments. The Internal Audit Wing (IAW) of Directorate of Treasuries and Accounts consists of 13 personnel of different categories (Audit Officer- six, Asstt. Audit Officer- six and Auditor-one).

### **5.1.4 Audit Coverage**

Records of Directorate of Treasuries and Accounts for the year 2003-04 and the information made available by five administrative directorates<sup>2</sup> were test checked during September 2004.

### **5.1.5 Audit Planning**

Audit programmes were being chalked out by the Directorate on monthly basis or for three months at a time and sometimes at the instructions of the Finance Department. No annual/bi-annual/tri-annual audit plan was prepared nor the targets of the auditee units to be covered during the period set for. There are 852 auditee units of administrative departments, town committees, local bodies and public sector undertakings. Out of these, the internal audit had test checked only 97 units during 1999-2004 which constituted 11.38 *per cent* of the total auditee units. The duration of each audit was seven to ten working days. To carry out audit on the accounts of these auditee units, the existing staff strength is not commensurate with the work load. As such the internal audit wing test checked only 97<sup>3</sup> units during last five years (1999-2004). Records in support of any systematic study having been carried out to assess the work load and manpower requirement were not made available.

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<sup>2</sup> (i) Education (ii) Medical (iii) Police Headquarter (iv) Power and (v) Public Health Engineering

<sup>3</sup>

1999-2000	-	14 units
2000-2001	-	20 units
2001-2002	-	16 units
2002-2003	-	18 units
2003-2004	-	29 units
	-	<b>97 units</b>

## ***Audit Report (Civil) for the year ended 31 March 2004***

In the absence of annual audit planning and by not fixing targets for the units to be covered by audit annually, inspection of records of most of the Government offices, local bodies, town committees and Government undertakings remained largely uncovered.

### ***5.1.6 Audit Manual/Auditing Standard***

No Audit Manual has been brought out nor any Auditing Standards prescribed for conducting internal audit by the Directorate of Treasuries and Accounts.

### ***5.1.7 Training***

Test check of records/information furnished by the Director of Treasuries and Accounts, Nagaland revealed that no training was imparted to the audit personnel since 1987. So, without having Audit Manual/Auditing Standard to conduct the internal audit and also without imparting training to equip the audit personnel with accounting system, auditing knowledge and to update their audit skills, the internal audit is being conducted.

### ***5.1.8 Performance of Internal Audit Wing***

During test check of records of the IAW of Director of Treasuries and Accounts for the year 2003-04 revealed that there were no codes/manuals on Internal Audit. There was no check register showing the names of offices to be covered in audit, periodicity of audit, period covered during last audit and there was no system for watching the issue of Inspection Reports, receipt of replies and settlement of paras in the Reports.

The internal audit wing with its nominal strength of thirteen staff could audit only 11.38 *per cent* of units/departments. The internal audit wing in its audit of 97 units conducted during 1999-2004 has issued 98 Inspection Reports (IRs) with 456 paras involving money value of Rs.67.62 crore as detailed below.

<b><i>Year</i></b>	<b><i>Inspection reports/Paras issued</i></b>		<b><i>Inspection reports/Paras settled</i></b>		<b><i>Money value involved</i></b>
	<b><i>Inspection reports</i></b>	<b><i>Paras</i></b>	<b><i>Inspection reports</i></b>	<b><i>Paras</i></b>	
1999-2000	14	49	-	10	Rs.27.91 crore
2000-2001	20	81	-	5	
2001-2002	17	80	-	8	
2002-2003	18	65	-	-	
2003-2004	29	181	-	27	Rs.39.71 crore
<b>Total</b>	<b>98</b>	<b>456</b>	<b>-</b>	<b>50</b>	<b>Rs.67.62 crore</b>

Out of 456 paras issued during 1999-2004 only 50 paras were settled during the period itself without settlement of any IR in full. During these years no follow up action was taken to settle the outstanding paras and IRs of the preceding years. Thus response to audit was poor. No register showing the Inspection Reports



issued and settled was maintained. Further, the departments did not maintain any register indicating submission of any periodical reports, returns to their controlling officers. Thus, the adequacy of follow up action being taken by the audit wing for proper watch and control could not be verified in audit. The intended purpose for which the internal audit wing was set up was largely frustrated/unfulfilled.

#### **5.1.9 Conclusion**

The system of internal control and internal audit was by and large ineffective because of-

- Absence of effective system to review the performance of audit staff attached to the Directorate of Treasuries and Accounts.
- Lack of monitoring by the Finance department.
- Shortage of manpower leading to partial coverage of auditee units.
- Absence of internal audit manuals/auditing standards, internal control and inadequate training to upgrade existing audit skills.
- Non preparation of annual audit plan.

#### **5.1.10 Recommendations**

The internal audit system needs to be manned with requisite personnel to ensure inspection of all departments, local bodies, town committees and public sector undertaking through effective planning and target for achievement. Independent internal audit need to be established in every departments. Reporting control and monitoring mechanism should be strengthened to ensure proper evaluation and reporting on efficiency and effectiveness of the functioning of the various departments.

The matter was reported to the Government and the department in October 2004; their replies had not been received (January 2005).





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## **CHAPTER - VI**

### **REVENUE RECEIPTS**

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## CHAPTER-VI

### REVENUE RECEIPTS

#### 6.1 GENERAL

##### 6.1.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Nagaland during the year 2003-04, the State's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceeding four years are given below:

		Table No.6.1 (Rupees in crore)				
		1999-00	2000-01	2001-02	2002-03	2003-04
I.	Revenue raised by the State Government					
(a)	Tax revenue	39.50	46.24	54.90 <sup>1</sup>	62.00	68.55 <sup>2</sup>
(b)	Non-tax revenue	38.86	39.23	43.41	43.94	60.91
	<b>Total: I</b>	<b>78.36</b>	<b>85.47</b>	<b>105.80</b>	<b>105.94</b>	<b>129.46</b>
II.	Receipts from Government of India					
(a)	State's share of divisible Union Taxes	526.04	96.48	30.71	46.01	256.97
(b)	Grants-in-aid	527.06	1072.15	1195.51	1194.95	1973.36
	<b>Total: II</b>	<b>1053.10</b>	<b>1168.63</b>	<b>1218.73</b>	<b>1240.96</b>	<b>2230.33</b>
III.	Total receipts of the State Government (I plus II)	1131.46	1254.10	1324.53	1346.90	2359.79 <sup>3</sup>
IV.	Percentage of I to III	7	7	8	8	5

Source : Finance Accounts

##### 6.1.2 Analysis of revenue receipts

###### *Tax revenue raised by the State*

The details of tax revenue raised during the year 2003-04 alongwith the figures for the preceeding four year given below:

<sup>1</sup> 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 is now rectified and included in the State's share of divisible Union Taxes.

<sup>2</sup> 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	0037-Customs
0021-Taxes on Income other than Corporation Tax	0038-Union Excise Duties
0028-Other taxes on Income and Expenditure	0044-Service Tax
0032-Taxes on Wealth	0045-Other taxes and duties on Commodities and Services

<sup>3</sup> For details, please see Statement No.10 of Detailed Accounts by Minor Heads in the Finance Accounts-Government of Nagaland for the year 2003-04.



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Table No.6.2

(Rupees in crore)

	Major heads of Revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of Increase(+)/ Decrease (-) in 2003-04 with reference to 2002-03
1.	Taxes on Sales Trade etc.,	23.04	27.30	34.42	41.15	45.63	(+)11
2.	Taxes on Vehicles	4.59	5.28	5.35	4.74	6.00	(+)27
3.	Other Taxes on Income and Expenditure	7.87	9.63	11.32	12.23	12.63	(+)3
4.	State Excise	1.73	1.77	1.87	1.98	1.99	(+)1
5.	Stamps and Registration Fees	1.85	1.77	0.91	0.57	0.66	(+)16
6.	Other Taxes and Duties	0.15	0.14	0.30	0.10	0.06	(-)40
7.	Land Revenue	0.26	0.35	0.62	0.41	0.54	(+)32
8.	Taxes and Duties on Electricity	0.01	0.01	0.01	0.01	0.01	---
9.	Taxes on Immoavable property other than Agricultural Land	---	---	---	---	---	---
10.	Taxes on goods and passengers	---	---	0.10	0.81	1.03	(+)27
	<b>Total:-</b>	<b>39.50</b>	<b>46.25</b>	<b>54.90<sup>4</sup></b>	<b>62.00</b>	<b>68.55</b>	<b>(+)11</b>

Source: Finance Accounts

Reasons for variations, though called for have not been intimated by the concerned departments (January 2005).

The details of non tax revenue raised during the year 2003-04 alongwith the figures for the preceeding four years are given below:

Table No.6.3

(Rupees in crore)

	Major heads of Revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of Increase(+)/ Decrease (-) in 2003-04 with reference to 2002-03
1.	Interest Receipts	4.59	3.50	1.62	1.72	5.61	(+)226
2.	Public Service Commission	0.03	0.03	0.06	0.13	0.23	(+)77
3.	Police	0.15	0.24	0.51	0.56	0.17	(-)70
4.	Stationery and Printing	0.01	0.01	0.01	0.01	0.01	---
5.	Public Works	0.32	0.32	0.97	0.62	0.75	(+)21
6.	Other Administrative Services	6.11	1.85	3.14	3.14	3.96	(+)26
7.	Contribution and recoveries towards Pension & Other Retirement Benefits	0.08	0.09	1.04	0.11	0.12	(+)9
8.	Miscellaneous General Services	0.79	1.22	0.44	2.11	2.10	(-) Negligible
9.	Education, Sports, Art and Culture	0.15	0.14	0.46	0.15	0.19	(+)27
10.	Medical and Public Health	0.02	0.07	0.12	0.15	0.06	(-)60
11.	Water Supply and Sanitation	0.33	0.29	0.36	0.63	0.80	(+)27
12.	Housing	1.89	2.25	2.22	2.25	2.19	(-)3
13.	Social Security and Welfare	---	0.01	0.01	0.13	0.56	(+)331
14.	Crop Husbandry	0.03	0.14	0.10	0.10	0.06	(-)40
15.	Animal Husbandry	0.21	0.17	0.22	0.20	0.22	(+)10
16.	Forestry and Wildlife	1.70	2.64	2.04	3.54	3.43	(-)3
17.	Food storage and Warehousing	0.08	0.06	0.07	0.01	0.05	(+)400
18.	Co-operation	0.08	0.08	1.30	0.97	0.42	(-)57
19.	Other Agricultural Programmes	0.03	0.04	0.03	0.02	0.04	(+)100
20.	Minor Irrigation	---	---	0.01	---	0.01	(+)100

<sup>4</sup> 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 is now rectified and included in the State's share of Divisible Union Taxes.

## Chapter VI Revenue Receipts

	Major heads of Revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of Increase(+)/ Decrease (-) in 2003-04 with reference to 2002-03
21.	Power	17.85	19.87	22.93	19.59	29.30	(+)50
22.	Village and Small Industries	0.14	0.15	0.18	0.62	0.25	(-)60
23.	Non-ferrous Mining and Metallurgical Industries	0.01	0.10	0.02	0.01	0.05	(+)400
24.	Road Transport	3.81	5.16	5.10	5.52	5.75	(+)4
25.	Tourism	0.18	0.09	0.10	0.16	0.20	(+)25
26.	Other General Economic Services	0.05	0.05	0.05	0.06	0.07	(+)17
27.	Miscellaneous	0.22	0.66	0.30	1.43	4.31	(+)201
	<b>Total</b>	<b>38.86</b>	<b>39.23</b>	<b>43.41</b>	<b>43.94</b>	<b>60.91</b>	<b>(+)39</b>

Source: Finance Accounts

Reasons for variations, though called for, have not been intimated by the concerned departments (January 2005).

### 6.1.3 Variations between Budget estimates and actuals

Variations between Budget estimates and actuals of revenue receipts for the year 2003-04 are given below:

		Table No.6.4 (Rupees in crore)		
Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
(1)		(2)	(3)	(4)
1.	Other taxes on Income and expenditure	12.28	12.63	(+)3
2.	Stamps and Registration Fees	0.60	0.66	(+)10
3.	State Excise	2.10	1.99	(-)5
4.	Taxes on Sales Trade etc.	53.00	45.63	(-)14
5.	Taxes on Vehicles	6.00	6.00	---
6.	Other Taxes and Duties on Commodities and Services	1.10	(-)1.43	(-)130
7.	Interest Receipts	3.50	5.61	(+)60
8.	Police	0.42	0.17	(-)60
9.	Stationery and Printing	0.10	0.01	(-)90
10.	Public Works	0.50	0.75	(+)50
11.	Other Administrative Services	3.00	3.96	(+)32
12.	Miscellaneous General Services	6.00	2.10	(-)65
13.	Education, Sports, Arts & Culture	0.30	0.19	(-)37
14.	Medical and Public Health	0.12	0.06	(-)50
15.	Water Supply and Sanitation	0.60	0.80	(+)33
16.	Housing	2.30	2.19	(-)5
17.	Social Security and Welfare	0.01	0.56	(+)5500
18.	Crop Husbandry	0.09	0.06	(-)33
19.	Dairy Development	---	---	---
20.	Forestry & Wildlife	2.60	3.43	(+)32
21.	Food, Storage and Warehousing	0.05	0.05	---
22.	Co-operation	0.04	0.42	(+)950
23.	Other Agricultural Programmes	0.03	0.04	(+)33
24.	Power	25.00	29.30	(+)17
25.	Village and Small Industries	0.15	0.25	(+)67

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Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
(1)		(2)	(3)	(4)
26.	Non-ferrous Mining and Metallurgical Industries	Negligible <sup>5</sup>	0.05	(+400
27.	Road Transport	6.00	5.75	(-)4
28.	Tourism	0.08	0.20	(+150
<b>Total:-</b>		<b>125.97</b>	<b>121.43</b>	<b>(-4</b>

Source: Budget documents and Finance Accounts

Reasons for variations though called for, have not been intimated by the concerned departments (January 2005).

**6.1.4 Cost of collection**

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 2000-01, 2002-03 and 2003-04, along with the relevant all India average percentage of expenditure of collection to gross collections for the year 2001-02, are given below:-

Table No.6.5 (Rupees in crore)						
Sl. No.	Revenue head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-2004
1.	Taxes on Sales, Trade etc.	2001-02	34.42	3.51	11	1.18
		2002-03	41.15	3.01	7	
		2003-04	45.63	3.44	8	
2.	State Excise	2001-02	1.87	4.24	227	2.92
		2002-03	1.98	4.36	220	
		2003-04	1.99	4.73	238	
3.	Taxes on Vehicles	2001-02	5.35	1.64	31	2.86
		2002-03	4.74	1.64	35	
		2003-04	6.00	1.98	33	
4.	Stamps and Registration Fees	2001-02	0.91	0.11	12	3.46
		2002-03	0.57	0.09	16	
		2003-04	0.66	0.08	12	

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 increase in expenditure as compared to the 2001-02 under the head State Excise was mainly due to excess establishment charges.

<sup>5</sup> 0.01 lakh

## AUDIT PARAGRAPHS

### FINANCE DEPARTMENT

#### **6.2 Irregularities noticed in the purchase, sale and stocking of stamps**

##### **Loss of revenue Rs.19.85 lakh.**

The receipts from stamp duty are regulated under the Indian Stamp Act, 1899 as amended in the year 1989 and 1999 by the Government of Nagaland. The stamp duties are being collected at the time of registration by using stamp papers as per the rates specified in the schedule of the said Act. The Finance Commissioner, Nagaland is the chief controlling revenue authority in the State. He is assisted by the taxation branch of the Finance Department, dealing with matters relating to administration of stamp duties. The Deputy Commissioners (DC), Additional Deputy Commissioners (ADC), Sub Divisional Officers (Civil) having sub-treasuries within their respective jurisdiction, DC (Judicial), ADC (Judicial), and all First Class Magistrate in the State act as Collectors of revenue (stamp duty). The DCs are authorised to issue licenses to the vendors.

To examine the system of assessment of requirements, indenting, accountal of stocks and sale, etc., the records maintained by the Director, Treasuries and Accounts, Kohima, eight<sup>6</sup> treasuries, nine<sup>7</sup> DC offices and ADC offices for the period from 1998-99 to 2002-2003 were test checked by audit between March and May 2004.

##### **6.2.1 Excess payment of manufacturing cost**

All kinds of stamps forming the sources of State and Central revenue are printed at the Central Stamp Depot (CSD) of the India Security Press, Nasik Road or Security Printing Press (SPP) Hyderabad. The cost of printing of stamps is met by the State Government on the basis of consolidated bill sent by the Controller of Stamps store to the Director of Treasuries and Accounts, Kohima each month showing therein the total manufacturing cost of stamps dispatched.

Test check of records of the Director, Treasuries and Accounts, Kohima revealed that Rs.1.87 lakh were paid to the CSD, Nasik, between December 2000 and March 2001 towards the manufacturing cost of the stamps. Further, scrutiny of records revealed that the Director paid an additional amount of Rs.2.24 lakh to the CSD, Nasik for the same purpose during March 2002 against the same invoices.

<sup>6</sup> Kohima, Dimapur, Mon, Zunheboto, Tuensang, Phek Mokokchung and Wokha.

<sup>7</sup> Kohima, Dimapur, Mon, Zunheboto, Tuensang, Phek Mokokchung, Wokha and Peren.



After this was pointed out, the Director admitted in May 2004 that the excess payment of Rs.1.87 lakh was made to CSD, Nasik by oversight and took up matter with CSD Nasik to refund the excess payment made. As regards the remaining amount of Rs.0.37 lakh, the Department did not offer any comments.

While accepting the audit observation, the Government replied in September 2004 that the refund of excess payment or adjustment there of from future bills payable to CSD Nasik, would be intimated to audit in due course.

#### ***6.2.2 Loss of revenue due to short accountal of stamps***

Immediately after receipt of stamps, these are to be counted and placed in proper receptacles in the store of treasury under double lock in the presence of the officer in charge engaged, in packets containing known quantities, the amount and value of each denomination being entered at the same time in a register maintained to show the receipts and issues to and from the store under double lock.

The Kohima North Treasury issued stamp papers of various categories for Rs.9.63 lakh to Tuensang, Mokokchung, Phek and Wokha Treasuries during the period 1999-2000 to 2002-03. However, the stamp stock registers of these treasuries revealed that stamps valued at Rs.1.43 lakh were accounted for in these registers resulting in short accountal of stamps worth Rs.8.20 lakh.

The Government and the Department stated in September 2004 that the matter was under examination and the findings would be intimated in due course.

#### ***6.2.3 Idle stock of stamps***

Prior to 1999, the stamps and stamp papers were received by the each treasury directly from CSD, Nasik. Thereafter, the Kohima (North) Treasury, was declared as "nodal Treasury", responsible for procurement of stamps from CSD, Nasik and issue of stamps to other treasuries/sub-treasuries. Further, treasuries/sub-treasuries issue the stamps to licensed vendors on submission of copies of challans showing the amount deposited into Bank.

The Director, Treasuries and Accounts, Kohima had procured Share Transfer, Insurance, Foreign Bills and Broker's Note Stamps worth Rs.70.62 crore from CSD, Nasik, during 1995-96 to 2000-01, out of which stamps for Rs.58.74 crore were issued to the agents. The said agents wound up their stamp vending business stating that use of these stamps had almost become redundant due to introduction of electronic transfer system from December 1998. The balance stamps valued at Rs.11.88 crore were transferred to Kohima North treasury, where these were lying in the store as no vender/agent was willing to purchase these stamps.

#### 6.2.4 Irregularities in Stamp Vendors Accounts

Persons desirous of vending stamps to the public are to obtain licenses from the jurisdictional Licensing Authority (the Assistant Commissioner of Stamps/Deputy Commissioner of Stamps or Deputy Commissioner/Tashildar). Each licensed vendor is to maintain an account of stock of stamps obtained by him from the Treasury and the daily sales effected by him. Treasuries are to maintain a watch register to verify the currency of the licenses once a year and also to keep record of verification of sales accounts of the vendors at the end of every quarter within 20<sup>th</sup> of the subsequent month of that quarter.

Test check of progress report furnished by the licensed vendors in respect of DC, Kohima revealed that one licensed vendor had sold the stamp worth Rs.1.02 lakh during the period between January 2000 to August 2000 and February 2001 to November 2001. While, Stamp Issue Register maintained at Kohima North treasury revealed that no stamps were issued to the said vendors during that period. In the above circumstances, audit could not ascertain how and from where the said vendor purchased the stamps for Rs.1.02 lakh.

#### 6.2.5 Short-realisation of Stamps Duty

The India Stamp Act, 1899 (amended in 1989 and 1999) impose the stamp duty on execution of various instruments specified in the schedule at the rates specified therein.

Test check of records in respect of five districts given in the table below revealed between March and May 2004 that stamp duties were realized at the rates lower than the rates specified in the Act which resulted in short realisation of Rs.8.39 lakh.

(Rupee in lakh)

Sl. No.	Name of district	Period	Type of instrument	Stamp duty payable	Stamp duty paid	Short realisation
1	Kohima	1998-99 to 2002-03	Sale deed and Gift deed etc.	3.81	1.32	2.49
2	Dimapur	1998-99 to 2002-03	-do-	0.65	0.06	0.59
3	Mokokchung	1998-99 to 2002-03	Sale deed Gift deed Affidavit	4.49	1.16	3.33
4	Phek	1998-99 to 2002-03	-do-	1.72	0.01	1.71
5	Mon	2001-02 to 2002-03	Sale deed	0.36	0.09	0.27
<b>Total</b>				<b>11.03</b>	<b>2.64</b>	<b>8.39</b>

The Government, while accepting facts, stated in September 2004 that the Director, Deputy Commissioner, Treasury officers would be suitably advised to follow the prescribed procedure as per the Central Treasury Rules (CTR) and the Indian Stamp Act, 1899 as amended from time to time to avoid such lapses in future.

The matter was reported to the Department and the Government in August 2004; their replies are included in the relevant paras.

## **FOREST DEPARTMENT**

### **6.3 Short realisation of revenue**

#### **Short realisation of sales tax by Rs.14.45 lakh**

As per Nagaland Sales Tax Act, 1967 and the Government of Nagaland, Department of Forest, Ecology, Environment and Wildlife Notification issued in June 1995, sales tax at prescribed rate shall be charged on all forest produce based on royalty values.

Test check of records of Divisional Forest Officer (DFO), Mon for the period from June 1998 to April 2003 revealed in September 2003 that during the period of audit, though an amount of Rs.1.92 crore was realised by the Division towards forest royalty from different mill owners, no sales tax was realised from the mill owners. The Government thus, suffered a revenue loss of Rs.14.45 lakh.

The matter was reported to the Government and the Department in April 2004; their replies had not been received (January 2005).

### **6.4 Short realisation of royalty**

#### **Short realisation of royalty by Rs.14.71 lakh**

The Government of Nagaland increased the rates of forest royalty with effect from 21 November 2001.

Test check of records of DFOs, Zunheboto and Tuensang for the period from April 1998 to April 2003 revealed in August 2003 that Border Road Task Force (BRTF) utilized various minor forest produces for construction of roads in the districts and paid Rs.6.16 lakh towards forest royalty against payable amount of Rs.20.87 lakh including sales tax. This resulted in short realisation of revenue of Rs.14.71 lakh including sales tax.

The matter was reported to the Government and the Department in November and December 2003; their replies had not been received (January 2005).

## **6.5 Loss of revenue**

### **Loss of revenue Rs.23.30 lakh due to non-operation of Stone Mahal**

As per Nagaland settlement of Forest Coups and Mahals Rule 1969, the DFO is to invite open tender for settlement of Mahals. The highest bidder is to be awarded the Mahal after obtaining the approval from the Government.

Test check of records of the Principal Chief Conservator of Forests (PCCF), Nagaland, Kohima in July 2003 revealed that for settlement of five Stone Mahals numbered 2 to 6 in Naginimora for the operational season 1 October 1998 to 30 September 1999 a Notice Inviting Tender (NIT) was issued by the DFO, Mon on 31 August 1998. But against the same, village council, Kongam and three others filed a title suit in the court of Additional Deputy Commissioner, Mon claiming land ownership of the aforesaid Mahal area.

The court of ADC, Mon passed an order granting an interim injunction on 2 November 1998 which was subsequently withdrawn by the court on 23 February 1999.

Consequently, the tenders were opened on 01 March 1999 and the highest bids in respect of these Mahals were submitted by different bidders for Rs.23.30 lakh.

The tender documents alongwith comparative statements were sent to Government on 18 March 1999 for approval. But the Government conveyed the approval only on 6 August 1999 i.e., one month before the expiry of the operational season due to which the tenderers refused to accept the offers as awarded by the DFO, Mon.

This resulted in loss of revenue of Rs.23.30 lakh due to delay in conveying the approval by the Government towards settlement of the Stone Mahals.

The matter was reported to the Department and the Government in January 2004; their replies had not been received (January 2005).

## **6.6 Non remittance of Government revenue**

### **Forest revenue amounting Rs.10.79 lakh collected but not remitted into Government Account**

According to Rule 6 of Receipt and Payment Rules, all moneys received by or tendered to Government Officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Account.



Test check of records (November 2003) of the DFO Phek Division, Phek, for the period from April 1996 to March 2003 revealed that, out of the forest revenue of Rs.11.99 lakh shown as collected by the Deputy Range Officer, Melluri Range (DRO), only Rs.1.20 lakh was deposited till March 1997, leaving Rs.10.79 lakh un-remitted into Government account till November 2003. After this was pointed out PCCF informed in August 2004 that the amount in question has not yet been deposited to Government Account.

The matter was reported to Government in February 2004. The Government (Department of Forests, Environment, Ecology and Wildlife) stated in July 2004 that a one man inquiry commission was constituted to look into the matter in totality and fix responsibility for the lapses. Further reply was awaited (January 2005).

**6.7 Loss of revenue due to non-realization of penalty from timber mill owners**

**Divisional Forest Officer, Mon allowed two timber mills to lift timber without realizing the additional charges of Rs.9.07 lakh.**

Nagaland Tree Farm and Timber Regulation 2000 (NTF&TR) issued on 7 July 2000, stipulates that no timber shall be removed from the site without transit pass (TP) of the Forest Department and the transport of all timber and other non-timber products shall be made in accordance with provisions of transit rules made by the Government from time to time. Any product of tree farm and non forest area harvested, transported or kept in contravention of these regulations shall be liable to be seized and may be released to the owner on payment of royalty value and additional amount of 50 *per cent* of the value of the royalty of the material.

Test check of records (September 2003) of the DFO, Mon, for the period from April 1997 to April 2003 revealed that, the Government of India, Ministry of Environment and Forests (MEF) conveyed approval in September 2000 to the working schemes for privately owned forests in two villages viz Shangyu and Chingkhao for the year 2001-02 and allowed annual extraction of 4,900 number trees consisting of 10,653.01m<sup>3</sup> timber.

Audit scrutiny revealed that, DFO, Mon allowed a dealer to lift 14,740.322m<sup>3</sup> of timber from these villages. Thus, the timber mills were allowed to extract/lift 4,087.312m<sup>3</sup> of timber in excess of the Government of India's approved quantity during 2001-02 and realised forest royalty of Rs.18.14 lakh on excess quantity of timber and did not charge penalty at the rate of 50 *per cent* which resulted in revenue loss of Rs.9.07 lakh.

The matter was reported to the Department and the Government in June 2004; their replies had not been received (January 2005).

## **HOME (POLICE) DEPARTMENT**

### **6.8 Non realization of cost of Police Guards**

**Non-realisation of cost of Police Guards from Airport Authority of India, Dimapur resulted in loss of Rs.1.64 crore**

The Government of India, Bureau of Civil Aviation Security requested Government of Nagaland, Home Department in May 1998 to deploy police personnel for anti-hijacking duties and security of various access points in the terminal building of Dimapur Airport and claim reimbursement from Airport Authority of India (AAI).

Test check of records of Inspector General of Police (IGP), Intelligence, Kohima for the period from January 2002 to October 2003, revealed in November 2003 that the claims for reimbursement of the cost of providing police guards for the period from April 2000 to March 2004 amounting to Rs.1.64 crore had not been preferred with the AAI, NER, Guwahati as of August 2004. Reasons for non raising of claims for the amount due were not on record.

In reply, Director General of Police (DGP) informed in August 2004 that the IGP (INT), Kohima forwarded claims for Rs.1.64 crore for the period from April 2000 to March 2004 to DGP in June 2004 for onward submission to the AAI, NER, Guwahati. However, the aforesaid claims for Rs.1.64 crore were not preferred with the AAI, NER, Guwahati for reimbursement by the DGP as of August 2004.

The matter was reported to the Government in (June 2004); their reply is awaited (January 2005).

## **HORTICULTURE DEPARTMENT**

### **6.9 Unauthorised utilisation of departmental receipts.**

**Departmental receipt of Rs.7.08 lakh was unauthorisedly utilised by the Deputy Director, Horticulture (State Horticulture Nursery) Dimapur for meeting departmental expenditure.**

As per Rule 6 of Receipts and Payments Rules, revenue received on behalf of the Government should be deposited/credited in full into the Government Account without undue delay and the same should not be utilised towards departmental expenditure.

Test check of records of Deputy Director, Horticulture (State Horticulture Nursery), Dimapur, for the period from September 2001 to December 2003 revealed in February 2004 that the Department collected revenue of Rs.8.83 lakh by sale of tickets for entry into the Green Park, boat rowing, rentals from

restaurant etc. Out of this, an amount of Rs.1.75 lakh was deposited into Government Account and Rs.5.51 lakh was utilised towards meeting departmental expenditure in contravention of the rule *ibid*. Though the expenditure incurred was recorded in the register, no relevant records like vouchers, stock register, etc., were made available to Audit. The balance amount of Rs.1.57 lakh was also not deposited into the Government account till the date of audit.

After this was pointed out the Department stated in February 2004 that revenue collected was utilised for meeting the departmental expenditure under Government of Nagaland, Horticulture Department order dated 08 May 2003. The reply is not tenable as the order referred to did not permit utilisation of the revenue towards departmental expenditure.

The matter was reported to the Department and the Government in May 2004; their replies are awaited (January 2005).

## **WORKS AND HOUSING (MECHANICAL ENGINEERING) DEPARTMENT**

### **6.10 Loss of revenue**

#### **Non-realization of hire charges of Bulldozers/Road Rollers resulted in loss of Government revenue for Rs.14.85 lakh**

According to Nagaland Public Works Department Code (NPWD code), a formal agreement should be entered into by the Divisional Officers for all plant, machinery and tools hired out to local bodies, contractors and private persons or parties. The hire charges payable under this rule should be recovered monthly in advance and in addition to the advance hire charge, the hirer shall be required to deposit security of such sum as the Executive Engineer may decide.

Test check of records (June 2003) of the Executive Engineer, Mechanical Division No. 1, Kohima for the period from November 2001 to March 2003 revealed that the departmental Bulldozers, Road Rollers were leased out to 25 private contractors for 618 days during April 2001 to February 2003 for executing different works under the Government departments, but the hire charges amounting to Rs.14.85 lakh was not realised from the contractors. Since no agreement was entered into with the contractors and no security deposit was obtained from them, the realization of hire charges could not be enforced upon the contractors. Consequently the Government had to suffer a loss of revenue amounting to Rs.14.85 lakh.

This irregularity reflected total lack of internal control/internal check in the Department. Departmental action initiated against the officials was also not on record.

The matter was reported to the Department and the Government in October 2004; their replies had not been received (January 2005).

**CHAPTER - VII**  
**GOVERNMENT COMMERCIAL**  
**AND**  
**TRADING ACTIVITIES**





## CHAPTER VII

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### 7.1 Overview of Government companies

##### Introduction

7.1.1 As on 31 March 2004, there were six Government companies (five working companies and one non working company<sup>1</sup>) and nine departmentally managed Government commercial and Quasi-commercial undertakings with no change in position from that as on 31 March 2003 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 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 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)

##### *Investment in working Government companies*

7.1.2 The total investment in five working Government companies at the end of March 2003 and March 2004 was as follows:

Table 7.1

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan <sup>2</sup>	Total
2002-03	5	19.31	10.43	30.82	60.56
2003-04	5	19.31	10.43	32.16	61.90 <sup>3</sup>

Investment in the current year has increased over the previous year due to increase in loans in Industries and Commerce sector.

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

<sup>1</sup> Non working companies are those that are in the process of liquidation/closure/merger, etc.

<sup>2</sup> Long term loans mentioned in paras 7.1.2 and 7.1.3 are excluding interest accrued and due on such loans.

<sup>3</sup> Figure as per finance account 2003-04 is Rs.36.53 crore, the difference is under reconciliation.



As on 31 March 2004, the total investment in working Government companies comprised 48.05 per cent of equity capital and 51.95 per cent of loans as compared to 49.11 per cent and 50.89 per cent respectively as on 31 March 2003.

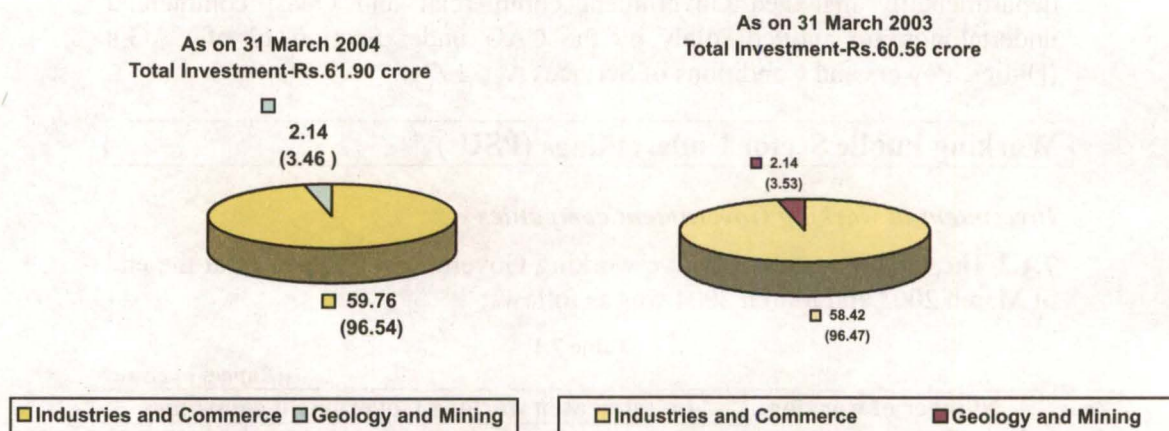
The analysis of investment in working Government companies is given in the following paragraphs.

### **Sector-wise investment in working Government companies**

**7.1.3** The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts as below:

#### **Sector-wise investment in working Government companies**

(Figures in bracket indicate percentage of investment)



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

**7.1.4** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to working Government companies are given in *Appendices XXVI and XXVIII*.

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 2003-04 are as follows:

Table -7.2

	2001-2002		2002-2003		(Rupees in crore) 2003-2004	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	3	1.89	3	1.87	---	---
Loans given from budget	1	0.10	---	---	---	---
<b>Grants/Subsidy towards</b>						
(i) Projects/Programmes/ Schemes	---	---	---	---	---	---
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	4	6.46	4	7.32	4	5.76
<b>Total outgo</b>	<b>4*</b>	<b>8.45</b>	<b>4*</b>	<b>9.19</b>	<b>4</b>	<b>5.76</b>

No guarantees for loans were given by the State Government during the year 2003-04.

### Finalisation of accounts by working Government companies

7.1.5 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 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.

It would be noticed from *Appendix - XXVII*, none of the five working Government companies had finalised their accounts for the year 2003-04 within the stipulated period. During the period from October 2003 to September 2004, two Government companies finalised two accounts for previous years. The accounts of all the companies were in arrears for periods ranging from eight to 23 years as on 30 September 2004, as detailed below:

Table -7.3

Sl. No.	Number 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-XXVII</i>
1.	1	1996-97 to 2003-04	8	A1
2.	1	1981-82 to 2003-04	23	A2
3.	1	1983-84 to 2003-04	21	A3
4.	1	1988-89 to 2003-04	16	A4
5	1	1991-92 to 2003-04	13	A5

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

\* These are the actual number of companies which have received budgetary support in the form of equity, loans, grants and subsidy from the Government during respective year.

### **Financial position and working results of working Government companies**

**7.1.6** The summarised financial results of working Government companies as per their latest finalised accounts are given in *Appendix-XXVII*.

According to the latest finalised accounts of five Government companies, three companies had incurred an aggregate loss of Rs.2.06 crore.

#### ***Loss incurring companies***

**7.1.7** Of the three loss incurring companies, one company\* had accumulated loss of Rs.0.49 crore which exceeded its paid up capital of Rs.0.10 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to this company in the form of equity, loans and subsidy. According to available information, the total financial support so provided by the State Government by way of subsidy during 2003-04 to this company amounted to Rs.36 lakh.

#### ***Return on capital employed***

**7.1.8** As per the latest finalised accounts, the capital employed\*\* worked out to Rs.18.59 crore in three companies and total return<sup>§</sup> thereon amounted to Rs.(-) 2.12 crore as compared to total return of Rs.(-)1.93 crore in the previous year. The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix-XXVII*.

### **Non working Public Sector Undertakings (PSUs)**

#### ***Investment in non-working PSU***

**7.1.9** As on 31 March 1996<sup>°</sup> the total investment in one non-working PSU (Government company) was Rs.4.96 crore (equity: Rs.4.96 crore). The company was closed down on 30 September 2001.

#### ***Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity.***

**7.1.10** The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State

\* Sl.No. A-2 of *Appendix-XXVII* (Nagaland Industrial Raw Materials and Supply Corporation Ltd.)

\*\* 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).

<sup>§</sup> 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.

<sup>°</sup> The company (Nagaland Sugar Mills company Ltd., Dimapur) did not furnish any information from 1996-97 onwards.

Government to non-working Government company were not furnished by the company.

***Total establishment expenditure on non-working PSU***

7.1.11 The year-wise details of total establishment expenditure of non-working Government company and the source of financing them during last three years upto 1995-96 were not furnished by the company.

***Finalisation of accounts by non-working PSU***

7.1.12 The accounts of one non-working company were in arrears for a period of 26 years as on 31 March 2004.

***Financial position and working results of non-working PSU***

7.1.13 The summerised financial results of non-working Government company as per their latest information are given in *Appendix- XXVII*.

<b>Results of audit by Comptroller and Auditor General of India</b>
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***Persistent irregularities and system deficiencies in financial matters of PSUs***

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

- The accounts are not finalised in time.
- Since most of the companies did not hold Board of Directors' Meetings regularly as required under Section 285 of the Companies Act, 1956, major decisions are often taken without approval of the Board of Directors.

***Internal audit/Internal control***

7.1.15 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control system 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 and to identify areas which needed improvement. Accordingly, the Statutory Auditors observed deficiencies in respect of internal audit system in case of five companies during the period upto 1992-93<sup>#</sup>. A resume of major recommendations made/comments made by 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.

<sup>#</sup> Accounts were not submitted from 1993-94 onwards.



## **Response to Inspection Reports**

**7.1.16** Audit observation noticed during audit and not settled on the spot are communicated to the Heads of PSUs and Department 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 June 2004 pertaining to six PSUs disclosed that 239 paragraphs relating to 38 Inspection Reports remained outstanding at the end of October 2004. Of these, six Inspection Reports containing 57 paragraphs had not been replied to for more than four years. Department wise break up of Inspection Reports and paras outstanding as on 30 November 2004, is given in the *Appendix-XXIX*.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Finance Commissioner and the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that one draft paragraph and one review forwarded to the department during June 2004 to September 2004, the Government had not replied to one draft paragraph so far.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection Reports/Draft Paragraph/Review as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) system of responding to the audit observations is revamped.

## **Position of discussion of Commercial chapters of Audit Report by the Committee on Public Undertakings (COPU)**

**7.1.17** The reviews/paragraphs of Commercial chapters of Audit Reports pending discussion as on 31 March 2004 by the Committee on Public Undertakings are as follows :

*Table - 7.4*

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	---	1 <sup>*</sup>	---	---
1995-96	1	2 <sup>#</sup>	1	---
1996-97	1 <sup>##</sup>	Nil	---	---
1997-98	1 <sup>#</sup>	1 <sup>#</sup>	---	---
1998-99	1 <sup>##</sup>	1 <sup>##</sup>	---	---
1999-2000	---	1 <sup>f</sup>	---	---
2000-2001	---	1 <sup>ff</sup>	---	---
2001-2002	1	3 <sup>φ</sup>	1	---
2002-2003	1	1	1	1

\* 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.

f Introductory para only

ff Introductory para only

φ Draft paragraphs except reviews discussed in October 2004 but recommendation of COPU is awaited.

### Departmentally managed Government commercial/quasi-commercial undertakings

#### *Proforma accounts of departmentally managed commercial/quasi commercial undertakings*

7.1.18 As on 31 March 2004, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

Mention was made in paragraph 8.8 of the Report of the Comptroller and Auditor General of India for the year 2002-03 about delay in preparation of proforma accounts of these undertakings, despite that, accounts were in arrears for periods ranging from five to 33 years as on 30 September 2004 as detailed below:

Table - 7.5

Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 2003-04
2.	Nagaland State Transport Department	1988-89 to 2003-04
3.	Nagaland Power Department	1999-2000 to 2003-04
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99 to 2003-04
	(ii) Medium size Seed farm, Merapani	1999-2000 to 2003-04
	(iii) Seed Farm, Tizit	1998-99 to 2003-04
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2003-04
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2003-04
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2003-04
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2003-04
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2003-04
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2003-04
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2003-04
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2003-04
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2003-04
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2003-04
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2003-04
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2003-04
	(x) Pig Breeding Centre, Tizit	1997-98 to 2003-04
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2003-04
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2003-04
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2003-04
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2003-04
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2003-04
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2003-04
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2003-04
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2003-04
	(xix) Sheep Farm, Poilwa	1998-99 to 2003-04
	(xx) Buffalo Farm, Jalukie	1998-99 to 2003-04
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2003-04
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2003-04

### 619 B Companies

7.1.19 There was no company under Section 619B of the Companies Act 1956.

## **SECTION – A – REVIEW**

### **GEOLOGY AND MINING DEPARTMENT**

<b>7.2 Review on the working of the Nagaland State Mineral Development Corporation Limited</b>
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#### **Highlights**

**The Company was incorporated in May 1981. The accumulated loss, as on 31 March 2003 stood at Rs.1.92 crore.**

(Paragraph 7.2.1 and 7.2.7)

**There was excess expenditure of Rs.1.51 crore in production cost due to non-adherence to norms of consumption**

(Paragraph 7.2.11)

**The State Government provided pricing support of Rs.3.05 crore against actual expenditure of Rs.1.11 crore.**

(Paragraph. 7.2.13)

**The Company incurred an expenditure of Rs.26.70 lakh for People Development Programme before making arrangement of funds for the entrepreneurs for Self Employment Generation Scheme**

(Paragraph. 7.2.23)

#### ***Introduction***

**7.2.1** The Nagaland State Mineral Development Corporation Limited (Company) was registered under the Companies Act 1956 on 21 May 1981 as a wholly owned Government Company. The objective of the Company was to exploit various mineral deposits available in the State on a commercial basis and to promote, establish and develop mines and mineral based industries in the State.

#### ***Organizational set up***

**7.2.2** Management of the Company is vested in a Board of Directors to be comprised of not less than three and not more than 15 directors. As on 31 March 2004 there were eight Directors including Chairman and Managing Director. The Managing Director is the Chief Executive of the Company.

### ***Scope of Audit***

7.2.3 The performance of the Company for the period from 1981-82 to 1996-97 was last reviewed and included in the Report of the Comptroller and Auditor General of India (CAG) for the year ended 31 March 1998. The present review covers the period from 1999-2000 to 2003-04. The findings thereon are set out in succeeding paragraphs.

### **Funding**

#### ***Capital***

7.2.4 The authorized share capital was Rs.5 crore, comprising of 5 lakh equity shares of Rs.100 each. As on 31 March 2004, the paid up capital was Rs.1.60 crore.

#### ***Grants-in-aid***

7.2.5 During the period under review, the Company received Rs.12.61 crore as grants-in-aid (Rs 11.01 crore from State Government and Rs 1.60 crore from the NEC) towards payment of salaries and wages, price support for marketing cement, working capital, other promotional activities and establishment of new projects. The details are given in *Appendix-XXX*.

#### ***Borrowings***

7.2.6 As on 31 March 2004, the total borrowings stood at Rs.6.59 crore which were obtained by way of loan from the State Government (Rs.0.54 crore), Life Insurance Corporation of India (LIC) (Rs.5 crore) and overdraft (Rs.1.05 crore) from Banks (Bank of Baroda and State Bank of India).

#### ***Financial position and working results***

7.2.7 The financial position and working results of the Company at the end of each of the five years up to 2003-04 (based on provisional accounts) are summarized in the *Appendix XXXI* and *XXXII*.

The Company has been incurring losses continuously despite the State Government compensated salary & wages, and provided price support on the recommendation of the Board as a package of means for the viability of the unit. The accumulated loss as on 31 March 2004 stood at Rs.1.92 crore which was mainly due to:

- Under-utilization of plant capacity (discussed in Para 7.2.10)
- Operation of two uneconomical and unviable Decorative and Dimensional Stone Plants (discussed in paragraph 7.2.21)

#### ***Activities of the Company***

7.2.8 The Company initially (1984-88) took up three projects viz, a Mini Cement Plant (MCP) at Wazeho, Semi Mechanized Brick Plant (SMBP) at

Dimapur and Exploratory Mining at Borjan Colliery (EMBC). The EMBC and SMBP were later on abandoned in the years 1991 and 1995 respectively. The Company established (2001-02) two Decorative and Dimensional Stone Plants (DDSP) at Dimapur and Wazeho under the sponsorship of North Eastern Council (NEC) to utilize the deposits of marble and other decorative stones.

In the year 2003 the Company shifted focus of its activities from a production organization to a promoting, facilitating and State-Channelising Agency (SCA). Under these activities, the Company and the Directorate of Geology and Mining jointly carried out Government's Programme for Self Employment Generation Schemes termed as People Development Programme (PDP) by setting up small-scale mineral based industries to facilitate private entrepreneurs

**Mini Cement Plant Wazeho (MCP):**

**7.2.9** The MCP was commissioned in the year 1991 and was put to trial production in September 1992. It was, however, put to commercial production in September 1995 only i.e. after a gap of three years.

***Production Performance:***

**7.2.10** The installed capacity of the MCP was 16,500 MT per annum (50 MT per day for 330 days in a year). Due to various constraints like, irregular power supply, machinery breakdown, non-availability of spares and working capital etc., the Company targeted the capacity utilization only at 7,500 MT per annum (i.e. 45.45 per cent of the installed capacity) for the years 1999-2000 and 2000-01 and 9,000 MT per annum (54.54 per cent of the installed capacity) from the year 2001-02 onwards. At this targeted capacity utilization, the MCP was to produce 42,000 MT of cement during five years ending 31 March 2004. The MCP, however, produced only 13,183 MT of cement during the above period, registering shortfall of 28,817 MT of cement valued Rs.10.66 crore. The capacity so utilised with reference to targeted capacity ranged between 12 and 46 per cent during the five year period ending 2003-04. The cost of production per MT of cement, ranged between Rs.2,388 to Rs.4,468, as shown in the table below:

**Table No.7.6**

Sl.No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Installed Capacity (MT)	16500	16500	16500	16500	16500
2.	Targeted Capacity (MT)	7500	7500	9000	9000	9000
3.	Actual Production (MT)	1023	2864	4144	4084	1068
4.	Percentage of targeted production to installed Capacity	45	45	55	55	55
5.	Percentage of actual production to targeted production	14	38	46	45	12
6.	Actual production cost (Rs. in lakh)	45.71	70.81	98.96	100.00	37.44
7.	Cost of production (Rs./MT)	4,468	2,472	2,388	2,449	3,506

The Government stated (October 2004) that operation of old plant resulted in frequent breakdowns causing intermittent stoppage of the factory, which led to under utilisation of capacity, high cost of production and losses. Audit



observed that the assertion of old plant causing losses was untenable in view of the fact that the Company informed the State Government that the factory could be brought to profit earning level by operating to its full capacity, uninterruptedly and smoothly, provided working capital was made available. Audit further observed that it could not operate to its targeted capacity despite the fact that the Company received grants-in-aid, had surplus funds out of price support and even availed of overdraft facility.

### ***Higher cost of production***

**7.2.11** The Company adopted the norms for the consumption of raw materials, power and fuel, stores and spares, etc., formulated by the Cement Research Institute, Bangalore. Accordingly, the cost of production of cement worked out to Rs.1,532.90 per MT, adopting the rates of raw materials, etc., taken for ascertaining working capital requirements purpose for the year 2003-04.

But the actual cost of production per MT during the period 1999-2000 to 2003-04 varied between Rs.2,388 and Rs.4,468, causing total excess cost of production of Rs.1.51 crore during the last five years, as detailed in the table below: -

**Table No.7.7**

Sl. No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04	Total
1.	Cement Produced (MT)	1023	2864	4144	4084	1068	13183
2.	Cost of Production as per above norms (Rs in lakh)	15.68	43.90	63.52	62.60	16.37	202.07
3.	Actual cost of Production (Rs in lakh)	45.71	70.81	98.96	100.00	37.44	352.92
4.	Excess cost of production (Rs in lakh)	30.03	26.91	35.44	37.40	21.07	150.85

### **Sales Performance**

#### ***Excess expenditure on Selling and distribution***

**7.2.12** The table below gives year wise selling and distribution expenses and quantity of cement sold during the five years ending 2003-04. It could be seen that there was an excess expenditure of Rs.11.16 lakh, when compared with the lowest/minimum expenditure (Rs.1109.80 per MT) and maximum sale of cement (4144 MT) during the year 2001-02.

**Table No.7.8**

Sl.No	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Packing Material (Rs in lakh)	1.77	5.57	7.49	7.96	2.25
2.	Packing Wages(Rs in lakh)	0.89	1.24	1.66	1.76	1.13
3.	Godown rent (Rs in lakh)	0.70	0.94	0.94	1.03	1.01
4.	Other selling expenses (Rs in lakh)	1.12	1.94	2.61	2.74	1.30
5.	Cement Transportation(Rs in lakh)	7.87	24.73	33.29	36.39	9.12
	<b>Total (Rupees in lakh)</b>	<b>12.35</b>	<b>34.41</b>	<b>45.99</b>	<b>49.89</b>	<b>14.81</b>
6.	Cement Sold (MT)	1023	2864	4144	4084	1068
7.	Expenses per MT of cement (Rs.)	1207.23	1201.47	1109.80	1221.60	1386.70
8.	Excess expenditure Rs./MT	97.43	91.67	-	111.80	276.90
9.	Excess expenditure during the year (Rupees in lakh)	1.00	2.63		4.57	2.96

The excess expenditure of Rs.11.16 lakh as tabulated above was due to (i) excess consumption of 94,136 HDPE empty bags valued Rs.6.59 lakh at the rate of Rs.7 each, and (ii) high rates of transportation of cement from MCP Wazeho to Kohima, which varied between Rs.38 and Rs.45 per bags against the rate (Rs.34 per bag) fixed (1998) by the Company.

As per the National Policy, cement produced by Mini Cement Plants was to be sold to consumers within the radius of 100 Kms. This policy failed in the case of MCP Wazeho due to lack of developmental works and security precautions/measures within the area which resulted in local sales not reaching even 5 per cent of the production.

***Receipt of excess price support towards transportation cost***

**7.2.13** The Company claimed Rs.74.61 lakh per year from the State Government (G&M Department) towards price support estimating transportation cost at the rate of Rs.34 per bag for 2,19,450 bags. The Government decided (December 1998), to grant minimum price support based on actuals for a period of five years from the year 1999-2000 with the initial amount of support of Rs.80 lakh to make the price comparable to other brands of cement. The Government provided Rs.3.05 crore towards price support against actual transportation expenditure of Rs.1.11crore (Table No.7.8) during 1999-2000 to 2003-04. The Government without verifying the claims of the Company paid an excess amount of Rs.1.94 crore, which was utilised towards meeting other expenditure of the Company.

***Non-realization of Credit Sales:***

**7.2.14** As per marketing policy of the Company, the credit sales of cement was to be made to any party only if an officer of the Company stood as guarantor. In case of any default by the party, the amount was to be recovered from the guarantor.

The unrealized credit sales for the period 1999-2000 to 2003-04 stood at Rs.9.06 lakh. This sale was made without obtaining the guarantees from the officers of the Company. The Company stated (May 2004) that a team of officers was constituted for contacting the defaulters personally for realization of the dues. The fact remains that the credit sales were made in violation of the marketing policy of the Company, and the Company did not take timely measures to realise its dues as the dues may become unrealisable with passage of time.

***Modernization and expansion of MCP***

**7.2.15** The implementation of existing 50 TPD Plant was sponsored by the North Eastern Council (NEC) during 1984. The Company took over the Plant from the year 1991-92 after a delay of eight years (1984-92) as there was dispute between NEC and the North Eastern Industrial and Technical Consultant Organisation Limited (NEITCO), Guwahati, at the implementation stage. This position along with cost overrun was reported in Para 8.4.12.1 of the Audit Report for the year ended 31 March 1998.

The utilisation capacity of the Plant from the year of trial run (1992-93) to the year 2003-04 varied between 12 to 46 *percent* for which the Company addressed the reason such as frequent breakdown, prolonged stoppage of production due to non-availability of spares and power shortage.

The Board decided (October 1998) to go for another 100 TPD Plant by way of modernization and expansion of the existing plant as the only means to improve the viability.

The State Government approved the project during the Ninth Five-year Plan and provided Rs.1.60 crore during 1997-98 and 1998-99 (Rs.80 lakh each). Further, the State Planning Board with the help of State Government negotiated (2003-04) with the Life Insurance Corporation of India (LIC) to obtain loan. The LIC gave a loan of Rs.5 crore (March 2004) at the rate 10 *per cent* interest per annum to State Government and the same was to be accrued with immediate effect. During the construction period the State Government has been paying the same.

The Company prepared (August 2001) the Detailed project Report (DPR of the expansion of Wazeho Cement Plant) through National Council for Cement and Building Material (NCCBM), Guwahati with an estimated project cost of Rs.8.93 crore. But the State Government could not arrange further funds. At present (2003-04) the project cost has been revised to Rs.11.29 crore (loan component Rs.6.77 crore and equity contribution Rs.4.52 crore). Thus the revision of project cost led to cost overrun of Rs.2.36 crore. The Company/State Government are yet to arrange further funds of Rs.4.69 crore (loan Rs.1.77 crore and equity contribution Rs.2.92 crore).

The Board discussed (March 2004) the modernization and expansion of the Plant. In the said meeting Industries and Commerce Department observed that the economics of the performance of the Plant did not favour operation. But the Mining and Geology Department put forth (March 2004) to extend the modernization and expansion with the objective to privatize the Plant and an Expert Committee consisting of five members was constituted to examine the various aspects relating to modernization and expansion, manpower management and infrastructure development. Thus, the very purpose of undertaking the modernisation and expansion of MCP with the present investment of Rs.6.60 crore remained defeated.

### ***Diversion of Funds***

**7.2.16** The Company, out of funds of Rs.1.60 crore received towards modernization, diverted Rs.51.22 lakh towards civil construction at the plant site which was not included in the expansion scheme. There was also further diversion of Rs.16.56 lakh towards construction of Type-II housing facilities for limestone mining workers at Wazeho. It was seen from the records that the Central and State Government had granted subsidy of Rs.24 lakh for construction of the same with a direction to limit the expenditure within the subsidy given. These unauthorized diversions of Rs.67.78 lakh would lead to further requirement of funds for modernization and expansion.

***Avoidable Payment of energy charges***

**7.2.17** The Company made an agreement (January 1985) with the Department of Power, Government of Nagaland, for supply of electricity to MCP for contract demand of 750 KVA though the Company had installation of only 320 KVA. The Department of Power accordingly billed energy charges at the rate of Rs.75 per KVA for 750 KVA from the period of agreement till November 2003. As the maximum consumption of power could only be as per installed capacity i.e. 320 KVA, there was avoidable payment of Rs.34.92 lakh towards energy charges during the period 1995-96 to 2003-04.

<b>Semi-Mechanized Brick Plant (SMBP), Dimapur</b>
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**7.2.18** The Company established a Semi-Mechanized Brick Plant (SMBP) with a total expenditure of Rs.1.72 crore as on 31 March 1993. Due to poor performance of the plant, the Company temporarily shut down the unit till funds were available for working capital etc., SMBP was finally abandoned in May 1995. The same was discussed in the Para.8.4.12.2 of the Audit Report for the year ended 31 March 1998.

**7.2.19** After closure of this unit, the Company was to shift the staff immediately to other units. There was, however, a delay of about six years for shifting the staff and the Company incurred Rs.20.01 lakh on payment of salaries and wages to the staff during the period 1995-96 to 2000-01 without utilizing their services. The Company also incurred Rs.6.78 lakh towards operational and capital expenditure (Rs.1.09 lakh for capital expenditure and Rs.5.69 lakh for operational expenditure) during the same period hoping that the plant would be revived. This expenditure became infructuous since the plant was not revived.

**7.2.20** Plant and machinery worth Rs.1.02 crore were transferred (2000-01) to Decorative and Dimensional Stone Plants (DDSP) and MCP and the rest valuing Rs 0.78 crore was still (May 2004) lying un-utilized since 1995. The Board of Directors decided (September 2001) to dispose off all fixed assets including land (after retaining 10 acres of land for DDSP) at prevailing market rate to utilize the sale proceed for expansion of MCP. Though, the Company was facing constraints of funds for expansion of MCP, no action has been initiated by the Company till date (May 2004) to sell the un-utilized assets.

<b>Decorative and Dimensional Stone Plants (Dimapur and Wazeho)</b>
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***Project Implementation***

**7.2.21** To utilise the deposits of decorative stones the Government of Nagaland proposed (July 1998) to NEC for setting up a Decorative and Dimensional Stone Plants, (DDSP) each at Satuza and Moke where decorative stones were available. The DPR projected estimated cost at Rs.1.92 crore for setting up two plants at Wazeho and Dimapur instead of Satuza and Moke, as the Company had infrastructure facilities at these places.

The Company got an amount of Rs.1.60 crore from the NEC and Rs 0.46 crore from the State Government during the years 2002-03 and 2003-04 for procurement of machines and civil works. As on 31 March 2004, the Company incurred an expenditure of Rs.1.67 crore. The balance fund of Rs.0.39 crore was diverted for payment of salaries and wages.

The DPR, envisaged construction of a shed and foundation for machinery at a cost of Rs.6.50 lakh at Wazeho and only foundation at Dimapur at a cost of Rupees one lakh as the Dimapur unit already had sufficient shed (from the SMBP) to accommodate machinery. Deviating from the provision made in the DPR, the Company constructed a shed again at Dimapur which led to unfruitful expenditure of Rs 10.97 lakh.

### ***Production Performance***

**7.2.22** The commercial production of DDSPs started in August 2001. The Company was to collect stone blocks either from private sources (Dimapur) or from its own Quarry (Wazeho) to be cut into required sizes of slabs.

The units submit Monthly Performance Report (MPR) in the format prescribed by the Head office. The MPR indicated that DDSP (Dimapur and Wazeho) made a loss of Rs.28.24 lakh, which was mainly due to selling its products below the cost of production, as discussed below.

The DDSP Dimapur produced different varieties of slabs and artifacts out of sand stone and, DDSP Wazeho produced marble products. The cost of production per sqft. of sandstone ranged from Rs.50 to Rs .60, whereas, cost of production of marbles at Wazeho ranged from Rs.63 to Rs.80 per sq.ft. To make it competitive to prevailing market rates of marbles, which were Rs.48 to Rs.65 per sqft at Dimapur, the Company, fixed selling price at Rs.55 per sqft for marbles and Rs.35 per sqft for sand stones. Thus, the units had to sell their products below the cost of production.

The Board, in its meeting (2 September 2002) reviewed the performance of these two units and directed the Company to make the units commercially viable. The Company did not draw up any plan of action to make the units commercially viable so far (January 2005).

### ***People Development Programme***

**7.2.23** Towards the objective to initiate, promote and facilitate economic activities in the mineral sector and as a part of Government's Programme on Self Employment Generation Scheme, the Company and Directorate of Mining and Geology jointly took up the scheme called "People Development Programme" (PDP) to facilitate small and tiny mineral based projects. Under the PDP, two kinds of schemes were envisaged viz. Decorative and Dimensional Stones Processing units and Stone crusher units under Self Employment scheme. The pattern of financing the entrepreneurs under the above schemes was 90 *per cent* of the cost as loan from the National Schedule Tribe Finance Development Corporation (NSTFDC), five *per cent* by the Government from the Corpus fund and the five *per cent* to be arranged by the



entrepreneurs. The State Government released Rupees one crore during 2002-03 and 2003-04 out of Chief Minister's Corpus fund to establish training cum demonstration units for providing training to the entrepreneurs. The Company and the Directorate of G&M identified 10 and 11 numbers of entrepreneurs respectively for the schemes. These schemes were yet (May 2004) to be implemented, as the NSTFDC had not yet released the fund due to the defaulted payment of loan by Nagaland Industrial Development Corporation and Nagaland State Co-operative Bank.

The Company incurred an expenditure of Rs.26.70 lakh out of Rupees one Crore for two training cum demonstration units at Wazeho and Dimapur. The balance amount of Rs.73.30 lakh was being kept with the Company.

### ***Man Power management***

**7.2.24** The requirement of manpower, as was projected in the Detailed Project Report (DPR) of the Mini Cement Plan (MCP), Wazeho, Decorative and Dimensional Stone Plants (DDSPs) at Dimapur and Wazeho, the men-in-position were as follows: -

Table No.7.9

Particulars of employment	Requirement of manpower as per DPR (Numbers)				Men in position				Excess (+)/Shortage(-) manpower employed (Numbers)			
	MCP	DDSP	HO	Total	MCP	DDSP	HO	Total	MCP	DDSP	HO	Total
Officers and supervisory staff	82	32	---	114	48	17	34	99	(-)34	(-)15	(+)34	(-)15
Fixed pay category	10	-	---	10	57	23	7	87	(+)47	(+)23	(+)7	(+)77

The Company had engaged 77 fixed pay workers in excess of projected requirement in the project report. The Company put up a proposal to the Board of Directors (August 2003) for a decision to rationalize the excess fixed pay workers by Voluntary Retirement Scheme (VRS) or Compulsory Retirement Scheme (CRS). The requirement of funds for implementation of the scheme was worked out. The Board constituted (August, 2003) a three member Committee consisting of Director (G&M) and Managing Director of the Company under Chairmanship of the Additional Chief Secretary (G&M Department), to work out further modalities. In this regard the report of the Committee was still awaited (May2004). The Company has been paying wages of Rs.16.22 lakh annually towards fixed pay workers deployed in excess, though factory remained closed during the period. Even though the Plant was underutilised by its capacity and remained shutdown the Company did not rationalise the employment of fixed pay workers

### ***Internal Control/Internal Audit***

**7.2.25** The Company has no internal audit wing of its own. With the introduction of the Manufacturing and Other Company (Auditors Report) order 1988 the internal audit function has acquired greater significance, in relation to the companies having paid up capital of Rs.25 lakh or more or having a turn over exceeding Rs.2 crore for a period of three consecutive financial years. The Company has, however, not initiated any action to form an internal audit wing of its own.

### ***Cost Audit***

**7.2.26** As per section 233B of the Companies Act 1956 a Company engaged in production of cement is required to maintain Cost accounting Records and to arrange Cost Audit through the Cost Auditors appointed by the Central Government with the recommendation of the Board of Directors of the Company.

Though the production of cement started from the year 1992-1993 the Company neither prepared Cost Accounting Records nor arranged Cost Audit.

### ***Conclusion***

The Company took up modernisation and expansion of Mini Cement Plant without first addressing the problems relating to under utilization of the capacity of the existing plant. The Company diverted funds received for modernization and expansion of mini plant for civil construction at the plant site and for construction of housing facilities for limestone workers. The Company also established two Decorative and Dimensional Stone Plants which were also incurring losses right from inception. The Company should ensure to run the existing plant at its optimum capacity; steps need to be taken to make the Decorative and Dimensional Stone Plants commercially viable.

## SECTION – B – AUDIT PARAGRAPH

### INDUSTRIES AND COMMERCE DEPARTMENT (NAGALAND INDUSTRIAL DEVELOPMENT CORPORATION LIMITED)

#### **7.3 Loss due to injudicious participation in private entrepreneurship and standing guarantee thereof.**

#### **Due to injudicious investment in a joint venture collaboration, the NIDC sustained a loss of Rs.48.43 lakh.**

The Managing Director (MD), Nagaland Industrial Development Corporation (NIDC), Dimapur under authorisation from the Board of Directors (BOD) of NIDC entered into an agreement with a Kolkata based entrepreneur<sup>4</sup> to form a joint sector Company (herein after referred to as Company) to manufacture toys and educational aids. Equity participation of NIDC in the Company was fixed at Rs.6.80 lakh. The BOD, however, enjoined that before participating in the joint venture and signing the Memorandum of understanding (MoU), the MD/NIDC should verify the background, entrepreneurial capability and technical skills of the entrepreneur. The MD, without complying with the BOD's directives unauthorisedly paid Rs.21.05 lakh to the Company as equity share participation. The BOD, however, in their meeting on 5 September 1992 ratified the increased quantum of equity share participation in the Company. As per authorization, the MD also signed the revised MoU which raised the authorized capital of the Company from Rs.1.19 crore to Rs.1.33 crore. Subsequently, a Company was registered on 14 November 1992, under the name "Nasha Toys Pvt. Ltd." with its registered office at Dimapur and corporate office at Kolkata. Test check ( July 2004) of the records, (April 1999 to March 2004) revealed that Nasha Toys Pvt. Ltd. was operational only for nine months and closed down on 16 October 1993. The MD, NIDC had unauthorisedly stood guarantor for Nasha Toys Pvt. Ltd. for an amount of Rs.72 lakh for loan to be obtained from Indian Bank Kolkata. The bank, however, released (27 August 1992) only Rs.16 lakh to the Company and this amount was not repaid by the Company. On a petition filed by the Indian Bank before the Debt Recovery Tribunal (DRT,) Kolkata, for recovery of Rs.28.06 lakh from NIDC and 14 others, the Tribunal in their interim order (30 May 1997) prohibited selling and transferring of any assets of NIDC and of the 14 others and also served (4 June 1997) show-cause notice to them as to why Rs.28.06 lakh should not be recovered from them. The NIDC did not take any action or file any appeal against the judgment of DRT Kolkata. Since no amount was paid to Indian Bank Kolkata, the DRT Kolkata attached (12 May 2002) the accounts of the NIDC with the Vijaya Bank Dimapur and Indian Bank Dimapur. The NIDC then (21 June 2002) filed an appeal against the attachment order in High Court Kolkata. The High Court granted (21 June

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<sup>4</sup> A –Chakraborty and Associates.



2002) partial stay order by allowing NIDC to operate the Bank account except for an amount of Rs.50 lakh. The DRT Kolkata, therefore, in pursuance of honorable High Court's order directed the NIDC to make payments of Rs.44.65 lakh (interest calculated up to 30.9.2002) and an additional interest calculated at 12 *per cent* on certificate amount of Rs.28.06 lakh with effect from 1.12.2002 to the date of such payment to the recovery officer DRT Kolkata. On the orders of the DRT Kolkata the Indian Bank Dimapur branch transferred an amount of Rs.50 lakh (which was maintained by the NIDC in fixed deposit) to Indian Bank Kolkata for realization of the dues. After adjusting an amount of Rs.48.43 lakh, the Indian Bank refunded a balance of Rs.1.57 lakh to the NIDC.

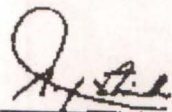
The NIDC issued notice (15 June 2003) to the promoters of the Company for the recovery of the amount paid to the Indian Bank Kolkata. Since there was no response from the private promoter the NIDC again issued (21 December 2002) legal notice. But till the date of audit (July 2004) nothing is on record that the promoters have refunded the amount.

Thus, due to injudicious investment in joint venture collaboration and standing guarantee without identifying project viability, stability and technical skill of co-promoters and also without adequate financial control over the joint venture Company, NIDC sustained loss of Rs.48.43 lakh.

The matter was brought to notice of the Management and the Government (August 2004), replies have not been received (January 2005).

Kohima  
The

3 MAY 2005

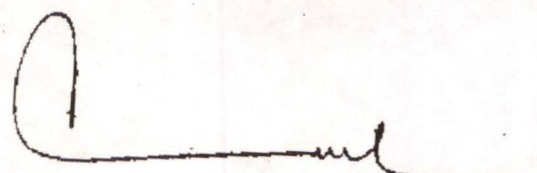
  
(A. W. K. LANGSTIEH)  
Accountant General (Audit)  
Nagaland

Counter signed

New Delhi  
The

19 AUG 2005

19 MAY 2005

  
(VIJAYENDRA N. KAUL)  
Comptroller and Auditor General of India

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# APPENDICES

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## APPENDIX I

### List of terms used in the Chapter – I and basis for their calculation

(Reference: Paragraph.1.4; Page 4)

Terms	Basis for calculation
Buoyancy of a parameter	<u>Rate of Growth of the parameter</u> 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)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Trend/Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1996-97: Amount of 2002-03)-1)*100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	$\text{Interest Payment}/[(\text{Amount of previous year's Fiscal Liabilities} + \text{Current year's Fiscal Liabilities})/2]*100$
Interest spread	GSDP growth – Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	$\text{Interest Received} [(\text{Opening balance} + \text{Closing balance of Loans and Advances})/2]*100$
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 minus Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and non-plan revenue expenditure excluding debits under 2048 Appropriation for reduction or avoidance of debt.

**APPENDIX-II**

**Summarised financial position of the Government of Nagaland as on 31 March 2004**  
(Reference :Paragraphs 1.4 and 1.8; Pages 4 and 12)

		(Rupees in crore)	
As on 31.03.2003	LIABILITIES		As on 31.03.2004
1193.07	<b>Internal Debt</b>		1524.07
901.36	Market loans bearing interest	1187.43	
0.11	Market loans not bearing interest	0.11	
38.11	Loans from LIC	48.77	
253.49	Loans from other institutions	287.76	
0.00	Ways and Means Advances	0.00	
5.23	<b>Overdrafts from Reserve Bank of India</b>		5.23
903.91	<b>Loans and Advances from Central Government</b>		395.10
18.40	Pre-1984-85 loans	13.83	
431.77	Non-Plan Loans	26.33	
345.53	Loans for State Plan Schemes	329.68	
2.57	Loans for Central Plan Schemes	2.22	
13.49	Loans for Centrally Sponsored Plan Schemes	14.26	
84.58	Ways & Means Advances	0.00	
7.57	Loans for Special Schemes	8.78	
0.35	<b>Contingency Fund</b>		0.35
456.02	<b>Small Savings, Provident Funds, etc.</b>		477.64
158.31	<b>Deposits</b>		139.91
2.93	<b>Reserve Funds</b>		1.05
202.87	<b>Suspense and Miscellaneous Balances</b>		0.00
(-)59.87	<b>Remittance Balances</b>		(-)74.58
(-)127.66	<b>Accumulated Surplus</b>		419.14
	Surplus of current year	546.80	
	Less deficit upto 31 March 2003 (-)127.66	(-)127.66	
2735.16	<b>Total</b>		2887.91
	<b>ASSETS</b>		
2569.25	<b>Gross Capital outlay on Fixed Assets-</b>		2960.38
58.47	Investments in shares of Companies, Corporations, etc.	69.36	
2510.78	Other capital outlay	2891.02	
42.96	<b>Loans and Advances</b>		41.23
38.29	Other Development Loans	34.24	
4.67	Loans to Government servants' etc.	6.99	
2.07	<b>Advances</b>		2.10
---	<b>Suspense and Miscellaneous Balances</b>		96.52
120.88	<b>Cash Balance</b>		(-)212.32
0.19	Cash in Treasuries and Local Remittances	0.16	
(-)167.16	Deposits with Reserve Bank	(-)341.28	
30.83	Departmental Cash Balance including Permanent Advances	90.92	
11.75	Investment of earmarked funds	12.60	
245.27	Cash Balance Investments	25.28	
2735.16	<b>Total</b>		2887.91

**APPENDIX III**  
**Abstract of receipts and disbursements for the year 2003-2004**  
*(Reference: Paragraph.1.4; Page 4)*

(Rupees in crore)							
RECEIPTS				DISBURSEMENTS			
2002-03		2003-04	2002-03		Non-Plan	Plan	Total
	<b>SECTION A: REVENUE</b>						
1346.90	<b>I. Revenue Receipts</b>	2359.79	1506.27	<b>I. Revenue Expenditure</b>			1812.99
62.00	Tax Revenue	68.55	798.67	General Services	859.45	15.46	874.91
43.94	Non-tax Revenue	60.91	385.57	Social Services	294.91	127.41	422.32
46.01	State's share of Union Excise Duties	256.97	200.31	Education, Sports, Art and Culture	201.12	45.02	246.14
555.45	Non-Plan grants	1311.03	80.89	Health and Family Welfare	58.35	24.45	82.80
400.38	Grants of State Plan Scheme	515.44	32.33	Water Supply, Sanitation, Housing and Urban Development	8.06	10.01	18.07
124.69	Grants for Central Plan Scheme	15.05	10.34	Information and Broadcasting	9.23	1.57	10.80
84.92	Grants for Centrally Sponsored Plan Schemes	110.99	8.77	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	--	9.94	9.94
29.51	Grant for Special Plan Scheme	20.85	5.44	Labour and Labour Welfare	4.85	0.16	5.01
			43.20	Social Welfare and Nutrition	8.91	36.22	45.13
			4.29	Others	4.40	0.03	4.43
			322.03	<b>Economic Services</b>	295.23	220.53	515.76
			102.25	Agriculture and Allied Activities	70.81	39.46	110.27
			24.90	Rural Development	6.16	59.95	66.11
			20.03	Special Arcas Programme	1.39	18.38	19.77
			13.46	Irrigation and Flood Control	6.31	15.02	21.33
			58.10	Energy	158.44	0.45	158.89
			27.70	Industry and Minerals	12.92	25.08	38.00
			25.57	Transport	23.39	0.20	23.59
			2.27	Science, Technology and Environment	0.31	2.87	3.18
			47.75	General Economic Services	15.48	59.14	74.62
159.37	<b>II. Revenue Deficit carried over to Section-B</b>			<b>II. Revenue Surplus carried over to Section-B</b>			546.80
1506.27	<b>Total: Section A-Revenue</b>	2359.79	1506.27	<b>Total: Section A-Revenue</b>			2359.79
	<b>SECTION-B</b>						
9.24	<b>III. Opening cash balance including Permanent Advances and Cash Balance Investment</b>	120.88	--	<b>III. Opening Overdraft from RBI</b>			5.23
--	<b>IV. Miscellaneous Capital Receipts</b>		340.69	<b>IV. Capital Outlay</b>	10.98	380.15	391.13
			24.78	General Services	--	50.05	50.05
			148.91	Social Services	--	138.15	138.15
			9.73	Education, Sports, Art and Culture	--	10.26	10.26
			8.29	Health and Family Welfare	--	11.87	11.87
			122.89	Water Supply, Sanitation, Housing and Urban Development	--	107.23	107.23
			0.01	Information and Broadcasting	--	0.05	0.05
			5.53	Social Welfare and Nutrition	--	3.41	3.41
			2.47	Others	--	5.32	5.32
			167.00	<b>Economic Services</b>	10.98	191.95	202.93
			12.88	Agriculture and Allied Activities	7.32	13.31	20.63
			0.20	Rural Development	--	0.25	0.25
			10.13	Special Arcas Programme	--	29.70	29.70
			74.26	Energy	--	60.75	60.75
			17.44	Industry and Minerals	3.66	20.75	24.41
			46.68	Transport	--	66.86	66.86
			0.18	General Economic Services	--	0.20	0.20



**Conclude Appendix-III/-**

(Rupees in crore)								
RECEIPTS				DISBURSEMENTS				
2002-03	2003-04			2002-03	Non-Plan	Plan	Total	2003-04
				5.20	Irrigation and Flood Control	--	0.01	0.01
				0.02	Science, Technology and Environment	--	0.12	0.12
7.42	V. Recoveries of Loans and Advances	6.81	2.33	V. Loans and Advance disbursed				5.08
0.74	From Government Servants	1.41	0.37	To Government Servants			3.72	
6.68	From Others	5.40	1.96	To Others			1.36	
--	VI. Revenue Surplus brought down	546.80	159.37	VI. Revenue deficit brought down				--
473.85	VII. Public Debt receipts-	(-)3.22	67.57	VII. Repayment of Public Debt-				174.59
238.58	Internal debt other than Ways and Means Advances and Overdrafts	393.93	42.66	Internal debt other than Ways and Means Advances and Overdrafts			62.93	
(-)212.40	Net transactions under:- Ways and Means Advances including overdrafts	--	---	Net transactions under:- Ways and Means Advances including overdrafts				
447.67	Loans and Advances from Central Government	(-)397.15	24.91	Repayment of Loans and Advances to Central Government			111.66	
---	VIII. Appropriation to Contingency Fund	--	---	VIII. Appropriation to Contingency Fund			--	--
---	IX. Amount transferred to Contingency Fund	--	---	IX. Expenditure from Contingency Fund			--	--
990.10	X. Public account receipts-	--	789.77	X. Public account disbursements-				971.27
96.75	Small Savings and Provident Funds	106.45	78.21	Small Savings and Provident Funds			84.83	
3.56	Reserve Funds	0.85	2.60	Reserve Funds			2.73	
248.48	Suspense and Miscellaneous	(-)93.39	85.70	Suspense and Miscellaneous			206.00	
490.19	Remittances	563.07	551.73	Remittances			577.78	
151.12	Deposits and Advances	81.50	71.53	Deposits and Advances			99.93	
	XI. Closing Overdraft from Reserve Bank of India	5.23	120.88	XI. Cash Balance at end-				(-)212.32
			0.19	Cash in Treasuries and Local Remittances			0.16	
			(-)167.16	Deposits with Reserve Bank			341.28	
			30.83	Departmental Cash balance including Permanent Advances			90.92	
			245.27	Cash Balance Investment			25.28	
			11.75	Investment in earmarked funds			12.60	
1480.61	Total	1334.98	1480.61	Total				1334.98

**APPENDIX-IV**  
**Sources and application of funds**  
*(Reference : Paragraph.1.4; Page 4)*

(Rupees in crore)				
Sources				
2002-03				2003-04
1346.90	1.	Revenue Receipts		2359.79
7.42	2.	Recoveries of Loans and Advances		6.81
578.68	3.	Increase in Public debt other than overdraft		(-)177.81
200.33	4.	Net receipts from Public account		(-)312.78
	18.54	Increase in Small Savings, Provident Funds, etc.	21.61	
	79.59	Increase in Deposits and Advances	(-)18.40	
	0.96	Increase in Reserve Funds	(-)1.88	
	162.78	Net effect of Suspense and Miscellaneous transactions	(-)299.40	
	(-)61.54	Net effect of Remittance transactions	(-)14.71	
---	5.	Overdrafts from Reserve Bank of India (Net)		0.00
2133.33	Total			1876.01
Applications				
1506.27	1.	Revenue expenditure		1812.99
2.33	2.	Lending for development and other purposes		5.08
340.69	3.	Capital expenditure		391.13
111.64	4.	Increase in closing cash balance		(-)333.19
172.40	5.	Reduction of overdraft payable to Reserve Bank of India		0.00
2133.33		Total		1876.01

## **Explanatory Notes for Appendix II, III and IV**

1. The abridged accounts in the forgoing statements are based on the Finance Accounts for the year 2003-04-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 2004 was Rs.419.14 crore after accounting for the revenue surplus of Rs.546.80 crore during 2003-04.
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. 222.37crore (debit) against the general cash balance of Rs.341.13 crore (credit) shown in the accounts. The difference of Rs.118.76 crore (credit) as on 31 March 2004 is under reconciliation (January 2005).

**APPENDIX-V**  
**Time series data on State Government finances**  
**(Reference :Paragraphs.1.4 and 1.8; Pages 4 and 12)**

	1999-00	2000-01	2001-02	2002-03	2003-04
(Rupees in crore)					
<b>Part A. Receipts</b>					
<b>1. Revenue Receipts</b>	<b>1131.46</b>	<b>1254.10</b>	<b>1324.53</b>	<b>1346.90</b>	<b>2359.79</b>
(i) Tax Revenue	39.50 (3)	46.25(4)	54.90 (4)	62.00 (5)	68.55(3)
Taxes on Sales, Trade etc.	23.04 (58)	27.30(59)	34.42(63)	41.16 (66)	45.63(67)
State Excise	1.73 (4)	1.77(4)	1.87(3)	1.98 (3)	1.99(3)
Taxes on vehicles	4.59 (12)	5.28(11)	5.35(10)	4.74 (8)	6.00(9)
Stamps and Registration fees	1.85 (5)	1.77(4)	0.91(2)	0.57 (1)	0.66(1)
Land Revenue	0.26 (*)	0.35(1)	0.62(1)	0.41 (1)	0.54(1)
Other taxes	8.03 (20)	9.78(21)	11.73(21)	13.14 (21)	13.73(21)
(ii) Non Tax Revenue	38.86 (3)	39.23(3)	43.41(3)	43.94 (3)	60.91(3)
(iii) State's share in Union taxes and duties	526.04 (47)	96.48(8)	30.71(3)	46.01 (3)	256.97(11)
(iv) Grants-in-aid from Government of India	527.06 (47)	1072.14(85)	1195.51(90)	1194.94 (89)	1973.36(83)
<b>2. Misc. Capital Receipts</b>	---	---	---	---	---
<b>3. Total revenue and Non-debt capital receipts (1+2)</b>	<b>1131.46</b>	<b>1254.10</b>	<b>1324.53</b>	<b>1346.90</b>	<b>2359.79</b>
<b>4. Recoveries of Loans and Advances</b>	<b>15.98</b>	<b>6.45</b>	<b>7.78</b>	<b>7.42</b>	<b>6.81</b>
<b>5. Public Debt Receipts</b>	<b>344.23</b>	<b>335.97</b>	<b>335.28</b>	<b>473.85</b>	<b>(-)3.22</b>
Internal Debt (excluding Ways & Means Advances and Overdrafts)	167.24	163.05	224.23	238.58	393.93
Net transactions under Ways and Means Advances and Overdraft	---	123.34	49.04	(-)212.40	---
Loans and Advances from Government of India <sup>1</sup>	176.99	49.58	62.01	447.67	(-)397.15
<b>6. Total receipts in the Consolidated Fund (3+4+5)</b>	<b>1491.67</b>	<b>1596.52</b>	<b>1667.59</b>	<b>1828.17</b>	<b>2363.38</b>
<b>7. Contingency Fund Receipts</b>	---	---	---	---	---
<b>8. Public account receipts</b>	<b>538.71</b>	<b>601.87</b>	<b>646.31</b>	<b>990.10</b>	<b>658.48</b>
<b>9. Total receipts of the State (6+7+8)</b>	<b>2030.38</b>	<b>2198.39</b>	<b>2313.90</b>	<b>2818.27</b>	<b>3021.86</b>
<b>Part B. Expenditure/Disbursement</b>					
<b>10. Revenue Expenditure</b>	<b>1140.80</b>	<b>1290.23</b>	<b>1427.11</b>	<b>1506.27</b>	<b>1812.99</b>
Plan	229.38 (20)	231.00(18)	232.65(16)	242.91 (16)	363.40(20)
Non-plan	911.42 (80)	1059.23(82)	1194.46(84)	1263.36 (84)	1449.59(80)
General Services(including Interest payments)	544.60 (48)	623.33(48)	723.88(51)	798.67 (53)	874.91(48)
Social Services	330.39 (29)	351.15(27)	377.18(26)	385.57 (26)	422.32(23)
Economic Services	265.81 (23)	315.75(25)	326.05(23)	322.09 (21)	515.76(28)
Grants-in-aid contribution	---	---	---	---	---
<b>11. Capital Expenditure</b>	<b>179.34</b>	<b>224.40</b>	<b>238.73</b>	<b>340.69</b>	<b>391.13</b>
Plan	179.21 (100)	215.85(96)	238.65(100)	339.90 (100)	380.15(97)
Non-plan	0.13 (*)	8.55(4)	0.08	0.79	10.98(3)
General Services	11.80 (7)	28.51(13)	14.25(6)	24.78 (7)	50.05(13)
Social Services	77.11 (43)	81.02(36)	98.87(41)	148.91 (44)	138.15(35)
Economic Services	90.43 (50)	114.87(51)	125.60(53)	167.00 (49)	202.93(52)
<b>12. Disbursement of Loans and Advances</b>	<b>10.21</b>	<b>17.35</b>	<b>3.43</b>	<b>2.33</b>	<b>5.08</b>
<b>13. Total (10+11+12)</b>	<b>1330.35</b>	<b>1531.98</b>	<b>1669.27</b>	<b>1849.29</b>	<b>2209.20</b>
<b>14. Repayments of Public Debt</b>	<b>247.45</b>	<b>52.00</b>	<b>69.28</b>	<b>67.57</b>	<b>174.59</b>
Internal Debt (excluding Ways and Means Advances and Overdrafts)	31.19	31.47	29.37	42.66	62.93
Net transactions under Ways and Means Advances and Overdraft	149.58	---	---	---	---
Loans and Advances from Government of India	66.68	20.53	39.91	24.91	111.66
<b>15. Appropriation to Contingency Fund</b>	---	---	---	---	---
<b>16. Total disbursement out of Consolidated Fund (13+14+15)</b>	<b>1577.80</b>	<b>1583.98</b>	<b>1738.55</b>	<b>1916.86</b>	<b>2383.79</b>
<b>17. Contingency Fund disbursements</b>	---	---	---	---	---
<b>18. Public account disbursements</b>	<b>443.39</b>	<b>590.70</b>	<b>529.49</b>	<b>789.77</b>	<b>971.27</b>
<b>19. Total disbursement by the State (16+17+18)</b>	<b>2021.19</b>	<b>2174.68</b>	<b>2268.04</b>	<b>2706.63</b>	<b>3355.06</b>
<b>Part C. Deficits</b>					
<b>20. Revenue Deficit (1-10)(-)/Surplus (+)</b>	<b>(-) 9.34</b>	<b>(-)36.13</b>	<b>(-)102.58</b>	<b>(-)159.37</b>	<b>546.80</b>
<b>21. Fiscal Deficit (3+4-13)(-)/Surplus(+)</b>	<b>(-)182.91</b>	<b>(-)271.43</b>	<b>(-)336.96</b>	<b>(-)494.97</b>	<b>157.40</b>
<b>22. Primary Deficit (21-23)</b>	<b>(-)30.63</b>	<b>(-)94.34</b>	<b>(-)136.49</b>	<b>(-) 280.39</b>	<b>392.14</b>
<b>Part D. Other data</b>					

<sup>1</sup> Includes Ways & Means Advances from Government of India.  
\* Indicates negligible percentage

**Conclude Appendix-V/-**

23. Interest payments (included in revenue expenditure)	152.28	177.09	200.47	214.58	234.74
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	NA	NA	NA	NA	22.63 <sup>2</sup> (17)
25. Financial assistance to local bodies etc.	31.94	19.12	15.76	11.91	30.66
26. Ways and Means Advances/Overdrafts availed (days)	195.29 (74)	454.04(192)	668.43 (261)	1006.35(469)	44.55 (6)
27. Interest on WMA/Overdraft	1.22	21.14	1.45	2.48	0.76
28. Gross State Domestic Product (GSDP)	2967.64	3353.43	3789.38	4282.00	4838.66
29. Outstanding Debt (year end)	1145.96	1429.93	1695.93	2102.22	1924.41
30. Outstanding guarantees (year end)	--	--	--	--	--
31. Maximum amount guaranteed (year end)	7.24	7.24	7.24	7.24	7.24
32. Number of incomplete projects	---	--	--	--	--
33. Capital blocked in incomplete projects	--	--	--	--	--

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<sup>2</sup> Arrears of revenue on some principal heads as on 31 March 2003. Information for 2003-04 was awaited (January 2005).



## APPENDIX - VI

Statement showing names of the bodies and authorities, the accounts of which were in arrears.  
(Reference: Paragraph 1.7.1(iii); Page 12)

(Rupees in crore)

Sl. No.	Name of Body/Authority	Year upto which accounts prepared and submitted	Years for which accounts were in arrears	Sources of funds	Amount of grants/loan	
					2002-03	2003-04
1.	Nagaland University	2002-03 <sup>3</sup>	1	Government of India and Government of Nagaland	19.99	@
2.	Development Authority, Nagaland, Dimpaur	2003-04	2	Government of India and Government of Nagaland	0.70	1.15
3.	Nagaland Board of School Education	2001-02	2	Government of India and Government of Nagaland	1.76	1.80
4.	North East Zone Cultural Centre, Dimapur	2001-02 <sup>4</sup>	4	Government of India and Government of Nagaland	0.76	1.42
5.	Nagaland Khadi and Village Industries Board, Kohima	1999-2000 <sup>5</sup>	2	Government of India and Government of Nagaland	2.39	3.88
6.	Nagaland State Social Welfare Advisory Board	1991-92	12	Government of India and Government of Nagaland	@	@
7.	District Rural Development Agency, Kohima	2001-02	2	Government of India and Government of Nagaland	1.79	1.69

<sup>3</sup> SAR on Nagaland University for the period 2002-03 under finalization.

<sup>4</sup> SAR on NEZCC for the period from 1995-96 to 1999-2000 are pending due to non approval of Annual Accounts by the Governing Body.

<sup>5</sup> SAR on NKVIB for the period from 1988-89 to 1999-2000 under approval.

@ Information not available.

**Conclude Appendix-VI/-**

Sl. No.	Name of Body/Authority	Year upto which accounts prepared and submitted	Years for which accounts were in arrears	Sources of funds	Amount of grants/loan	
					2002-03	2003-04
8.	District Rural Development Agencies, Mokokchung	2001-02	2	Government of India and Government of Nagaland	2.50	3.37
9.	District Rural Development Agencies, Tuensang	2001-02	2	Government of India and Government of Nagaland	5.18	4.80
10.	District Rural Development Agencies, Wokha	2001-02	2	Government of India and Government of Nagaland	5.82	2.43
11.	District Rural Development Agencies, Phek	2001-02	2	Government of India and Government of Nagaland	2.52	2.44
12.	District Rural Development Agencies, Zunheboto	2001-02	2	Government of India and Government of Nagaland	6.92	3.16
13.	District Rural Development Agencies, Dimapur	2001-02	2	Government of India and Government of Nagaland	1.43	1.88
					<b>51.76</b>	<b>28.02</b>

**APPENDIX-VII**  
**Statement showing impact of Government Policies in the State**  
*(Reference :Paragraph 1.12; Page 19)*

Serial Number	Description	Unit	Year		
			2001-02	2002-03	2003-04
<b>1.</b>	<b>Education</b>				
<b>(a)</b>	<b>Schools</b>				
(i)	Primary	Number	1499	1501	1508
(ii)	Middle	Number	479	482	489
(iii)	High	Number	312	323	331
(iv)	Higher Secondary	Number	23	32	35
(v)	Enrolment in Schools	In lakh	4.07	4.23	4.36
(vi)	Literacy(Percentage)	Percentage	67.11	NA <sup>6</sup>	NA <sup>6</sup>
<b>2.</b>	<b>Higher and Technical Education</b>				
(i)	University	Number	1	1	1
(ii)	Colleges	Number	8	8	8
(iii)	Polytechnic	Number	2	2	3
(iv)	Industrial Training Institute	Number	1	1	1
(v)	Agricultural College	Number	1	1	1
(vi)	Nagaland College of Education	Number	1	1	1
<b>3.</b>	<b>Health</b>				
(i)	Civil Hospital	Number	8	8	10
(ii)	Sub-Divisional Hospital	Number	2	2	1
(iii)	Primary Health Centre	Number	55	68	93
(iv)	Community Health Centre	Number	12	14	21
(v)	Subsidiary Health Centre	Number	36	35	30
(vi)	Dispensary	Number	19	15	15
(vii)	T. B. Hospital	Number	2	2	2
(viii)	Mental Hospital	Number	1	1	1
(ix)	Infant Mortality	Number	144	NA <sup>7</sup>	NA <sup>7</sup>
	Sub-centre	Number	330	350	412
<b>4.</b>	<b>Animal Health</b>				
(i)	Veterinary Dispensaries	Number	27	27	27
(ii)	Veterinary Outpost	Number	63	63	63
(iii)	Veterinary Hospital	Number	4	4	4
(iv)	Stockman Centre	Number	5	5	5
<b>5.</b>	<b>Power</b>				
(i)	Generation	MKWH	5.86	21.15	31.84
(ii)	Purchased	MKWH	242.00	260.00	280.00
(iii)	Consumption	MKWH	104.00	126.52	146.80
(iv)	Rural Electrification	Percentage	95	100	NA <sup>6</sup>
(v)	T & D Loss	Percentage	58	55	53
<b>6.</b>	<b>Road Communication</b>				
(i)	Villages Connected with Roads	K.M	7748	7861	8808
(ii)	Motorable Roads	K.M	1893	1893	1893
(iii)	Jeepable Roads	K.M	5855	5969	6116
(iv)	Less than Jeepable Roads	K.M	925	811	664
<b>7.</b>	<b>Irrigation</b>				
(i)	Total Irrigated Area	HA	64400	64490	NA <sup>6</sup>
(ii)	Irrigation Potential Created	HA	73900	74290	NA <sup>6</sup>
<b>8.</b>	<b>Agriculture</b>				
(i)	Total Cropped Area	In lakh HA	3.24	3.24	3.24
(ii)	Agriculture Production	MT(in lakh)	3.86	3.88	3.95

<sup>6</sup> Not furnished by the Department

<sup>7</sup> Not available in the Statistical Hand Book.

**Conclude Appendix-VII/-**

<b>9.</b>	<b>Horticulture</b>				
(i)	Total Cropped Area	HA	10907	11936	NA <sup>8</sup>
(ii)	Total Production	MT	80971	91463	NA <sup>8</sup>
<b>10.</b>	<b>Employment and Craftsman</b>				
(i)	Educated Unemployed Persons	Number	21,216	21,238	26,928
<b>11.</b>	<b>Transport</b>				
(i)	No. of vehicles registered during the year	Number	5907	7018	9527
<b>12.</b>	<b>Railway lines</b>				
(i)	Broad Gauge	KM	9.3	9.3	9.3
<b>13.</b>	<b>Number Of Telephones</b>	<b>Number</b>	<b>38,597</b>	<b>NA<sup>6</sup></b>	<b>NA<sup>9</sup></b>
<b>14.</b>	<b>Per Capita Income In</b>	<b>Rupees</b>	<b>12408</b>	<b>12408</b>	<b>NA<sup>10</sup></b>

*Source: Informations received from the Directorate of various Departments and Statistical Hand Book of Nagaland Published by the Directorate of Economics and Statistics.*

<sup>8</sup> Not furnished by the Department

<sup>9</sup> Not available in the Statistical Hand Book of Nagaland.

<sup>10</sup> Not furnished by the Directorate of Economics and Statistics.

## APPENDIX—VIII

Statement showing areas in which major savings occurred  
(Reference: Paragraph 2.3.1(i); Page 24)

Sl. No.	Grant No./ Major Head	Areas in which major saving occurred	Savings (Rupees in crore)
1.	18	<b>Pension and Other Retirement Benefits (Revenue-Voted)</b>	
	2071-	Superannuation and Retirement Allowances	4.84
		Commutated Value of Pensions	2.37
		Family Pension	3.37
2.	31	<b>School Education (Capital-Voted)</b>	
	4202	Construction of GPS and GMS Buildings (non-Lapsable Pool)	5.00
3.	35	<b>Medical, Public Health and Family Welfare (Capital-Voted)</b>	
	4210	Urban Health Service-Hospital and Dispensaries	3.72
		Other expenditure-Referral Hospital Project	10.00
	4552	PMTI upgradation	1.87
4.	43	<b>Social Security and Welfare (Revenue-Voted)</b>	
	2235	Welfare of aged, infirm and destitute old age pension scheme	2.41
5.	50	<b>Animal Husbandry and Dairy Development (Revenue-Voted)</b>	
	2403	Quarantine Check Post	2.30
6.	58	<b>Roads and Bridges (Capital-Voted)</b>	
	4552	District and Other Roads-Other expenditure	3.30
7.	59	<b>Irrigation and Flood Control (Revenue-Voted)</b>	
	2702	Accelerated irrigation benefit Programme	4.00
8.	62	<b>Civil Administration Works (Capital-Voted)</b>	
	4216	Government Residential Buildings-General Pool Accommodation Construction (CAW)	3.53
		Government Residential Buildings-General Pool Accommodation Construction (Treasury and Accounts)	2.98
9.	76	<b>Servicing Debt (Revenue-Charged)</b>	
	2049	Interest on Internal Debt-Interest on Market Loans	8.01
		HUCDO Loans	2.79
		NABARD Loans	2.95
		Interest on State Provident Funds	17.28
		Interest on Insurance and Pension Funds	3.08
		Interest on Other Deposits and Accounts	1.30
10.	78	<b>Development of Under Development Areas (Capital-Voted)</b>	
	4575	Development of under developed areas particularly Tuensang and Mon district	9.71



**APPENDIX—IX**

**Statement showing savings exceeding Rs.50 lakh and also by more than  
10 per cent of total provision  
(Reference: Paragraph 2.3.1(ii) ; Page 24)**

		(Rupees in crore)
Sl. No.	Number and name of the grant/appropriation	Amount of saving (percentage of savings)
(1)	(2)	(3)
<b>Revenue section (voted)</b>		
1.	21- Relief of Distress caused by Natural Calamities	2.50 (110)
2.	25- Land Records & Survey	3.49 (29)
3.	36- Urban Development	7.41 (79)
4.	37- Assistance to Municipalities and Development Works	0.97 (11)
5.	40- Employment & Training	4.14 (54)
6.	45- Co-operation	1.10 (19)
7.	49- Soil & Water Conservation	6.54 (29)
8.	50- Animal Husbandry and Dairy Development	8.22 (27)
9.	51- Fisheries	8.10 (55)
10.	52- Forest	4.72 (20)
11.	53- Industries	6.02 (19)
12.	59- Irrigation & Flood Control	4.06 (16)
13.	60- Water Supply Schemes	24.20 (122)
14.	63- Science, Technology, Ecology & Environment	2.75 (73)
15.	65- S C E R T	3.62 (44)
16.	66- Sericulture	5.47 (51)
17.	72- Wasteland Development	5.39 (16)
18.	79- Information Technology	9.25 (79)
<b>Capital Section (Voted)</b>		
19	1- State Legislature	2.50 (19)
20	8- Sales Tax	0.52 (21)
21.	9- Taxes on Vehicles	1.27 (59)
22.	27- Planning Machinery	16.21 (69)
23.	30- Administrative Training Institute	1.00 (67)
24.	31- School Education	5.07 (89)
25.	35- Medical, Public Health & Family Welfare	35.84 (66)
26.	36- Urban Development	46.25 (72)
27.	40- Employment & Training	0.71 (12)
28.	43- Social Security & Welfare	2.17 (40)
29.	45- Co-operation	6.57 (64)
30.	48- Agriculture	3.23 (54)
31.	52- Forest	1.78 (67)
32.	53- Industries	9.75 (38)
33.	55- Power Projects	23.02 (27)
34.	58- Roads & Bridges	16.85 (19)
35.	60- Water Supply Schemes	16.90 (21)
36.	62- Civil Administration Works	7.46 (53)
37.	65- S C E R T	4.55 (91)
38.	68- Police Engineering Project	3.12 (27)
39.	70- Horticulture	2.00 (83)
40.	74- Mechanical Engineering	3.34 (45)
41.	78- Development of Under Developed Areas	10.38 (68)
<b>Revenue Section (Charged)</b>		
42	76- Servicing of Debt	35.96 (13)

## APPENDIX—X

## Statement showing excess expenditure over budget provision which requires regularisation under Article 205 of the Constitution

(Reference: Paragraph 2.3.2(i); Page 24)

Sl No	Number and name of the grant/appropriation	Total grant/appropriation	Total expenditure	Excess
(1)	(2)	(3)	(4)	(5)
	<b>Revenue Section (Voted)</b>	(Rs.)	(Rs.)	(Rs.)
1.	1 – State Legislature	5,24,63,000	5,25,86,580	1,23,580
2.	4 – Administration of Justice	5,02,93,000	5,43,43,908	40,50,908
3.	7 – State Excise	4,63,48,000	4,72,78,068	9,30,068
4.	8 – Sales Tax	3,42,42,000	3,43,92,661	1,50,661
5.	9 – Taxes on Vehicles	1,93,08,000	1,97,88,795	4,80,795
6.	12 – Treasury and Accounts Administration	6,82,65,000	6,91,68,583	9,03,583
7.	14 – Jails	7,58,15,000	8,84,05,511	1,25,90,511
8.	19 – Rajya Sainik Board	45,81,000	46,19,766	38,766
9.	22 – Civil Supplies	4,92,70,000	5,17,03,111	24,33,111
10.	27 – Planning Machinery	39,08,05,000	67,05,81,065	27,97,76,065
11.	29 – Stationary and Printing	5,81,77,000	5,87,56,172	5,79,172
12.	31 – School Education	1,88,42,99,000	2,03,02,97,238	14,59,98,238
13.	32 – Higher and Technical Education	36,15,49,000	36,71,27,266	55,78,266
14.	34 – Art and Culture & Gazetteers Unit	5,51,50,000	5,52,24,872	74,872
15.	35 – Medical, Public Health and Family Welfare	81,51,00,000	82,96,84,978	1,45,84,978
16.	38 – Information and Public Relations	10,45,46,000	10,79,85,176	34,39,176
17.	42 – Rural Development	37,07,24,000	38,38,6,552	1,31,38,522
18.	44 – Evaluation Unit	1,32,84,000	1,94,97,347	62,13,347
19.	47 – Weights and Measures	1,65,37,000	1,90,25,814	24,88,814
20.	48 – Agriculture	29,87,30,000	32,67,09,529	2,79,79,529
21.	55 – Power Projects	80,81,33,000	1,61,03,19,221	80,21,86,221
22.	56 – Road Transport	18,66,17,000	18,78,19,241	12,02,241
23.	58 – Roads and Bridges	47,17,93,000	47,95,93,899	78,00,899
24.	62 – Civil Administration Works	1,37,40,000	1,71,94,772	34,54,772
25.	64 – Housing	19,34,08,000	29,41,48,055	10,07,40,055
26.	69 – Fire Services	5,36,87,000	5,72,31,698	35,44,698
27.	74 – Mechanical Engineering	10,85,27,000	11,38,52,696	53,25,696
28.	78 – Development of Under Developed Areas	34,32,000	81,85,945	47,53,945
	<b>Total Revenue Section (Voted)</b>	<b>660,88,23,000</b>	<b>805,93,84,489</b>	<b>145,05,61,489</b>
	<b>Capital Section (Voted)</b>			
29.	32 – Higher and Technical Education	81,67,000	2,31,67,000	1,50,00,000
30.	51 – Fisheries	1,77,00,000	2,38,00,000	61,00,000
31.	56 – Road Transport	6,47,82,000	6,80,91,014	33,09,014
32.	64 – Housing	22,19,72,000	23,72,39,472	1,52,67,472
33.	77 Women Welfare	----	2,00,000	2,00,000
	<b>Total:- Capital (Voted)</b>	<b>31,26,21,000</b>	<b>35,24,97,486</b>	<b>3,98,76,486</b>

**Conclude Appendix-X/-**

<b>Revenue Section (Charged)</b>				
34.	10 – Public Service Commission	1,21,89,000	1,28,24,635	6,35,635
	<b>Total Revenue Section(Charged)</b>	<b>1,21,89,000</b>	<b>1,28,24,635</b>	<b>6,35,635</b>
<b>Capital Section (Charged)</b>				
35.	76 – Servicing of Debt	137,45,99,000	219,13,87,134	81,67,88,134
	<b>Total Capital Section(Charged)</b>	<b>137,45,99,000</b>	<b>219,13,87,134</b>	<b>81,67,88,134</b>
	<b>Grand Total</b>	<b>8,30,82,32,000</b>	<b>10,61,60,93,74</b> 4	<b>2,30,78,61,744</b>

(a) Revenue Section Voted – Rs.1450561489

Charged-Rs. 635635

**Total:- Rs.1451197124 i.e. Rs.145.12 crore**

(b) Capital Section Voted – Rs.39876486

ChargedRs.816788134

**Total:- Rs.856664620 i.e. Rs.85.67 crore**

## APPENDIX - XI

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.3.4 (a); Page 25)

			(Rupees in lakh)
Sl No.	Number and name of the grant/appropriation	Supplementary grants obtained	Amount of savings
<b>Revenue Section (Voted)</b>			
1	33 – Youth Resources and Sports	17.85	43.75
2	40 – Employment and Training	335.97	414.35
3	41 – Labour	3.45	3.97
4	49 – Soil and Water Conservation	619.18	653.85
5	50 – Animal Husbandry and Dairy Development	226.97	822.06
6	51 – Fisheries	743.14	810.18
7	53 – Industries	127.88	602.11
8	54 – Mineral Development	48.83	77.97
9	59 – Irrigation and Flood Control	308.92	405.56
10	60 – Water Supply Schemes	151.82	2420.46
11	72 – Wasteland Development	22.15	538.89
<b>Total Revenue Section (Voted)</b>		<b>2606.16</b>	<b>6793.15</b>
<b>Revenue Section (Charged)</b>			
12	4 – Administration of Justice	1.68	4.97
<b>Total Revenue Section (Charged)</b>		<b>1.68</b>	<b>4.97</b>
<b>Capital Section (Voted)</b>			
13	4 – Administration of Justice	90.25	94.24
14	31 – School Education	40.00	506.73
15	33 – Youth Resources and Sports	71.00	75.00
16	40 – Employment and Training	21.00	70.66
17	43 – Social Security and Welfare	150.00	217.00
18	55 – Power Projects	378.00	2302.49
19	56 – Road Transport	4.00	33.09
20	60 – Water Supply Schemes	1637.61	1690.29
21	62 – Civil Administration Works	578.85	745.61
22	64 – Housing	24.72	152.67
23	65 – SCERT	217.50	455.23
24	74 – Mechanical Engineering	79.25	334.09
25	78 – Development of Under Developed Areas	100.00	1038.01
<b>Total Capital Section (Voted)</b>		<b>3392.18</b>	<b>7715.11</b>
<b>Grand Total</b>		<b>6000.02</b>	<b>14513.23</b>

APPENDIX – XII

Statement showing cases where the supplementary grants was made in excess of actual requirement exceeding Rs.10 lakh  
(Reference : Paragraph 2.3.4(b) ; Page 25)

(Rupees in crore)						
Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
	<b>Revenue section(Voted)</b>					
1	11 – District Administration and Special Welfare Schemes	29.72	3.30	33.02	32.36	0.66
2	13 – Village Guards	10.54	2.22	12.76	12.51	0.25
3	17 – State Guest House	4.39	0.35	4.74	4.64	0.10
4	18 – Pensions and other Retirement Benefits	123.48	29.96	153.44	140.82	12.62
5	25 – Land Records and Survey	5.45	6.38	11.83	8.34	3.49
6	26 – Civil Secretariat	36.64	1.75	38.39	38.23	0.16
7	28 – Civil Police	233.46	33.54	267.00	258.97	8.03
8	33 – Youth Resources and Sports	6.79	0.18	6.97	6.54	0.43
9	37 – Assistance to Municipalities and Development works in Towns	0.13	8.61	8.74	7.77	0.97
10	39 – Tourism	4.01	1.12	5.13	4.75	0.38
11	40 – Employment and Training	4.35	3.36	7.71	3.57	4.14
12	43 – Social Security and Welfare	32.80	12.34	45.14	40.73	4.41
13	45 – Co-operation	4.62	1.29	5.91	4.81	1.10
14	49 – Soil and Water Conservation	16.21	6.19	22.40	15.87	6.53
15	50 – Animal Husbandry and Dairy Development	28.30	2.27	30.57	22.35	8.22
16	51 – Fisheries	7.43	7.43	14.86	6.76	8.10
17	53 – Industries	29.81	1.28	31.09	25.07	6.02
18	54 – Mineral Development	8.93	0.49	9.42	8.64	0.78



Conclude Appendix-XII/-

19	59 – Irrigation and Flood Control	22.29	3.09	25.38	21.33	4.05
20	60 – Water Supply Schemes	18.38	1.52	19.90	(-)4.30* <sup>†</sup>	24.20
21	68 – Police Engineering Project	2.83	4.53	7.36	7.24	0.12
22	70 - Horticulture	5.89	0.72	6.61	6.22	0.39
23	72 – Wasteland Development	33.51	0.22	33.73	28.34	5.39
24	79 – Information Technology	---	11.75	11.75	2.50	9.25
	<b>Total Revenue (Voted)</b>	<b>669.96</b>	<b>143.89</b>	<b>813.85</b>	<b>704.06</b>	<b>109.79</b>
	<b>Capital Section (Voted)</b>					
25	4 - Administration of Justice	2.13	0.90	3.03	2.09	0.94
26	14 – Jails	3.93	2.37	6.30	5.85	0.45
27	22 – Civil Supplies	5.72	5.97	11.69	11.12	0.57
28	31 – School Education	5.60	0.40	6.00	0.93	5.07
29	33 – Youth Resources & Sports	6.77	0.71	7.48	6.73	0.75
30	40 – Employment & Training	5.78	0.21	5.99	5.28	0.71
31	43 – Social Security and Welfare	3.91	1.50	5.41	3.24	2.17
32	45 – Co-operation	3.34	6.85	10.19	3.62	6.57
33	52 – Forest	1.49	1.18	2.67	0.89	1.78
34	53 – Industries	13.68	11.96	25.64	15.89	9.75
35	55 – Power Projects	80.16	3.78	83.94	60.92	23.02
36	60 – Water Supply Schemes	63.72	16.38	80.10	63.19	16.91
37	62 – Civil Administration Works	8.40	5.79	14.19	6.73	7.46
38	65 – S C E R T	2.81	2.18	4.99	0.43	4.56
39	74 – Mechanical Engineering	6.58	0.79	7.37	4.03	3.34
40.	78-Development of Under Developed Areas	14.36	1.00	15.36	4.98	10.38
	<b>Total Capital (Voted)</b>	<b>228.38</b>	<b>61.97</b>	<b>290.35</b>	<b>195.92</b>	<b>94.43</b>
	<b>Grand total:-</b>	<b>898.34</b>	<b>205.86</b>	<b>1104.20</b>	<b>899.98</b>	<b>204.22</b>

\* Minus expenditure is due to more recoveries under stock than actual expenditure

# APPENDIX – XIII

Statement showing cases where supplementary provision was inadequate  
(Reference: Paragraph 2.3.4(c); Page 25)

(Rupees in crore)						
Sl. No	Number & Name of Grant/Appropriation	Original	Supplementary	Total	Expenditure	Excess
	<b>Revenue Section (Voted)</b>					
1	4- Administration of Justice	4.64	0.39	5.03	5.43	0.40
2	14- Jails	7.55	0.03	7.58	8.84	1.26
3	22- Civil Supplies	4.89	0.04	4.93	5.17	0.24
4	31- School Education	186.08	2.35	188.43	203.03	14.60
5	38- Information & Public Relations	7.42	3.03	10.45	10.80	0.35
6	44- Evaluation unit	1.29	0.04	1.33	1.95	0.62
7	55- Power Projects	64.70	16.11	80.81	161.03	80.22
8	56- Road Transport	16.24	2.42	18.66	18.78	0.12
9	58- Road & Bridges	38.98	8.20	47.18	47.96	0.78
10	62- Civil Administration Works	0.59	0.79	1.38	1.72	0.34
11	64- Housing	17.51	1.83	19.34	29.41	10.07
12	74- Mechanical Engineering	9.85	1.01	10.86	11.39	0.53
	<b>Total Revenue Section (Voted)</b>	359.74	36.24	395.98	505.51	109.53
	<b>Capital Section (Voted)</b>					
13	56- Road Transport	6.44	0.04	6.48	6.81	0.33
14	64- Housing	21.95	0.25	22.20	23.72	1.52
	<b>Total Capital Section (Voted)</b>	28.39	0.29	28.68	30.53	1.85
	<b>Grand Total</b>	388.13	36.53	424.66	536.04	111.83

**APPENDIX—XIV**

**Statement showing persistent savings during 2001-02 to 2003-04**  
**(Reference: Paragraph 2.3.5; Page 25)**

Sl No	Number and name of the grant/appropriation	Amount of savings (percentage of savings)		
Capital Section (Voted)		2001-02	2002-03	2003-04
1.	25-Land Records and Survey	26.97 (82)	16.50 (79)	348.93 (29)
2.	52-Forest	38.00 (15)	152.44 (47)	472.07 (20)

**APPENDIX— XV**

**Statement showing significant cases of excess expenditure during 2003-04**  
(Reference: Paragraph 2.3.6; Page 25)

		(Rupees in crore)
Sl. No.	Number and name of the grant/appropriation	Amount of excess (percentage of excess)
(1)	(2)	(3)
	<b>Revenue section (voted)</b>	
1.	14-Jails	1.26 (17)
2.	44-Evaluation Unit	0.62 (47)
3.	55-Power Project	80.22 (99)
4.	64-Housing	10.07 (52)
	<b>Capital section (voted)</b>	
5.	32-Higher and Technical Education	1.50 (184)
6.	51-Fisheries	0.61 (44)
	<b>Capital section (Charged)</b>	
7.	76-Servicing of Debt	81.68(59)

## APPENDIX-XVI

*Statement showing the grant wise details where expenditure was incurred without budget provision  
(Reference: Paragraph 2.3.7; Page 25)*

(Rupees in lakh)

Sl. No	Grant/ Appropriation Number	Head of Account	Budget Provision	Re-appropriation	Expenditure
1.	21	2245-02-101 Gratuitous relief	----	----	164.00
2.	27	2575-02 Boarder Area Development	----	----	416.00
3.	31	2202-800-01 Engineering Division	----	----	20.00
4.	31	4202-201 Elementary Education	----	----	20.77
5.	33	2204-02 Boys and Scouts Guides	-----	-----	1.76
6.	35	4552-800-03 One time support to referral hospital	-----	-----	497.00
7.	43	2235-001-02 Sub-ordinate Establishment	-----	-----	9.10
8.	48	2415-277-02 Assistance to Agricultural Education	-----	-----	22.00
9.	48	2415-277-01.Integrated Extension Training Centre	----	----	50.42
10.	50	2403-103-05 Poultry farm	----	----	5.37
11.	50	2403-113-01 Statistics	----	----	17.46
12.	50	2552-102-01 Cattle and Buffalo development	----	----	19.90
13.	54	4853-800-01 State Mineral Development Corporation	----	----	52.00
14.	55	2801-799-01 Debit to stock	----	----	19.68
15.	55	2801-799-03 Debit to MPWA	----	----	5.25
16.	58	2059-799-03 Misc. Advance	----	----	176.68
17.	60	4215-800-08 Other (VRS)	----	----	1300.00
18.	64	2059-799-09 Stock (Housing)	----	----	6.13
19.	64	2216-106-02 Maintenance & Repairing	----	----	698.16
20.	76	2049-106 Interest on Ways and Means Advances	----	----	3.87
21.	76	6003-109-05 Loans from National Insurance Corporation	----	----	37.04
22.	76	6004-06-800 Other Ways and Means Advances	----	----	8458.00
23.	77	4235-103-01 Buildings	----	----	2.00
		<b>TOTAL</b>			<b>12002.59</b>



**APPENDIX-XVII**

**Statement showing significant cases of excess expenditure during 2003-04**  
(Reference: Paragraph 2.3.8; Page 26)

(Rupees in crore)

<b>Sl. No.</b>	<b>Number and name of Grant/ Appropriation</b>	<b>Total savings</b>	<b>Amount surrendered</b>	<b>Un-surrendered savings</b>
	<b>Revenue Section (Voted)</b>			
1	18-Pension and other Retirement Benefits	12.62	---	12.62
2	21-Relief of distress caused by National Calamities	2.50	--	2.50
3	50-Animal Husbandry and Dairy Development	8.22	6.84	1.38
4	59-Irrigation and Flood Control	4.05	0.05	4.00
5	60-Water Supply Schemes	24.20	0.50	23.70
	<b>Total Revenue (Voted)</b>	<b>51.59</b>	<b>7.39</b>	<b>44.20</b>
	<b>Capital Section (Voted)</b>			
6	9-Taxes on Vehicles	1.27	--	1.27
7	31-School Education	5.07	--	5.07
8	35-Medical, Public Health & Family Welfare	35.84	24.94	10.90
9	48-Agriculture	3.23	--	3.23
10	58-Roads and Bridges	16.85	13.98	2.87
11	62-Civil Administration Works	7.46	0.94	6.52
12	68-Police Engineering Project	3.21	--	3.21
13	78-Development of Under Developed Areas	10.38	--	10.38
	<b>Total Capital section (voted)</b>	<b>83.31</b>	<b>39.86</b>	<b>43.45</b>
	<b>Grand Total</b>	<b>134.90</b>	<b>47.25</b>	<b>87.65</b>

## APPENDIX—XVIII

Statement showing surrender of amounts in excess of savings  
(Reference: Paragraph 2.3.9; Page 26)

(Rupees in lakh)

Sl. No.	Number and name of grant/appropriation	Amount of savings	Amount Surrendered	Final Excess
1	2	3	4	5
	Revenue Section (Voted)			
1.	30-Administrative Training Institute	1.40	5.56	4.16
2.	33-Youth Resources and Sports	43.75	70.32	26.57
3.	40-Employment and Training	4.14	4.16	0.02
4.	43-Social Security and Welfare	4.41	6.77	2.36
5.	45-Co-operation	1.10	2.21	1.11
6.	46-Statistics	7.35	7.78	0.43
7.	49-Soil and Water Conservation	653.86	692.87	39.01
8.	53-Industries	602.11	633.16	31.05
9.	54-Mineral Development	77.98	78.35	0.37
10.	63-Science, Technology, Ecology and Environment	275.13	284.09	8.96
11.	65-SCERT	362.17	384.87	22.70
12.	67-Home Guards	1.70	2.36	0.66
13.	72-Wasteland Development	538.89	547.78	8.89
14.	77-Women Welfare	13.18	13.19	0.01
	<b>Total Revenue Section (Voted)</b>	<b>2587.17</b>	<b>2733.47</b>	<b>146.30</b>
	Revenue Section (Charged)			
15.	76-Servicing of Debt	3596.34	4306.21	709.87
	<b>Total Revenue Section (Charged)</b>	<b>3596.34</b>	<b>4306.21</b>	<b>709.87</b>
	Capital Section (Voted)			
16.	45-Co-operation	6.57	9.96	3.39
17.	60-Water Supply Schemes	1690.29	2912.31	1222.02
	<b>Total Capital Section</b>	<b>1696.86</b>	<b>2922.27</b>	<b>1225.41</b>
	<b>Grand total:-</b>	<b>7880.37</b>	<b>9961.95</b>	<b>2081.58</b>

**APPENDIX-XIX**

**Statement showing the items where a minus balance of stock appeared in the stock ledger during 1999-2004**

**(Reference: Paragraph 3.1.10; Page 32)**

Sl. No	Name of the item	Date on which the minus balance appeared	Quantity of adverse balance	Issue rate	Money value of the negative quantity
1	Transformer 800 KVA 11/4 „	17.11.1999	1	3,30,000	3,30,000
2	„ 100 KVA 11/4KV	22.12.1999	2	72,000	1,44,000
3	„ 25 KVA 33/4 „	03.03.2000	5	54,458	2,72,290
4	„ 16 KVA 6.350/230 KV	31.03.2000	10	14,800	1,48,000
5	„ 25 KVA 11/0.4KV	31.03.2000	35	23,750	8,31,250
6	„ 63 KVA 11/4 KV	31.03.2000	21	56,837	11,93,577
7	„ 63 KVA 33/4 KV	31.03.2000	2	94,386	1,88,772
8	„ 100 KVA 11/4 KV	11.04.2001	8	48,000	3,84,000
9	„ 500 KVA 11/4 KV	27.09.2001	11	3,45,570	38,01,270
10	„ 500 KVA 33/4 KV	19.01.2002	1	2,35,000	2,35,000
11	„ 16 KVA 11/0.4KV	04.07.2002	2	23,750	47,500
12	„ 250 KVA 33/4 KV	13.08.2002	1	1,45,000	1,45,000
13	„ 250 KVA 11/4 KV	23.02.2004	13	1,69,782	22,07,166
Total			112		Rs 99,27,825

**APPENDIX –XX**  
**Statement showing the quantum of extra expenditure**  
**(Reference: Paragraph 3.1.14 ; Page 34)**

Name of supplier, supply order No. & date	Name of item	Quantity	Rate allowed to supplier (Rs.)	Manufacturer's rate (Rs.)	Difference (Rs.)	Amount paid extra (Rs.)
M/S Powertronics , Dimapur CEL/PR/Poles/0102/1239 Dated 29/3/03	Steel tubular Pole 410 – SP-35	150 nos	5300	3299	2001	3,00,150
	Steel Tubular Pole 410-SP-11	800 nos	3500	2121	1379	11,03,200
(2) M/S Powertronics , Dimapur CEL/PR/PMGY/Poles/02-03/1239 dated 29/3/03	Steel tubular Pole 410 – SP-35	2000 nos	5300	3299	2001	40,02,000
	Steel Tubular Pole 410-SP-11	1000 nos	3500	2121	1379	13,79,000
(3) M/S Unicracraft Engineering Works ,Dimapur (i)CEL/PR/RE-Works/Poles/02-03/1269Dated 31/3/03 (ii) CEL/PR/CON/01-02/B/108 dated 28/3/02 and subsequent amendments.	Steel tubular Pole 410 -- SP-35	2000 nos	5300	3299	2001	40,02,000
	Steel Tubular Pole 410-SP-11	2300 nos	3500	2121	1379	31,71,700
				<b>Total</b>		<b>1,39,58,050</b>
				<b>Add NST 8%</b>		<b>11,16,644</b>
				<b>Total</b>		<b>1,50,74,694</b>

**•Manufacturer's rate calculated as**

Name of the Manufacturer :- Quality Steel Products Ltd , Kanpur

Invoice Cum Challan No. 25 dated 31.5.03.

Calculation of freight & Insurances :-

The invoice No.23 dt 30/8/2000

of the same manufacturer – M/S Quality Steel Products Ltd , Kanpur

against supply order No.CEL/PR/Pole/99-2000/214 dt 30/7/2000 charged

freight & Insurance Rs 255/- for SP-11 each and Rs 402/- for SP-35 each . adding 50% on above

SP-11= Rs 383/- (50% of 255/- + 255)& SP-35 = Rs 603/- (50% of 402/- + 402)

Invoice Cum Challan No. 23 dated 30.8.2000.

**SP-35**

Unit Price	Rs.2365/-
Excise duty	Rs. 227/-
C.S.T	Rs. 104/-
Freight	Rs. 603/-
Total	Rs. 3299/-

**SP-11**

Unit Price	Rs.1525/-
Excise duty	Rs. 146/-
C.S.T	Rs. 67/-
Freight	Rs. 383/-
Total	Rs. 2121/-

**Audit Report (Civil) for the year ended 31 March 2004**

**APPENDIX – XXI**

**Statement showing the amount paid to the supplier without production of Original Invoice for buyer and delivery challan  
(Reference: Paragraph 3.1.14 ; Page 34)**

Sl.No.	Name of supplier & supply order No.	Total amount of supply order (Rs.)	Amount paid		
			Bill No. & date	Voucher No. & date	Amount (Rs.)
1.	M/s.Nezone Power Systems, Dimapur CEL/PR/Materials/01-02/788 dated 25.05.01.and amended vide No. CEL/PR/Poles/01-02/B/1166 dated 11.04.02	93,37,310	60 of 2.12.2002	10 of 12/02	93,70,003
2.	--do-- CEL/PR/Materials/01-02/830 dated 20.06.01	43,63,690	Paid by Executive Engineer (Electrical) Division, Phek being the Paying authority.		43,63,690
3.	M/s. Powertronics, Dimapur CEL/PR/PMGY/Poles/02-03/1239 dated 29.03.2003	1,57,92,000	302 of 29.1.2004	10& 39(H/R) of 11/03	93,10,680 47,89,320
4.	---do--- CEL/PR/APDRP/Poles/Pt/1263 dated 29.03.2003	35,95,000	206 of 10.10.03	20 of 11/03	35,95,000
5.	M/s. Y.Y. Trader, Dimapur CEL/PR/APDRP/M.EQUIP/Pt/1282 dated 31.03.02	2,10,51,878	199 of 10.10.03	1 of 11/03	1,87,96,320
6.	--do-- CEL/PR/APDRP/M.EQUIP/Pt/1283 dated 31.03.03	48,47,472	200 of 10.10.03	16 of 11/03	43,28,100
7.	--do-- CEL/PR/APDRP/Cable/02-03/1279 dated 31.03.03	17,04,192	202 of 10.10.03	2 of 11/03	17,04,192
8.	--do-- CEL/PR/APDP/CON/Pt/1262 dated 29.03.03	81,90,930	201 of 10.10.03	17 of 11/03	81,90,930
9.	M/s. Nagaland Enterprises Pvt. Ltd, Dimapur CEL/PR/TR/01-02/B/761 dated 01.05.2001	1,12,43,366	114 of 13.12.2002	45 of 12/03	1,11,38,880
10.	M/s. Vivek Enterprises, Dimapur CEL/PR/APDRP/Materials/Pt/1248 dated 31.03.03	27,76,280	224 of 1.11.2003	15 of 11/03	26,61,434
				<b>Total</b>	<b>7,82,48,549</b>



APPENDIX-XXII

Statement showing the discrepancy between the materials issued and received there against

(Reference : Paragraph 3.1.21; Page 36)

Sl. No.	Name of the item	To whom issued		Quantity issued	Procurement rate/issue rate (Rs.)	Quantity received as per the Stock ledger of recipients Division	Difference Short (-)/ Excess (+)	Amount Short (-)/ Excess (+) (Rs))
		Date	Name of Division					
1	Steel Pole 410 SP-11	15/7/03	Executive Engineer, Electrical Division, Dimapur	40 Nos	3500	Nil	(-) 40	1,40,000
2	Transformer 63 KVA, 11/4	19/12/02	-do-	1 Nos	45,794	Nil	(-) 1	45,794
		14/3/03	-Do-	5 Nos	45,794	4 Nos	(-) 1	45,974
3	Transformer 25 KVA, 11/4	7/8/03	-Do-	2 Nos	26,628	Nil	(-) 2	53,256
4	KWH Meter 10-20 AMP	31/1/04	-Do-	56 Nos	689	Nil	(-) 56	38,584
5	KWH Meter 5-10 AMP	31/1/04	-Do-	150 Nos	680	Nil	(-) 150	10,54,000
		9/5/03	-Do-	900 Nos	680	Nil	(-) 900	
		31/1/04	-Do-	500 Nos	680	Nil	(-) 500	
6	Conductor AAC(ANT)	12/11/03	-Do-	5.050 Km	26,858	Nil	(-) 5.050	1,35,633
	-Do- ACSR(GNAT)	10/6/02	-Do-	80.225	14,622	30.225	(-) 50	7,31,100
						Total	Rs.22,44,161	

**APPENDIX-XXIII**

**Statement showing the excess amount paid due to procurement at higher rate  
(Reference:-Paragraph 4.8; Page 46)**

Sl. No	Name of item	Government approved rate	Quantity purchased & rates allowed.		Total quantity	Total amount spent vide bill no. 538 & 567 (Rs.)	Admissible amount (Rs.)	Excess amount (Rs.)
			Vide bill No567	Vide bill No 538				
1	2	3	4	5	6	7	8(3x6)	9(7-8)
1	Typing paper	Rs.70/-per ream.	1413 ream @ Rs110/- per ream	1127 ream @ Rs.150/- per ream	2540 reams	73,24,460	1,77,800	1,46,660
2	Note sheet	Rs.110/-per ream	1413 ream@ Rs130/-per ream	727 ream @ Rs.138/- per ream	2140 reams.	2,84,016	2,35,400	48,616
3	Carbon paper	Rs.115/-per pkt.	1413 pkt. @ Rs126/- per pkt.	1174 pkt. @ Rs.138/- per pkt.	2587 pkts.	3,40,050	2,97,505	42,545
4	File cover board	Rs.4.60 each	-----	700 nos. @ Rs.18/- per no.	700 nos.	12,600	3,220	9,380
5	Stencil paper	Rs.113/- per quire	942 quire@ Rs232/-per quire.	645quire @ Rs.230/- per quire	1587 quires.	3,66,895	2,09,841	1,57,053
6	Duplicating paper	Rs.110/- per ream	942ream@ Rs166/-per ream	2010 ream @ Rs.195/- per ream	2952 reams	5,48,322	3,24,720	2,23,602
7	Foolscap paper	Rs.125/- per ream	4710 ream@ Rs165/-per ream	4195 quire or 209.75 ream @ Rs.240/-per ream	4919.75 reams.	8,27,490	6,14,969	2,12,521
8	Envelop (file size cloth coated )	Rs.5/- each	23,550 no. @ Rs8/- per no.	-----	23,550 nos.	1,88,400	1,17,750	70,650

Conclude Appendix-XXIII/-

1	2	3	4	5	6	7	8(3x6)	9(7-8)
9	Bind Register(No. 10)	Rs.25/- each for No. 10	1884 no. @ Rs80/- per no	-----	1884 nos.	1,50,720	47,100	1,03,620
10	Register(No.8)	Rs.2.50 per no. or Rs.20/- for No.8	-----	1478 nos. @ Rs.92/- per no.	1478 nos.	1,35,976	29,560	1,06,416
11	Type ribbon	Rs.210/- per dozen	2355 nos. @ Rs.27/- per no.	537 no. @ Rs.31/- per no	2892 nos. or 241 dozen	80,232	50,610	29,622
12	Tag	Rs.19/- per bundle of 100	95.142 nos. @ Rs.0.85 each	866 bundles @ Rs.23/- per bundle	1817.42 bundles.	1,00,789	34,531	66,258
13	Stamp pad	Rs.180/- per dozen	942 nos. @ Rs.65/- per no	653 nos. @ Rs.23/- per no.	1595 nos.	76,249	23,925	52,324
14	Waste Bucket (Big size)	Rs.29/- each	2355 nos. @ Rs.65 /-per no	-----	2355 nos.	1,53,075	68,295	84,780
15	Duplicating ink	Rs.55/- each	2355 nos. @ Rs72/-per no	-----	2355 nos.	1,69,560	1,29,525	40,035
16	Correcting fluid	Rs.11.75 per bottle	-----	506 bottles @ Rs. 15/-per bottle	506 bottles.	7,590	5,946	1,644
17	Pin cushion	Rs.126/- per dozen	-----	602 nos. @ Rs.17/- each	602 nos.	10,234	6,321	3,913
18	Paper weight	Rs.105/- per dozen	-----	422 nos. @ Rs.17/- each	422 nos.	7,174	3,693	3,481
19	Dak pad	Rs.24/- each	-----	207 nos. @ Rs35/- each	207 nos.	7,245	4,968	2,277
Total-						37,90,746	23,55,169	14,35,907

**APPENDIX-XXIV**

**Statement showing year-wise position of outstanding Inspection Report  
(Reference:-Paragraph 4.13; Page 50)**

**(a) Rural Development Department**

Year	Number of IRs	Number of paragraphs
1987-88	1	2
1988-89	1	3
1989-1990	---	---
1990-91	6	13
1991-92	6	24
1992-93	1	1
1993-94	3	23
1994-95	6	55
1995-96	5	19
1996-97	6	37
1997-98	2	13
1998-99	2	17
1999-2000	---	---
2000-01	1	6
2001-02	4	35
2002-03	8	47
2003-04	2	14
<b>Total</b>	<b>54</b>	<b>309</b>

**(b) Works and Housing (R&B) Department**

Year	Number of IRs	Number of paragraphs
1985-86	5	22
1986-87	3	17
1987-88	6	47
1988-89	12	136
1989-1990	6	62
1990-91	11	103
1991-92	11	88
1992-93	3	28
1993-94	3	36
1994-95	3	38
1995-96	10	137
1996-97	6	72
1997-98	5	65
1998-99	5	24
1999-2000	5	60
2000-01	8	103
2001-02		
2002-03	5	46
2003-04	12	134
<b>Total</b>	<b>119</b>	<b>1218</b>

**APPENDIX--XXV**  
**Statement showing excess/saving over budget provision**  
**(Reference: Paragraph 5.1.2; Page 54)**

(Rupees in crore)

Sl. No.	Name of the department	Grant No.	Major head	Year	Budget Provision		Actual Expenditure		Excess(+)/Saving(-)				Surrendered timely or not
					Revenue	Capital	Revenue	Capital	Revenue	Percentage	Capital	Percentage	
1	School Education	31	2202(Revenue) 4202(Capital)	2002-03	172.51	12.73	169.55	0.20	(-)2.96	1.72	(-)12.53	98.43	No
				2003-04	188.43	6.00	203.03	0.93	(+)14.60	7.75	(+)5.07	84.50	No
2	Medical	35	2210(Revenue) 2211 (-do- ) 4210(Capital)	2002-03	73.38	12.81	81.52	8.29	(+)8.14	11.09	(-)4.52	35.28	No
				2003-04	81.51	54.69	82.97	18.86	(+)1.46	1.79	(-)35.83	65.51	No
3	Civil Police	28	2055(Revenue)	2002-03	228.17	---	228.37	---	(+)0.20	0.08	---	---	---
				2003-04	267.00	---	258.97	---	(-)8.03	3.01	---	---	---
4	Power	55	2801(Revenue) 4801(Capital)	2002-03	58.52	73.41	58.37	74.26	(-)0.15	0.26	(+)0.85	1.16	No
				2003-04	80.81	83.94	161.03	60.92	(+)80.22	99.27	(-)23.02	27.42	No
5	Public Health Engineering	60	2215(Revenue) 4215(Capital)	2002-03	16.72	80.95	12.15	80.94	(-)4.57	27.33	(-)0.01	0.01	No
				2003-04	19.90	80.09	4.38	63.19	(-)24.28	122.01	(-)16.90	21.10	No



APPENDIX—XXVI

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2004 in respect of Government companies

(Reference: Paragraphs 7.1.2 and 7.1.4; Pages 72 and 73) (Figures in Col. 3 (a) to 4 (f) are Rupees in crore)<sup>1</sup>

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 2003-04		Other loans received during the year <sup>2</sup>	Loans <sup>3</sup> outstanding at the close of the year			Debt equity ratio for 2003-04 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
<b>(A) Working Government Companies</b>													
<b>1. Industries and Commerce</b>													
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	15.81	---	---	4.73	20.54	---	---	2.44	---	20.30	20.30	0.99:1 (0.92:1)
(ii)	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	4.67	1.22	---	---	5.89	---	---	---	0.73	---	0.73	0.12:1 (0.13:1)
(iii)	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	1.24	---	---	---	1.24	---	---	---	---	0.10	0.10	0.08:1 (0.08:1)
(iv)	Nagaland Hotels Ltd., Dimapur	0.07	---	0.40	---	0.47	---	---	---	10.49	---	10.49	22.31:1 (22.31:1)
	<b>Total of the sector (1)</b>	<b>21.79</b>	<b>1.22</b>	<b>0.40</b>	<b>4.73</b>	<b>28.14</b>	<b>---</b>	<b>---</b>	<b>2.44</b>	<b>11.22</b>	<b>20.40</b>	<b>31.62</b>	<b>1.12:1 (1.08:1)</b>
<b>2. Geology and Mining</b>													
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	1.60	---	---	---	1.60	---	---	---	0.54	---	0.54	0.34:1 (0.34:1)
	<b>Total of the sector(2)</b>	<b>1.60</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>1.60</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>0.54</b>	<b>---</b>	<b>0.54</b>	<b>0.34:1</b>
	<b>Total (A)</b>	<b>23.39</b>	<b>1.22</b>	<b>0.40</b>	<b>4.73</b>	<b>29.74</b>	<b>---</b>	<b>---</b>	<b>2.44</b>	<b>11.76</b>	<b>20.40</b>	<b>32.16</b>	<b>1.08:1 (1.04:1)</b>
<b>(B) Non-working Government Companies</b>													
(i)	Nagaland Sugar Mills <sup>4</sup> Company Ltd., Dimapur <sup>5</sup>	4.96	---	---	---	4.96	---	---	---	---	---	---	---
	<b>Total (B)</b>	<b>4.96</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>4.96</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>---</b>
	<b>Grand total:-(A+B)</b>	<b>28.55</b>	<b>1.22</b>	<b>0.40</b>	<b>4.73</b>	<b>34.70</b>	<b>---</b>	<b>---</b>	<b>2.44</b>	<b>11.76</b>	<b>20.40</b>	<b>32.16</b>	<b>0.93:1 (1.04:1)</b>

<sup>1</sup> All figures are provisional as given by the companies.

<sup>2</sup> Includes bonds, debentures, inter-corporate deposits etc.

<sup>3</sup> Represents long term loans.

<sup>4</sup> Figure of 1995-96 have been adopted as Company has not furnished information from 1996-97.

<sup>5</sup> Company closed down on 30.09.2001.

## APPENDIX—XXVII

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 7.1.13; Pages 73, 74 and 75)

(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
<b>A. Working Government Companies</b>																
<b>1. Industries and Commerce</b>																
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26/03/70	1995-96	2004-05	(-) 1.21	Remedial measures taken against audit comments	11.25	(-)9.52	13.41	(-)2.08	---	8	Working	0.42	91
(ii)	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	- do -	28/03/73	1980-81	1999-00	(-)0.49	---	0.10	(-)0.49	0.26	---	---	23	Working	0.85	30
(iii)	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	- do -	27/02/79	1982-83	2000-01	(-)0.36	---	1.16	(-)0.87	---	(-)0.04	---	21	Working	(a)	(a)
(iv)	Nagaland Hotels Ltd. (subsidiary to NIDC)	- do -	17/03/82	1987-88	2001-02	---	---	.00002	---	---	---	---	16	Working	(a)	(a)
<b>Total of the Sector(1)</b>						<b>(-)2.06</b>		<b>12.51</b>	<b>(-)10.88</b>	<b>13.67</b>	<b>(-)2.12</b>				<b>1.27</b>	<b>121</b>
<b>2. Geology and Mining</b>																
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1990-91	2003-04	---	---	.00004	---	4.92	---	---	13	Working	(a)	107
<b>Total of the sector(2)</b>										<b>4.92</b>						<b>107</b>
<b>Total (A)</b>						<b>(-) 2.06</b>		<b>12.51</b>	<b>(-)10.88</b>	<b>18.59</b>	<b>(-)2.12</b>				<b>1.27</b>	<b>228</b>
<b>B. Non-Working Government Companies</b>																
(i)	Nagaland Sugar Mills Company Ltd., Dimapur <sup>xx</sup>	Industries and Commerce	22/03/73	1977-78				<b>4.96</b>	<b>(-)14.70</b>	<b>(-)0.69</b>	<b>(-)0.09</b>	---	26	Non-working	---	---
<b>Total (B)</b>								<b>4.96</b>	<b>(-)14.70</b>	<b>(-)0.69</b>	<b>(-)0.09</b>	---				

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

(a): Information not provided by the company though called for

<sup>xx</sup> 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.

Grand total:(A+B)					(-) 2.06	---	17.47	(-)25.58	17.90	(-)2.21	---			1.27	228
-------------------	--	--	--	--	----------	-----	-------	----------	-------	---------	-----	--	--	------	-----

APPENDIX—XXVIII

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 2004

(Reference: Paragraph 7.1.4; Page 73)

(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 2002					Waiver of dues during the year				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
	<b>Government companies Sector</b>															
<b>A.</b>	<b>Industries and Commerce</b>															
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	---	1.50	---	1.50	---	---	---	---	---	---	---	---	---	---	---
(ii)	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	---	0.36	---	0.36	---	---	---	---	---	---	---	---	---	---	---
(iii)	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	---	1.30	---	1.30	---	---	---	---	---	---	---	---	---	---	---
	<b>Total - A</b>		<b>3.16</b>		<b>3.16</b>	---	---	---	---	---	---	---	---	---	---	---
<b>B.</b>	<b>Geology and Mining</b>															
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	---	2.60	---	2.60	---	---	---	---	---	---	---	---	---	---	---
	<b>Total - B</b>	---	<b>2.60</b>	---	<b>2.60</b>	---	---	---	---	---	---	---	---	---	---	---
	<b>Grand total</b>		<b>5.76</b>	---	<b>5.76</b>	---	---	---	---	---	---	---	---	---	---	---

**APPENDIX – XXIX**

*Statement showing department and yearwise position of outstanding Inspection Reports and Paragarphs*

*(Reference: Paragraph 7.1.16;Page 76)*

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	31	171	1988-89
2	Geology and Mining	1	7	68	1987-88
	<b>Total</b>	<b>6</b>	<b>38</b>	<b>239</b>	

APPENDIX-XXX

Statement of grants-in-aid received from different agencies from 1999-2000 to 2003-2004.

(Reference : Paragraph 7.2.5; Page 80)

(A) From Government of Nagaland.

(Rupees in lakh)

Year	Total Grants-in-aid	Normal Grants	Grants for Specific purposes	Remarks/purpose
1999-2000	211.00	116	80.00 15.00	For price support for marketing cement Working Capital
2000-2001	179.00	104.00	75.00	For price support for marketing cement
2001-2002	179.00	104.00	75	For price support for marketing cement -
2002-2003	272.00	110.00	75	Price Support for marketing Cement People Development Programme
			24	DDSP
			56 7	People Development Programme Promotional activities.
2003-2004	260.00	170.00	24	Promotional activities
			44	People Development Programme-DDSP
			22	
<b>Total</b>	<b>1101.00</b>	<b>ie.Rs.11.01 Crore</b>		

(B) From the North Eastern Council for Decorative and Dimensional Plants (DDSP)

(Rupees in Lakh)

Year	Amount
1999-2000	50.00
2000-2001	Nil
2001-2002	5.00
2002-2003	5.00
2003-2004	100.00
<b>Total</b>	<b>160.00</b> (i.e Rs.1.60 Crore)

(C) From the Government of India, Ministry of Labour

(Rupees in lakh)

Year	Amount
1999-2000	5.40
2000-2001	5.40
2001-2002	Nil
2002-2003	7.20
2003-2004	Ni
<b>Total</b>	<b>18.00</b>



**APPENDIX – XXXI**  
**Summarised financial position of NSMDC Ltd., Kohima**  
**(Reference: Paragraph 7.2.7; Page 80)**

(Rupees in lakh)

	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Liabilities:</b>		<b>Provisional Figures</b>	<b>Provisional Figures</b>	<b>Provisional Figures</b>	<b>Provisional Figures</b>	<b>Provisional Figures</b>
Paid up Capital		80.00	80.00	80.00	160.00	160.00
Grants-in-aid from;						
	(i) Government of Nagaland	80.00	80.00	80.00	---	---
	(ii) Other grants (Net-off grants)	53.58	53.58	53.58	53.58	53.58
	(iii) NEC (Pending allocation)	505.87	505.87	510.87	610.87	610.87
	(iv) Grants received from Government of Nagaland for People's Development Programme.	---	---	---	12.00	100.00
	(v) Grants from Ministry of Labour Government of India for Mines Labour Housing	---	---	---	19.84	19.84
Borrowing:						
	(i) Loan from Government	54.39	54.39	54.39	54.39	554.39
	(ii) Overdraft from bank of Boroda and SBI	62.00	86.96	145.10	112.93	105.29
	Current Liability including Provisions	20.21	10.80	30.23	41.59	72.90
<b>Total</b>		<b>856.05</b>	<b>871.60</b>	<b>954.17</b>	<b>1065.20</b>	<b>1676.87</b>
<b>Assets:</b>						
Gross Block		877.19	884.47	980.03	1055.91	1074.45
Less Depreciation		393.40	442.79	481.04	545.48	605.92
Net Fixed Assets:		483.79	441.68	498.99	510.43	468.53
Capital works in Progress		---	70.35	31.31	---	103.48
Advance for Capital items		23.92	3.15	5.26	31.19	3.78
Tool and tackles		---	---	6.40	---	---
Investment		---	---	---	---	---
Current Assets Loans and Advances		337.71	314.93	345.53	440.99	882.29
Miscellaneous expenditure						
	(i) Preliminary expenses	0.71	0.58	0.46	0.37	0.28
	(ii) Project wise expenses	7.32	13.40	18.53	17.72	26.63
	(iii) Losses	2.60	27.15	47.69	64.50	191.88
	<b>Total</b>	<b>856.05</b>	<b>871.60</b>	<b>954.17</b>	<b>1065.20</b>	<b>1676.87</b>
	<b>Capital employed</b>	<b>801.29</b>	<b>816.16</b>	<b>845.60</b>	<b>909.83</b>	<b>1381.40</b>
	<b>Net worth</b>	<b>69.37</b>	<b>38.51</b>	<b>13.32</b>	<b>77.41</b>	<b>(-)58.79</b>

**Capital Employed: Net Fixed Assets+Capital Work in Progress+Working Capital (Current Asset-Current Liability)**

**Net worth represents Paid up Capital plus Free Reserve and Surplus less intangible Assets.**

APPENDIX – XXXII

Statement showing the working results of NSMDC Ltd., Kohima  
(Reference: Paragraph 7.2.7 ; Page 80)

(Rupees in lakh)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
	Provisional Figures	Provisional Figures	Provisional Figures	Provisional Figures	Provisional Figures
<b>Income</b>					
(i) Sale	33.51	105.34	144.62	134.06	57.18
(ii) Other income	225.64	201.63	202.03	295.39	234.79
(iii) Closing stock	57.70	33.42	63.95	82.15	36.72
(iv) Prior period adjustment	---	---	---	---	---
<b>Total</b>	<b>316.85</b>	<b>340.39</b>	<b>410.60</b>	<b>511.60</b>	<b>328.69</b>
<b>Expenditure</b>					
(i) Production	45.71	70.81	106.34	114.15	51.76
(ii) Opening stock	77.20	57.70	33.42	63.95	82.15
(iii) Salaries and Wages	85.57	113.55	132.83	148.83	148.26
(iv) Interest	15.38	10.52	10.64	16.23	8.37
(v) Depreciation	55.67	49.38	42.12	67.54	60.44
(vi) Establishment expenditure	39.59	63.05	105.12	117.36	60.49
(vii) Other expenditure (Audit fee)	0.15	0.15	0.20	0.25	0.60
(viii) Prior period adjustment	0.18	0.14	0.12	0.09	44.00
<b>Total</b>	<b>319.45</b>	<b>365.30</b>	<b>430.79</b>	<b>528.40</b>	<b>456.07</b>
<b>Loss</b>	<b>2.60</b>	<b>24.91</b>	<b>20.19</b>	<b>16.80</b>	<b>127.38</b>



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