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

FOR THE YEAR ENDED 31 MARCH 2003

GOVERNMENT OF NAGALAND

ANNUAL REPORT (FY) - NAGALAND - 2002-03



COMPTROLLER AND AUDITOR GENERAL OF INDIA
2004

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the State Legislature
on 25/06/04

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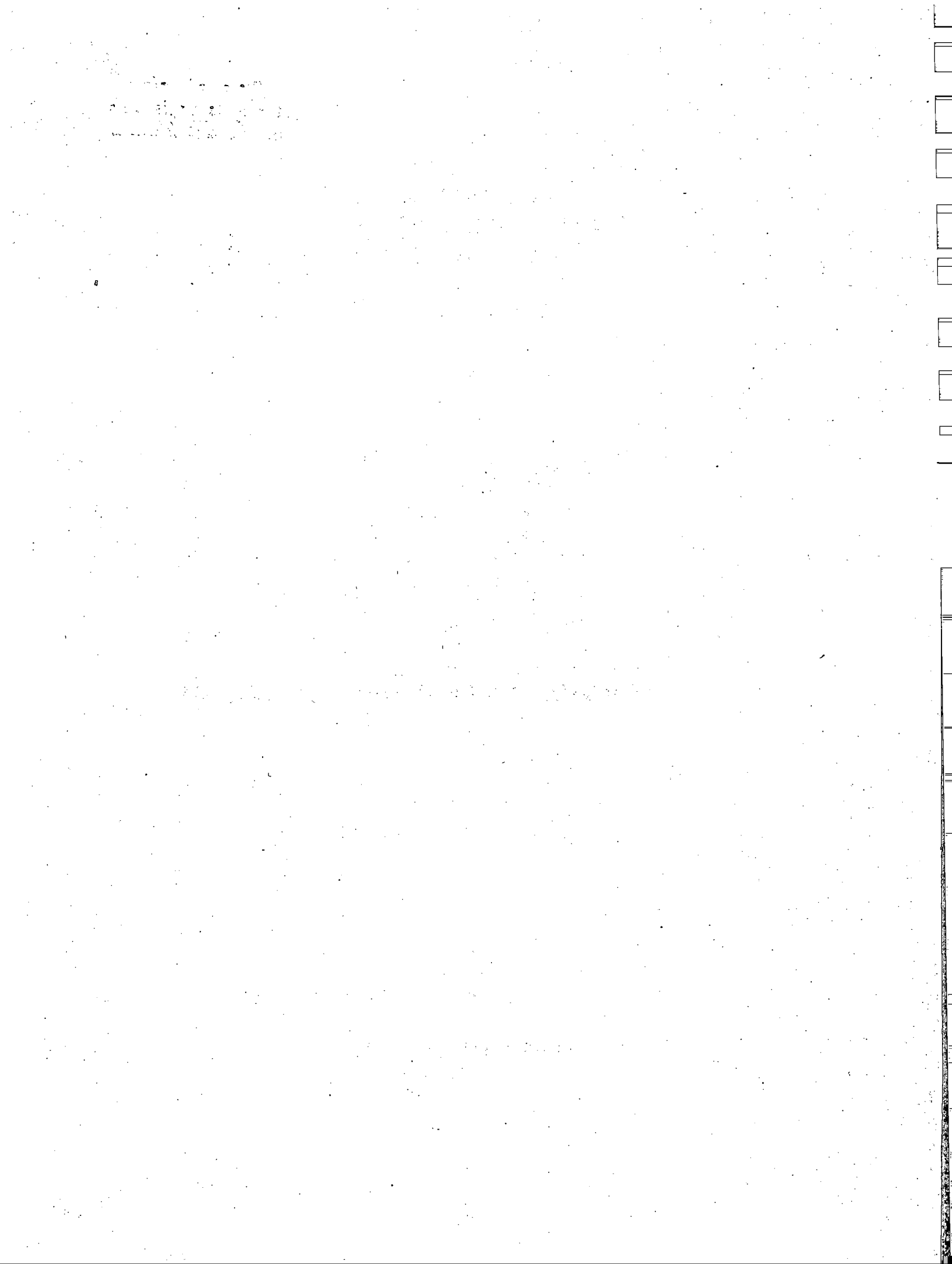


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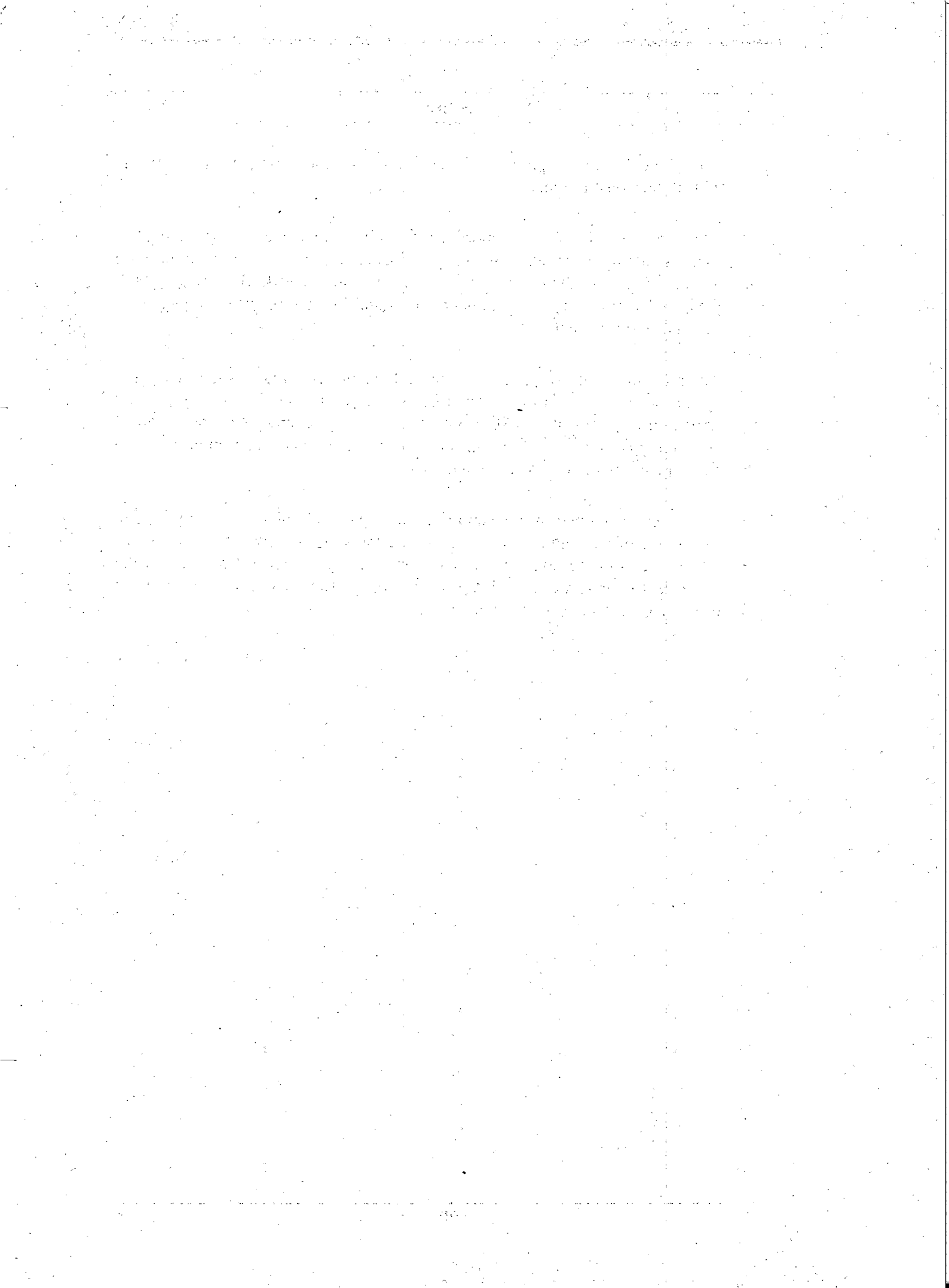
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Preface

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapters I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2003. Chapter-IX deals with the Internal Control and Internal Audit arrangement 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 2002-03 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 2002-03 have also been included wherever necessary.



O V E R V I E W

OVERVIEW

OVERVIEW

This Report includes two chapters on Finance Accounts and Appropriation Accounts of the Government of Nagaland for the year 2002-03, one chapter on Internal Control and Internal Audit arrangement and six other chapters with five audit reviews and 22 paragraphs dealing with the results of the audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview.

1. An overview of the finances of the State Government

Assets of the State Government increased by 19.55 *per cent* from Rs.2287.82 crore in 2001-02 to Rs.2735.16 crore in 2002-03, while liabilities increased by 26.89 *per cent* from Rs.2256.11 crore in 2001-02 to Rs.2862.82 crore in 2002-03 indicating deterioration in the financial condition of the Government.

(Paragraph-1.2)

The share of revenue receipts in total receipts decreased from 77.23 *per cent* in 2001-02 to 63.14 *per cent* in 2002-03, even though there was increase in total gross receipts by 24.38 *per cent*. The share of public debt receipts increased from 10.94 *per cent* in 2001-02 to 27.13 *per cent* in 2002-03.

The revenue expenditure accounted for 70.61 *per cent* of total funds and was higher than the share of the revenue receipts in the total receipts of the State Government leading to revenue deficit.

(Paragraph-1.3)

Revenue receipts of the State Government increased from Rs.989.38 crore in 1998-99 to Rs.1346.90 crore in 2002-03 at an average trend rate of 9.62 *per cent* per annum. The rate of growth of revenue receipts increased to 1.69 *per cent* during 2002-03 with reference to 2001-02.

(Paragraph-1.4)

Overall fiscal liabilities of the State increased from Rs.1419 crore in 1998-99 to Rs.2719 crore in 2002-03 at an average annual rate of 17.21 *per cent*. The net funds available towards the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments stood at a level of 54.17 *per cent* of total fresh liabilities in 2002-03.

(Paragraph-1.7)

2. Appropriation Audit and Control over expenditure

Through it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1056.73 crore pertaining to the years from 1991-92 to 2001-02 except 1992-93 and 1993-94 was yet to be regularised.

(Paragraph-2.3.2)

Against gross provision of Rs.2781.99 crore, gross expenditure during the year was Rs.3142.24 crore. The overall excess of Rs.360.25 crore was the result of excess of Rs.723.75 crore in 19 cases of grants/appropriations and saving of Rs.363.50 crore in 67 cases of grants/appropriations.

(Paragraph-2.2)

Supplementary grants of Rs.21.94 crore obtained in 18 cases proved unnecessary in view of aggregate savings of Rs.55.34 crore. In 14 cases, supplementary provision of Rs.87.25 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.697.19 crore.

(Paragraphs-2.3.3)

Expenditure of Rs.5.40 crore was incurred in 26 cases under 17 grants/appropriations, although no budget provision was available for this during the year.

(Paragraph-2.3.6)

3. Internal Control and Internal Audit arrangement

Lack of internal control in the departments led to the unrealistic budgetary provisions indicating serious deficiencies in control over expenditure. Internal audit wing too, with its nominal strength, failed to cover all the departments, local bodies and PSUs which reflected the inadequacy and ineffectiveness of the internal audit system in the state.

(Paragraph-9.1)

4. Audit Reviews on development and Welfare activities, etc.

(i). Welfare of Handicapped

The scheme "Welfare of Handicapped" was launched to help disabled persons. The scheme was not successful as there was little educational infrastructure nor job reservation for the handicapped.

Central assistance of Rs.1.02 crore provided for National Programme for Rehabilitation of Persons with Disability Scheme was utilised for procurement of items not covered under the scheme.

(Paragraph-3.1)

(ii). Working of the Police Central Workshop

To carry out repairs of all vehicles of the Police Department a Police Central Workshop (PCW) was established at Chumukedima in November 1971. The workshop was not equipped with machineries, equipment and trained technicians for major repair of all types of vehicles.

Despite existence of PCW the department spent Rs.64 lakh towards payment of job charges for carrying out major repair of vehicles in private garages. Non provision of tyre retreading plant in PCW led to avoidable expenditure of Rs.40.44 lakh.

(Paragraph-3.2)**(iii). Integrated Audit on Irrigation and Flood Control Department including manpower management**

There was infructuous expenditure of Rs.5.29 crore and unfruitful expenditure of Rs.3.67 crore on payment of pay and allowances to the idle workcharged/casual employees and to the idle staff of defunct workshop unit respectively.

Scheme funds of Rs.1.41 crore was diverted towards purchase of vehicles, computer and accessories, furniture, stationery, muster roll etc. not covered in approved estimates.

(Paragraph-4.1)**(iv). Working of the Development Authority Nagaland**

DAN engaged 47 workcharged staff and incurred Rs.68.98 lakh towards their salary during 1998-99 to 2002-03 when it did not have any work/project to execute.

DAN irregularly spent Rs.80.49 lakh on repair/maintenance of the market complex out of the revenue collected by it from the occupants of the stalls/rooms during 1998-99 to 2002-03.

(Paragraph-7.5)**(v). Working of the Nagaland Industrial Raw Materials and Supply Corporation Limited**

Injudicious appointment of handling agents on payments of handling and incidental charges ranging between three and nine *per cent* caused not only extra payment of Rs.22.92 lakh but also wiped out the Company as market leader.

The company made payment of Rs.54.46 lakh towards pay and allowances on idle staff.

(Paragraph-8.9)

5. Transaction audit observations

(A). Civil

(i). Fraudulent drawal

Failure on the part of both the Superintendent of Police, Kiphire and the Treasury Officer, Kiphire to exercise necessary statutory checks resulted in fraudulent drawal of arrears of sterilisation increment of Rs.47.37 lakh.

(Paragraph-3.4)

(ii). Excess/irregular/unauthorised expenditure

The Biologist, Urban Malaria Scheme, Dimapur deployed excess staff against sanctioned strength prescribed by the Government of India and incurred extra expenditure of Rs.1.78 crore towards pay and allowances.

(Paragraph-3.6)

The Executive Engineers, Medical Engineering Division, Kohima and Public Works Division (Housing), Kohima engaged nine and 90 workcharged staff in violation of Government orders and incurred unauthorised expenditure of Rs.9.33 lakh and Rs.51.37 lakh respectively on their pay and allowances.

(Paragraph-4.2)

(iii). Blocking/Locking up of funds

The Director of Veterinary and Animal Husbandry Department, Kohima procured a liquid nitrogen plant without calling for tenders and its non-commissioning resulted in blocking of Government funds of Rs.1.11 crore.

(Paragraph-3.10)

The Project Engineer, Police Engineering Project, Chumukedima injudiciously procured spare parts which resulted in locking up of Government funds of Rs.32.45 lakh.

(Paragraph-5.5)

(iv). Other points of interest

Unit Commanders failed to enforce recovery of Rs.5.83 crore towards cost of police guards against banks/agencies.

(Paragraph-3.3)

The Director of Industries and Commerce, Kohima drew Rs.66 lakh in excess of requirement for payment under Voluntary Retirement Scheme to the employees of the Nagaland Sugar Mill Company Ltd. and did not remit Rs.1.76 crore to Government accounts.

(Paragraph-3.8)

Non-observance of codal provisions by the Development Commissioner, Planning and Co-ordination Department, Kohima resulted in non-accountal of stores to the tune of Rs.19.76 lakh.

(Paragraph-5.6)

(B). Revenue receipts

Government suffered loss of revenue of Rs.1.12 crore due to non-deduction of tax on works contract at source.

(Paragraph-6.5)

(C). Commercial and Trading activities

General

There were six Government companies including one subsidiary and one non working and nine departmentally managed Government commercial and quasi-commercial undertakings in the State as on 31 March 2003. The total investment in the five working Government companies was Rs.60.56 crore (equity : Rs.19.31 crore, long term loans: Rs.30.82 crore and share application money:Rs.10.43 crore).

(Paragraphs-8.1 & 8.2)

Non-realisation of accumulated lease rent and interest thereon amounted to Rs.84.63 lakh.

(Paragraph-8.10)

CHAPTER - I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

This chapter discusses the financial position of the State Government based on the information contained in the Finance Accounts. The analysis is based on the trends in the receipts and expenditure, the quality of expenditure and financial management of the State Government. In addition, the chapter also contains a section on analysis of indicators of financial performance of the Government. Some of the terms used in this chapter are explained in *Appendix-I*.

1.2 Financial position of the State

The Government accounting system does not attempt a comprehensive accounting of fixed assets i.e. land and building, etc., owned by the Government. However, these accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. Exhibit-I presents an abstract of such liabilities and the assets as on 31 March 2003, compared with the corresponding position on 31 March 2002. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the public account and reserve funds, the assets comprise mainly the capital expenditure and loans and advances given by the State Government. Exhibit-I shows that while the liabilities grew by 26.89 *per cent*, the assets grew by 19.55 *per cent* during 2002-03, mainly as a result of very high (55.36 *per cent*) growth in the deficit on the Government account. This shows an overall deterioration in the financial condition of the Government.

Exhibit-II shows the position of sources and application of funds, Exhibit-III shows receipts and disbursements of the Government during the year and Exhibit-IV shows Time Series Data on State Government finances for the five year period 1998-2003. These are placed at pages from 14 to 19.

1.3 Sources and application of funds

Exhibit-II gives the position of sources and application of funds during the current and the preceding year. The main sources of funds include revenue receipts of the Government, recoveries of loans and advances, public debt and receipts in the public account. These are applied mainly on revenue and capital expenditure and on lending for developmental and other purposes. Revenue receipts constituted the most significant source of fund for the State Government. Their relative share decreased from 77.23 *per cent* in 2001-02 to 63.14 *per cent* in 2002-03, even though there was increase in total gross

receipts by 24.38 *per cent*. The share of recoveries of loans and advances went down from 0.45 *per cent* to 0.35 *per cent*. There was a net inflow from public accounts, and the share of public debt receipts also increased from 10.94 *per cent* in 2001-02 to 27.13 *per cent* in 2002-03.

The revenue expenditure accounted for 70.61 *per cent* of total funds. This was higher than the share of revenue receipts in the total receipts. This led to increase in both revenue deficit and liabilities of the State which, to that extent, had no asset back up.

1.4 Revenue Receipts

The revenue receipts of the State consist mainly of its own taxes and non-tax revenue, central tax transfers and grants in aid from the Government of India. Overall revenue receipts of the State increased from Rs.989.38 crore in 1998-99 to Rs.1346.90 crore in 2002-03 at an average trend rate of 9.62 *per cent* per annum, whereas rate of growth of revenue receipts increased by 1.69 *per cent* only in 2002-03 over the previous year due to decline in the receipts from tax revenue and grants-in-aid. Overall annual revenue receipts, rate of growth, ratio of its receipts to the State Gross Domestic Product (GSDP) and its buoyancy are indicated in Table 1.1.

Table 1.1

Revenue Receipts-Basic Parameters (Values in Rupees crore and others in *per cent*)

	1998-99	1999-2000	2000-01	2001-02	2002-03	Average
Revenue Receipts	989.38	1131.46	1254.10	1324.53	1346.90	1209.27
Rate of Growth	14.91	14.36	10.84	5.62	1.69	9.62
Revenue Receipts/GSDP	37.67	38.13	37.40	34.95	31.45	35.53
Revenue Buoyancy	1.147	1.105	0.834	0.432	0.130	0.740
GSDP Growth	13.00	13.00	13.00	13.00	13.00	13.00

Though revenue receipts have grown in absolute terms during 1998-2003, its rate of growth has been declining from 14.91 *per cent* in 1998-99 to 1.69 *per cent* in 2002-03. The GSDP growth of the State remained stagnant at 13 *per cent* in nominal terms. This widening gap between rate of growth of GSDP and revenue receipt led to a continuous decline in buoyancy of revenue receipts from 1.147 in 1998-99 to 0.130 in 2002-03.

Composition of the revenue receipts of the State and the relative share of the four components over last five years is indicated in Table 1.2. On an average, around seven *per cent* of the revenue came from State's own resources, while central tax transfers and grants in aid together contributed major portion about 93 *per cent* of total revenue. The share of own tax revenue of the State increased from 3.09 *per cent* in 1998-99 to 4.6 *per cent* in 2002-03. Grants-in-aid as percentage to total revenue of the State witnessed a sharp growth from 48.26 *per cent* in 1998-99 to 88.72 *per cent* in 2002-03 and constituted the main source of revenue receipts.

Table 1.2

Components of Revenue Receipts – relative share in per cent

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Own Taxes	3.09	3.49	3.69	4.71	4.60	3.98
Non-Tax Revenue	4.46	3.43	3.13	3.28	3.26	3.47
Central Tax Transfers	44.19	46.49	7.69	1.75	3.42	18.67
Grants-in-aid	48.26	46.58	85.49	90.26	88.72	73.88

Overall growth of the four components of revenue during 1998-2003 also differed significantly. While non-tax revenue of the State recorded a trend growth of 6.79 *per cent* during 1998-2003, the central tax transfers declined by 45.23 *per cent*. Revenue from own tax and grants-in-aid were relatively buoyant with a growth of 17.60 and 28.14 *per cent* respectively during this period. The trend annual growth of the various components of State's revenue, their buoyancy, average ratio as percentage to GSDP and average annual rate of shift in the relative contribution is indicated in Table 1.3.

Table 1.3

Components of Revenue – Basic Parameters 1998-2003 (per cent)

	ROG	GSDP Share	Buoyancy	Relative Share	Shift Rate
Own Taxes	17.60	1.414	1.354	3.98	7.28
Non-Tax Revenue	6.79	1.232	0.522	3.47	-2.59
Central Tax Transfers	-45.23	6.634	*	18.67	-50.04
Grants-in-aid	28.14	26.248	2.165	73.88	16.89

* Central tax transfers had a respective growth

The State's own tax revenue and grants-in-aid had a high buoyancy of 1.354 and 2.165 respectively. The buoyancy of its non-taxes was, however, 0.522. As a result of the decline in central transfers and relatively lower buoyancy of its non-tax receipts compared to the other two components of revenue, the relative share of these in State's total revenue declined. Average annual shift rate was (-) 50.04 *per cent* for central tax transactions and (-) 2.59 *per cent* for the State's non-taxes. Nearly 74 *per cent* of the State's total revenue was generated through Grants-in-aid and its ratio with GSDP averaged 26.248 compared to a ratio of 1.232 for its non-tax revenue and 1.44 for the revenue from own taxes.

1.5 Expenditure

Over all expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased from Rs.1187.29 crore in 1998-99 to Rs.1849.29 crore in 2002-03, at an average annual trend rate of 10.91 *per cent*. While the rate of growth of expenditure was lower relative to the growth of GSDP, it remained higher relative to the growth of revenue receipt. As a result, the over all buoyancy of the total expenditure with GSDP

was 0.84 during 1998-2003. It indicated that for every one *per cent* increase in the State's GSDP, expenditure increased by 0.84 *per cent*. However, relative to revenue receipt for each one *per cent* increase in revenue receipts, expenditure increased by 1.13 *per cent*. Overall expenditure, its annual and trend growth ratio of total expenditure to State's GSDP and the buoyancy of expenditure indicated in Table 1.4 below:

Table 1.4

Total Expenditure – Basic Parameters (Value in Rupees crore and others in *per cent*)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Total Expenditure	1187.29	1330.35	1531.98	1669.27	1849.29	1513.64
Rate of Growth	5.06	12.05	15.16	8.96	10.78	10.91
TE/GSDP Ratio	45.21	44.83	45.68	44.05	43.19	44.47
Revenue Receipts/TE ratio	83.33	85.05	81.86	79.35	72.83	79.89
Buoyancy of Total Expenditure with						
GSDP	0.39	0.93	1.17	0.69	0.83	0.84
Revenue Receipts	0.34	0.84	1.40	1.60	6.39	1.13

In terms of the activities total expenditure could be considered as being composed of expenditure on general, social and economic services, interest payments and loans and advances. The relative share of these components in the total expenditure is indicated in Table 1.5.

Table 1.5

Components of Expenditure-Relative Share (in *per cent*)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
General Services	28.32	30.38	30.99	32.21	32.92	31.20
Interest Payments	11.36	11.45	11.56	12.01	11.60	11.62
Social Services	29.39	30.63	28.21	28.52	28.90	29.06
Economic Services	29.32	26.78	28.11	27.06	26.44	27.43
Loans and Advances	1.61	0.77	1.13	0.21	0.13	0.69

The movement of relative share of these components indicate that while the share of economic services in total expenditure declined from 29.32 *per cent* in 1998-99 to 26.44 *per cent* in 2002-03, the relative share of general services and interest payments increased. Expenditure on social services and loans and advances decreased. Interest payments and expenditure on general services considered as non-developmental, together accounted for nearly 45 *per cent* of total expenditure in 2002-03 as compared to around 40 *per cent* in 1998-99.

In total expenditure, revenue expenditure had the predominant share, nearly 81 *per cent* in 2002-03. Revenue expenditure is incurred to maintain the current level of services and does not represent any addition in the State's service network. Overall revenue expenditure of the State increased from Rs.1012.40 crore in 1998-99 to Rs.1506.27 crore in 2002-03, at an average trend rate of 9.76 *per cent* per annum. Rate of growth of revenue expenditure reached its maximum in 2000-01 at 13.10 *per cent*. Revenue expenditure-GSDP ratio witnessed a decline from 38.55 *per cent* in 1998-99 to 35.18 *per cent* in 2002-03. Further, the ratio of revenue expenditure to total expenditure

decreased from 85.27 per cent in 1998-99 to 81.45 per cent in 2002-03. On an average 84 per cent of total expenditure of the State was on current consumption. The ratio of revenue expenditure to revenue receipt was on the rise indicating increasing dependence on borrowing for meeting the current expenditure. Overall revenue expenditure, its rate of growth, ratio of revenue expenditure to State's GSDP and revenue receipts and its buoyancy with both GSDP and revenue receipts are indicated in Table 1.6 below:

Table 1.6

Revenue Expenditure-Basic Parameters
(Value in Rupees crore and others in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Revenue Expenditure	1012.40	1140.80	1290.23	1427.11	1506.27	1275.36
Rate of Growth	2.45	12.68	13.10	10.61	5.55	9.76
RE/GSDP	38.55	38.44	38.47	37.66	35.18	37.47
RE as % of TE	85.27	85.75	84.22	85.49	81.45	84.26
RE as % to Revenue Receipts	102.33	100.83	102.88	107.74	111.83	105.47
Buoyancy of Revenue Expenditure with						
GSDP	0.19	0.98	1.01	0.82	0.43	0.75
Revenue Receipts	0.16	0.88	1.21	1.89	3.28	1.01

The trend growth in revenue expenditure remained lower than the rate of growth of GSDP. However, relative to revenue receipt, revenue expenditure recorded a faster growth more particularly during the last three years.

The plan, capital and developmental expenditure reflect its quality. The higher the ratio of these components to total expenditure the better is the quality of expenditure. Table 1.7 below gives the ratio of these components to total expenditure:

Table 1.7

Quality of Expenditure (per cent to total expenditure)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Plan Expenditure	30.63	30.95	29.50	28.29	31.56	30.17
Capital Expenditure	13.34	13.58	14.82	14.33	18.45	15.15
Development Expenditure	59.68	57.85	56.96	55.69	55.42	56.88

(Total expenditure do not include Loans and Advances)

Two out of the three components of expenditure though showing erratic trend, reflected a net increase during 1998-2003. Plan expenditure increased from 30.63 per cent of total expenditure in 1998-99 to 31.56 per cent in 2002-03. Similarly, capital expenditure also increased from 13.34 to 18.45 per cent. But there was decline in the share of development expenditure from 59.68 per cent in 1998-99 to 55.42 per cent in 2002-03.

Activity wise expenditure also revealed that the average trend growth of various components had significant variations. Expenditure on general services and interest payments were the fastest growing components with an average growth of 14.90 and 13.93 per cent per annum respectively. Loans

and advances of the State reflected a negative growth of 26.88 *per cent*. As percentage to GSDP, non-development expenditure comprising general services and interest payments averaged 19.05 *per cent*, social services 12.92 *per cent* and the economic services 12.20 *per cent*. Activity wise trend growth, ratio to GSDP, relative share of the various activities, shift in their relative share and buoyancy with GSDP and revenue receipt are indicated in Table-1.8.

Table 1.8

Activity wise Expenditure-Basic Parameters (in *per cent*)

	ROG	GSDP Share	Relative Share	Share Shift	Buoyancy with	
					GSDP	Revenue Receipt
General Services	14.90	13.88	31.20	3.58	1.15	1.55
Interest Payments	13.93	5.17	11.62	2.72	1.07	1.45
Social Services	11.05	12.92	29.06	0.13	0.85	1.15
Economic Services	6.53	12.20	27.43	-3.94	0.50	0.68
Loans and Advances	-26.88	0.31	0.69	-34.07	*	*

* Loans and advances had a negative growth

Expenditure on general services and interest payments had a buoyancy greater than one which respect to both GSDP and revenue receipts. These two components of expenditure also witnessed a positive shift in their relative share averaging 3.59 and 2.72 *per cent* per annum respectively. Expenditure on economic services had a buoyancy less than with respect to both GSDP and revenue receipt. Its relative share had a negative shift rate of 3.94 *per cent*.

1.6 Fiscal Imbalances

The deficits in the Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed are important pointers to the fiscal health. The revenue deficit which is the excess of revenue expenditure over revenue receipts, increased from Rs.23.02 crore in 1998-99 to Rs.159.37 crore in 2002-03. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs.184.73 crore in 1998-99 to Rs.494.97 crore in 2002-03. State also had a primary deficit increasing from Rs.49.90 crore in 1998-99 to Rs.280.39 crore in 2002-03.

The existence of revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit has also increased from 12.46 *per cent* in 1998-99 to 32.20 *per cent* in 2002-03. As proportion to GSDP revenue deficit had increased to 3.72 *per cent* in 2002-03 and fiscal deficit to 11.56 *per cent*.

Table 1.9

Fiscal Imbalances-Basic Parameters
(Value in Rupees crore and Ratio in per cent)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Revenue deficit	-23.02	-9.34	-36.13	-102.58	-159.37	-66.09
Fiscal deficit	-184.73	-182.91	-271.43	-336.96	-494.97	-294.20
Primary deficit	-49.90	-30.63	-94.34	-136.49	-280.39	-118.35
RD/GSDP	-0.88	-0.31	-1.08	-2.71	-3.72	-1.94
FD/GSDP	-7.03	-6.16	-8.09	-8.89	-11.56	-8.64
PD/GSDP	-1.90	-1.03	-2.81	-3.60	-6.55	-3.48
RD/FD	12.46	5.11	13.31	30.44	32.20	22.46

1.7 Fiscal Liabilities – Public Debt and Guarantees

The Constitution of India provides that the State may borrow within the territory of India, upon the security of its consolidated funds, within such limits, as may from time to time, be fixed by an act of Legislature. However, no such law was passed by the State to lay down any such limit. Exhibit IV lists the amounts of guarantees given by the Government and the amount outstanding at the end of each year during 1998-2003. Table 1.10 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 receipt to these parameters. It would be observed that the over all fiscal liabilities of the State increased from Rs.1419 crore in 1998-99 to Rs.2719 crore in 2002-03 at an average annual rate of 17.21 per cent. These liabilities as ratio to GSDP increased from 54.03 per cent in 1998-99 to 63.50 per cent in 2002-03.

In addition to these liabilities Government had guaranteed loans of its various Corporations and others which in 2002-03 stood at Rs.7.24 crore. However, no new guarantees have been reported by the Government in 2002-03. The guarantees are in the nature of contingent liabilities. Currently the fiscal liabilities including the contingent liabilities were more than twice the revenue receipt of the State. Fiscal liabilities of the State grew much faster compared to its rate of growth of GSDP, revenue receipts and own resources. On an average, from each one per cent increased in GSDP, revenue receipts, own resources the direct fiscal liabilities of the State increased by 1.32, 1.79 and 1.41 per cent respectively.

Table 1.10

Fiscal Liabilities-Basic Parameters

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Fiscal Liabilities	1419	1608	1930	2214	2719	1978
Rate of Growth	17.10	13.29	20.07	14.71	22.81	17.21
Ratio of Fiscal Liabilities to						
GSDP	54.03	54.16	57.56	58.43	63.50	58.11
Revenue Receipts	143	142	154	167	202	164
Own Resources	1,899	2,051	2,258	2,109	2,565	2,200
Buoyancy of Fiscal Liabilities to						
GSDP	1.32	1.02	1.55	1.13	1.75	1.32
Revenue Receipts	1.15	0.93	1.85	2.64	13.13	1.79
Own Resources	0.65	2.72	2.21	0.64	23.95	1.41

Increasing liabilities had raised the issue of sustainability. Fiscal liabilities are considered sustainable if the average interest paid on these liabilities is lower than the rate of growth of GSDP. This spread remained positive in last five years.

Table 1.11

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

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Weighted Interest Rate	10.25	10.06	10.01	9.65	8.72	9.74
GSDP Growth	13.00	13.00	13.00	13.00	13.00	13.00
Interest spread	2.75	2.94	2.99	3.35	4.28	3.26

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. The Table 1.12 below gives the position of the receipt and repayment of fiscal liabilities over last 5 years. The net funds available on account of the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments varied between (-) 19.73 per cent and 54.17 per cent.

Table 1.12

Net Availability of Borrowed Funds (Rupees in crore)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Internal Debt						
Receipt	104.65	167.24	163.05	224.23	238.58	179.55
Repayment (principal + interest)	86.83	114.86	127.34	267.79	180.55	155.47
Loans and Advances from Government of India						
Receipt	46.83	51.99	49.58	62.01	447.67	131.62
Repayment (principal + interest)	48.65	54.95	63.66	86.73	76.61	66.12
Other Liabilities						
Receipt	91.23	159.36	192.03	143.31	242.88	165.76
Repayment (principal + interest)	95.82	94.57	189.47	159.77	168.68	141.66
Total Liabilities						
Receipt	242.71	378.59	404.66	429.55	929.13	476.93
Repayment (principal + interest)	231.30	264.38	380.47	514.29	425.84	363.26
Net Fund Available	11.41	114.21	24.19	(-) 84.74	503.29	113.67
Net Fund Available (per cent)	4.70	30.17	5.98	(-) 19.73	54.17	23.83

1.8 Investments and returns

As on 31 March 2003, Government had invested Rs.58.47 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Cooperatives. Return to Government on this investment was nil as indicated in Table 1.13 below:

Table 1.13

Return on Investment

(Rupees in crore)

Year	Investment at the end of the year	Return	Percentage of Return	Average rate of interest on Government Borrowing (percentage)
1998-99	46.00	0.00	0.00	10.25
1999-00	48.05	0.00	0.00	10.06
2000-01	51.04	0.00	0.00	10.01
2001-02	53.87	0.00	0.00	9.65
2002-03	58.47	0.00	0.00	8.72

In addition to its investment, Government has also been providing loans and advances to many of these organisations. Total outstanding loans was Rs.42.96 crore as on 31 March 2003. Interest received on these loans averaged 1.55 per cent as against average cost of borrowing of 9.74 per cent during 1998-2003 indicating an average annual implicit subsidy of 8.19 per cent on such loans.

Table 1.14

Average Interest Received on Loans Advanced by the State Government

	1998-99	1999-00	2000-01	2001-02	2002-03
Opening Balance	41.34	47.26	41.49	52.39	48.04
Amount advanced during the year	19.10	10.21	17.35	3.43	2.33
Amount repaid during the year	13.18	15.98	6.45	7.78	7.42
Closing Balance	47.26	41.49	52.39	48.04	42.96
Net addition	5.93	(-) 5.77	10.99	(-) 4.35	(-) 5.09
Interest received	0.54	0.65	0.73	0.93	0.75

1.9 Arrears of revenue

The arrears of revenue pending collection was Rs.26.22 crore as of March 1999. The outstanding arrears registered a secular increase of 112 per cent over the preceding year 1997-98 indicating poor tax compliance. Of the arrears, Rs.4.74 crore (17 per cent) pertaining mainly to sales tax (Rs.3.74 crore), central sales tax (Rs.0.71 crore) and professional tax (Rs.0.22 crore) were pending for more than five years. The overall deterioration in the position of arrears or revenue showed slackening of the revenue collection efforts of the State Government. Information on arrears of revenue for the year 1999-2000 to 2002-03 was not furnished by the department (January 2004) despite repeated reminders.

1.10 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 mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. However, State has increasingly using this mechanism over the years.

Normally these advances should be liquidated during the year. Any outstanding balances of WMA indicate mis-match in the revenue and expenditure, which is not transient in nature. Resort to overdraft which is over and above the WMA limits, is all the more undesirable. The State has increasingly been drawing in excess of its WMA limits from Reserve Bank of India as indicated in Table 1.15.

Table 1.15

Ways and Means Advance and Overdrafts of the State and interest paid

(Rupees in crore)

	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Ways and Means Advance						
Taken in the year	95.54	55.01	245.47	304.61	656.80	271.486
Outstanding	26.00	10.75	69.29	40.00	---	
Interest paid	0.22	0.25	0.54	0.93	1.77	0.742
Overdraft						
Taken in the year	306.95	140.28	208.57	363.82	349.55	273.834
Outstanding	168.83	34.50	99.30	177.63	5.23	97.098
Interest paid	0.72	0.97	20.60	0.52	0.71	4.704
Number of days State was in overdraft	19	64	56	73	158	74

1.11 Financial Indicators of the Government of Nagaland

The finances of a State should be sustainable, flexible and non-vulnerable. Table 1.16 below presents a summarized position of Government finances over 1998-03, 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.

The ratios of revenue receipt and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipt indicates the nature of the tax regime and the State's increasing access to resources. Revenue receipts comprises not only the tax and non-tax resources of the State but the Central transfers. It indicates the sum total of the State's access for which there is no direct service provision obligations, recovery of user's charges for the social and economic services provided by its entitlement from the Central pool of resources. The ratio of revenue/GSDP showed decline during the period 1998-2003 except for the year 1999-2000. The ratio of State's own taxes/GSDP showed a continuous improvement during 1998-99 to 2001-02 but declined during 2002-03. Overall revenue buoyancy of the State reflect a declining trend and has been less than one.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilisation. These indicators depict a mixed trend. While the development

expenditure as percentage of total expenditure has reflected a declining trend, the ratio of capital expenditure to total expenditure indicated an improvement. Both its revenue and total expenditure were buoyant compared to its revenue receipts, which indicated State's increasing dependence on borrowings for meeting its revenue expenditure. Revenue receipts was meeting increasingly a lesser proportion of revenue expenditure.

Table 1.16

Indicators of Fiscal Health (in per cent)

Fiscal Indicators	1998-99	1999-00	2000-01	2001-02	2002-03	Average
Resource Mobilisation						
Revenue Receipts/GSDP	37.67	38.13	37.40	34.95	31.45	35.53
Revenue Buoyancy	1.15	1.10	0.83	0.43	0.13	0.74
Own tax/GSDP	1.16	1.33	1.38	1.65	1.45	1.41
Expenditure Management¹						
Total Expenditure/GSDP	45.21	44.83	45.68	44.05	43.19	44.47
Revenue Receipts/Total Expenditure	83.33	85.05	81.86	79.35	72.83	79.89
Revenue Expenditure/Total Expenditure	85.27	85.75	84.22	85.49	81.45	84.26
Capital Expenditure/Total Expenditure	13.34	13.58	14.82	14.33	18.45	15.15
Development Expenditure/Total Expenditure	59.68	57.85	56.96	55.69	55.42	56.88
Buoyancy of TE with RR	0.34	0.84	1.40	1.60	6.39	1.13
Buoyancy of RE with RR	0.16	0.88	1.21	1.89	3.28	1.01
Management of Fiscal Imbalances						
Revenue deficit (Rs. in crore)	-23.02	-9.34	-36.13	-102.58	-159.37	-66.09
Fiscal deficit (Rs. in crore)	-184.73	-182.91	-271.43	-336.96	-494.97	-294.20
Primary deficit (Rs. in crore)	-49.90	-30.63	-94.34	-136.49	-280.39	-118.35
Revenue deficit/Fiscal deficit	12.46	5.11	13.31	30.44	32.20	22.46
Management of Fiscal Imbalances (FL)						
Fiscal Liabilities/GSDP	54.03	54.16	57.56	58.43	63.50	58.11
Fiscal Liabilities/RR	143	142	154	167	202	164
Buoyancy of FL with RR	1.15	0.93	1.85	2.64	13.13	1.79
Buoyancy of FL with OR	0.65	2.72	2.21	0.64	23.95	1.41
Interest Spread	2.75	2.94	2.99	3.35	4.28	3.26
Net fund available	4.70	30.17	5.98	-19.73	54.17	23.83
Other Fiscal Health Indicators						
Return on Investment	0.00	0.00	0.00	0.00	0.00	0.00
BCR (Rs. in crore)	-210.89	-277.14	-296.20	-974.63	-555.96	-462.96
Financial Assets/Liabilities	0.73	0.74	0.64	0.61	0.56	0.66

Revenue, fiscal, and primary deficits have shown a sharp upward trend during 1998-2003. Increasing revenue and fiscal deficit indicates growing fiscal imbalances of the State. Similarly, sharp increase in the ratio of revenue deficit and fiscal deficit during the same period indicates that the application of borrowed funds has largely been to meet current consumption. All the four indicators of fiscal imbalances show continuous deterioration over time indicating increasing unsustainability and vulnerability of State finances.

It is not uncommon for a State to borrow for increasing its social and economic infrastructure support and creating additional income generating assets. However, increasing ratio of fiscal liabilities to GSDP and revenue receipts together with a growing revenue deficit, indicate that the State is gradually getting into a debt trap. Similarly, the higher buoyancy of the debt both with regard to its revenue receipts and own resource indicate its increasing unsustainability. There has also been an erratic trend in net availability of funds from its borrowings due to a larger portion of these funds being used for debt servicing. The State's nil return on investment indicates an implicit subsidy and use of high cost borrowing for investments, which yields nothing to it. The ratio of State's total financial assets to liabilities has also deteriorated indicating that increasingly a greater part of liabilities are without an asset back up. This indicates that either the State has to generate more revenue from out of its existing assets or need to provide from its current revenues for servicing its debt obligations. The balance from current revenue of the State has also continued to be increasingly negative. The BCR plays a critical role in determining its plan size which has been negative during the five years and negative BCR adversely affects the same and reduces availability of fund for additional infrastructure support and other revenue generating investment.

EXHIBIT - 1
SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF
NAGALAND AS ON 31 MARCH 2003

(Rupees in crore)			
As on 31.03.2002	LIABILITIES		As on 31.03.2003
1037.15	Internal Debt		1193.07
733.86	Market loans bearing interest	901.36	
0.11	Market loans not bearing interest	0.11	
29.32	Loans from LIC	38.11	
233.86	Loans from other institutions	253.49	
40.00	Ways and Means Advances	0.00	
177.63	Overdrafts from Reserve Bank of India		5.23
481.15	Loans and Advances from Central Government		903.91
22.97	Pre-1984-85 loans	18.40	
65.02	Non-Plan Loans	431.77	
313.78	Loans for State Plan Schemes	345.53	
2.87	Loans for Central Plan Schemes	2.57	
13.57	Loans for Centrally Sponsored Plan Schemes	13.49	
57.15	Ways & Means Advances	84.58	
5.79	Loans for Special Schemes	7.57	
0.35	Contingency Fund		0.35
437.48	Small Savings, Provident Funds, etc.		456.02
78.63	Deposits		158.31
1.97	Reserve Funds		2.93
40.08	Suspense and Miscellaneous Balances		202.87
1.67	Remittance Balances		(-)59.87
31.71	Surplus on Government Account-		(-)127.66
134.29	Accumulated surplus upto 31 March 2002	31.71	
(-)102.58	Less deficit of current year	(-)159.37	
2287.82	Total		2735.16
ASSETS			
2228.56	Gross Capital outlay on Fixed Assets-		2569.25
53.87	Investments in shares of Companies, Corporations, etc.	58.47	
2174.69	Other capital outlay	2510.78	
48.04	Loans and Advances		42.96
43.00	Other Development Loans	38.29	
5.04	Loans to Government servants' etc.	4.67	
1.98	Advances		2.07
	Suspense and Miscellaneous Balances		---
9.24	Cash Balance		120.88
0.17	Cash in Treasuries and Local Remittances	0.19	
(-)30.34	Deposits with Reserve Bank	(-)167.16	
31.20	Departmental Cash Balance including Permanent Advances	30.83	
8.21	Investment of earmarked funds	11.75	
---	Cash Balance Investments	245.27	
2287.82	Total		2735.16

EXHIBIT - II

SOURCES AND APPLICATION OF FUNDS

		(Rupees in crore)	
		Sources	
2001-02			2002-03
1324.53	1.	Revenue Receipts	1346.90
7.78	2.	Recoveries of Loans and Advances	7.42
187.67	3.	Increase in Public debt other than overdraft	578.68
116.82	4.	Net receipts from Public account	200.33
	32.02	Increase in Small Savings, Provident Funds, etc.	18.54
	(-)12.67	Increase in Deposits and Advances	79.59
	(-)1.52	Increase in Reserve Funds	0.96
	111.62	Net effect of Suspense and Miscellaneous transactions	162.78
	(-)12.63	Net effect of Remittance transactions	(-)61.54
78.33	5.	Overdrafts from Reserve Bank of India (Net)	---
1715.13	Total		2133.33
		Applications	
1427.11	1.	Revenue expenditure	1506.27
3.43	2.	Lending for development and other purposes	2.33
238.73	3.	Capital expenditure	340.69
45.86	4.	Increase in closing cash balance	111.64
---	5.	Reduction of overdraft payable to Reserve Bank of India	172.40
1715.13	Total		2133.33

EXHIBIT - III

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2002-2003

RECEIPTS				DISBURSEMENTS				
2001-02		2002-03	2001-02		Non-Plan	Plan	Total	2002-03
SECTION A: REVENUE								
1324.53	I. Revenue Receipts	1346.90	1427.11	I. Revenue Expenditure				1506.27
62.39	Tax Revenue	62.00	723.88	General Services	786.33	12.34	798.67	
43.41	Non-tax Revenue	43.94	377.18	Social Services	286.35	99.22	385.57	
23.22	State's share of Union Excise Duties	46.01	209.66	Education, Sports, Art and Culture	175.49	24.82	200.31	
90.81	Non-Plan grants	555.45	78.47	Health and Family Welfare	65.54	15.35	80.89	
988.28	Grants of State Plan Scheme	400.38	28.66	Water Supply, Sanitation, Housing and Urban Development	19.92	12.41	32.33	
21.67	Grants for Central Plan Scheme	124.69	9.24	Information and Broadcasting	8.13	2.21	10.34	
78.45	Grants for Centrally Sponsored Plan Schemes	84.92	7.51	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.00	8.77	8.77	
16.30	Grant for Special Plan Scheme	29.51	4.37	Labour and Labour Welfare	4.36	1.08	5.44	
			34.67	Social Welfare and Nutrition	8.67	34.53	43.20	
			4.60	Others	4.24	0.05	4.29	
			326.05	Economic Services	190.69	131.34	322.03	
			120.25	Agriculture and Allied Activities	67.65	34.60	102.25	
			12.88	Rural Development	4.91	19.99	24.90	
			11.05	Special Areas Programme	2.26	17.77	20.03	
			13.47	Irrigation and Flood Control	5.46	8.00	13.46	
			59.06	Energy	57.74	0.36	58.10	
			43.64	Industry and Minerals	14.34	13.36	27.70	
			17.00	Transport	25.52	0.05	25.57	
			1.82	Science, Technology and Environment	0.23	2.04	2.27	
			46.88	General Economic Services	12.58	35.17	47.75	
102.58	II. Revenue Deficit carried over to Section-B	159.37		II. Revenue Surplus carried over to Section-B				---
1427.11	Total: Section A-Revenue	1506.27	1427.11	Total: Section A-Revenue				1506.27
	SECTION-B							
(-36.62)	III. Opening cash balance including Permanent Advances and Cash Balance Investment	9.24	---	III. Opening Overdraft from RBI				---
---	IV. Miscellaneous Capital Receipts	---	238.73	IV. Capital Outlay	0.79	339.90	340.69	340.69
			14.25	General Services	0.00	24.78	24.78	
			98.88	Social Services	0.00	148.91	148.91	
			11.23	Education, Sports, Art and Culture	0.00	9.73	9.73	
			2.25	Health and Family Welfare	0.00	8.29	8.29	
			85.11	Water Supply, Sanitation, Housing and Urban Development	0.00	122.89	122.89	
			0.05	Information and Broadcasting	0.00	0.01	0.01	
			0.04	Social Welfare and Nutrition	0.00	5.53	5.53	
			0.19	Others	0.00	2.47	2.47	
			125.61	Economic Services	0.79	166.21	167.00	
			13.58	Agriculture and Allied Activities	0.79	12.09	12.88	
			0.10	Rural Development	0.00	0.20	0.20	
			13.24	Special Areas Programme	0.00	10.13	10.13	
			54.35	Energy	0.00	74.26	74.26	
			8.31	Industry and Minerals	0.00	17.44	17.44	
			35.95	Transport	0.00	46.68	46.68	
			0.08	General Economic Services	0.00	0.18	0.18	

Audit Report (Civil) for the year ended 31 March 2003

				(Rupees in crore)				
RECEIPTS				DISBURSEMENTS				
2001-02		2002-03		2001-02	Non-Plan	Plan	Total	2002-03
					Irrigation and Flood Control	0.00	5.20	5.20
					Science, Technology and Environment	0.00	0.02	0.02
7.78	V. Recoveries of Loans and Advances	7.42	3.43	V. Loans and Advance disbursed				2.33
1.44	From Government Servants	0.74	2.00	To Government Servants			0.37	
6.34	From Others	6.68	1.43	To Others			1.96	
--	VI. Revenue Surplus brought down	---	102.58	VI. Revenue deficit brought down				159.37
335.28	VII. Public Debt receipts-	473.85	69.28	VII. Repayment of Public Debt-				67.57
224.23	Internal debt other than Ways and Means Advances and Overdrafts	238.58	29.37	Internal debt other than Ways and Means Advances and Overdrafts			42.66	
49.04*	Net transactions under:- Ways and Means Advances including overdrafts	(-)212.40	---	Net transactions under:- Ways and Means Advances including overdrafts			---	
62.01	Loans and Advances from Central Government	447.67	39.91	Repayment of Loans and Advances to Central Government			24.91	
---	VIII. Appropriation to Contingency Fund	---	---	VIII. Appropriation to Contingency Fund			---	---
---	IX. Amount transferred to Contingency Fund	---	---	IX. Expenditure from Contingency Fund			---	---
646.31	X. Public account receipts-	990.10	529.49	X. Public account disbursements-				789.77
100.99	Small Savings and Provident Funds	96.75	68.97	Small Savings and Provident Funds			78.21	
0.51	Reserve Funds	3.56	2.03	Reserve Funds			2.60	
124.84	Suspense and Miscellaneous	248.48	13.22	Suspense and Miscellaneous			85.70	
368.62	Remittances	490.19	381.25	Remittances			551.73	
51.35	Deposits and Advances	151.12	64.02	Deposits and Advances			71.53	
	XI. Closing Overdraft from Reserve Bank of India		9.24	XI. Cash Balance at end-				120.88
			0.17	Cash in Treasuries and Local Remittances			0.19	
			(-)30.34	Deposits with Reserve Bank			(-)167.16	
			31.20	Departmental Cash balance including Permanent Advances			30.83	
			8.21	Cash Balance Investment			245.27	
			---	Investment in earmarked funds			11.75	
952.75	Total	1480.61	952.75	Total				1480.61

Explanatory Notes for Exhibit I, II and III

1. The abridged accounts in the forgoing statements are based on the Finance Accounts for the year 2002-03-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 2003 was minus Rs.127.66 crore after accounting for the revenue deficit of Rs.159.37 crore during 2002-03.
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.127.18 crore (debit) against the general cash balance of Rs.166.97 crore (debit) shown in the accounts. The difference of Rs.39.79 crore (debit) as on 31 March 2003 is under reconciliation (January 2004).

EXHIBIT - IV

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

	(Rupees in crore)				
	1998-99	1999-00	2000-01	2001-02	2002-03
Part A. Receipts					
I. Revenue Receipts	989.38	1131.46	1254.10	1324.53	1346.90
(i) Tax Revenue	30.56 (3)	39.50 (3)	46.25(4)	54.90 (4)	62.00 (5)
Sales Tax	23.04 (58)	23.04 (58)	27.30(59)	34.42(63)	41.16 (66)
State Excise	1.73 (4)	1.73 (4)	1.77(4)	1.87(3)	1.98 (3)
Taxes on Vehicles	4.59 (12)	4.59 (12)	5.28(11)	5.35(10)	4.74 (8)
Stamps and Registration fees	1.85 (5)	1.85 (5)	1.77(4)	0.91(2)	0.57 (1)
Land Revenue	0.26 (*)	0.26 (*)	0.35(1)	0.62(1)	0.41 (1)
Other Taxes	8.03 (20)	8.03 (20)	9.78(21)	11.73(21)	13.14 (21)
(ii) Non Tax Revenue	44.15 (5)	38.86 (3)	39.23(3)	43.41(3)	43.94 (3)
(iii) State's share in Union taxes and duties	437.19 (44)	526.04 (47)	96.48(8)	30.71(3)	46.01 (3)
(iv) Grants-in-aid from Government of India	477.48 (48)	527.06 (47)	1072.14(85)	1195.51(90)	1194.94 (89)
2. Misc. Capital Receipts	---	---	---	---	---
3. Total revenue and Non-debt capital receipts (1+2)	989.38	1131.46	1254.10	1324.53	1346.90
4. Recoveries of Loans and Advances	13.18	15.98	6.45	7.78	7.42
5. Public Debt Receipts	394.17	344.23	335.97	335.28	473.85
Internal Debt (excluding Ways & Means Advances and Overdrafts)	104.65	167.24	163.05	224.23	238.58
Net transactions under Ways and Means Advances and Overdraft	72.69	---	123.34	49.04	(-)212.40
Loans and Advances from Government of India ¹	216.83	176.99	49.58	62.01	447.67
6. Total receipts in the Consolidated Fund (3+4+5)	1396.73	1491.67	1596.52	1667.59	1828.17
7. Contingency Fund Receipts	---	---	---	---	---
8. Public account receipts	427.00	538.71	601.87	646.31	990.10
9. Total receipts of the State (6+7+8)	1823.73	2030.38	2198.39	2313.90	2818.27
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	1,012.40	1140.80	1290.23	1427.11	1506.27
Plan	205.94 (20)	229.38 (20)	231.00(18)	232.65(16)	242.91 (16)
Non-Plan	806.46 (80)	911.42 (80)	1059.23(82)	1194.46(84)	1263.36 (84)
General Services (including interest payments)	460.41 (45)	544.60 (48)	623.33(48)	723.88(51)	798.67 (53)
Social Services	293.78 (29)	330.39 (29)	351.15(27)	377.18(26)	385.57 (26)
Economic Services	258.21 (26)	265.81 (23)	315.75(25)	326.05(23)	322.09 (21)
Grants-in-aid contribution	---	---	---	---	---
11. Capital Expenditure	155.78	179.34	224.40	238.73	340.69
Plan	151.83 (97)	179.21 (100)	215.85(96)	238.65(100)	339.90 (100)
Non-Plan	3.95 (3)	0.13 (*)	8.55(4)	0.08	0.79
General Services	10.63 (7)	11.80 (7)	28.51(13)	14.25(6)	24.78 (7)
Social Services	55.19 (35)	77.11 (43)	81.02(36)	98.87(41)	148.91 (44)
Economic Services	89.96 (58)	90.43 (50)	114.87(51)	125.60(53)	167.00 (49)
12. Disbursement of Loans and Advances	19.11	10.21	17.35	3.43	2.33
13. Total (10+11+12)	1187.29	1330.35	1531.98	1669.27	1849.29
14. Repayments of Public Debt	207.26	247.45	52.00	69.28	67.57
Internal Debt (excluding Ways & Means Advances and Overdrafts)	22.53	31.19	31.47	29.37	42.66
Net transactions under Ways and Means Advances and Overdraft	13.66	149.58	---	---	---
Loans and Advances from Government of India ¹	184.73	66.68	20.53	39.91	24.91
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	1394.55	1577.80	1583.98	1738.55	1916.86
17. Contingency Fund disbursements	---	---	---	---	---
18. Public account disbursements	396.22	443.39	590.70	529.49	789.77
19. Total disbursement by the State (16+17+18)	1790.77	2021.19	2174.68	2268.04	2706.63
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-) 23.02	(-) 9.34	(-)36.13	(-)102.58	(-) 159.37
21. Fiscal Deficit (3+4-13)	184.73	182.91	271.43	336.96	494.97
22. Primary Deficit (21-23)	49.90	30.63	94.34	136.49	280.39
Part D. Other data					

¹ Includes Ways & Means Advances from Government of India.
* Indicates negligible percentage

Chapter I An Overview of the Finance of the State Government

	(Rupees in crore)				
	1998-99	1999-00	2000-01	2001-02	2002-03
23. Interest payments (included in revenue expenditure)	134.83	152.28	177.09	200.47	214.58
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)		@	@	@	@
25. Financial assistance to local bodies etc.		31.94	19.12	15.76	11.91
26. Ways and Means Advances/Overdrafts availed (days)	402.49 (40)	195.29 (74)	454.04(192)	668.43 (261)	1006.35 (469)
27. Interest on WMA/Overdraft	0.94	1.22	21.14	1.45	2.48
28. Gross State Domestic Product (GSDP)	2626.23	2967.64	3353.43	3789.38	4282.00
29. Outstanding Debt (year end)	1,049.18	1145.96	1429.93	1695.93	2102.22
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	@	@	@	@	@

@ Information awaited from the Government (January 2004).

Note: Figures in brackets represents percentages (rounded off) to total of each sub-heading.

CHAPTER II APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

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-a-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

The summarised position of original and supplementary grants/appropriations and expenditure thereagainst is given below:

Total number of Grants : 76 (73 Grants and 3 Appropriations)
Total Provision and Actual Expenditure

Table 2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	2471.44	Revenue	1512.90
Supplementary	310.55	Capital ¹	1629.34
Total gross provision	2781.99	Total gross expenditure	3142.24
Deduct estimated recoveries in reduction of expenditure	9.53	Deduct actual recoveries in reduction of expenditure	6.63
Total net provision	2772.46	Total net expenditure	3135.61

¹ Capital includes Loans and Advances and Public Debt.

Voted and Charged Provision and Expenditure

Table 2.2 (Rupees in crore)

	Provision		Expenditure	
	Voted	Charged	Voted	Charged
Revenue	1330.57	260.43	1294.03	218.87
Capital ¹	550.73	640.26	343.02	1286.32
Total Gross	1881.30	900.69	1637.05	1505.19
Deduct recoveries in reduction of expenditure	9.53	---	6.63	---
Total : Net	1871.77	900.69	1630.42	1505.19

The summarised position of actual expenditure, excess and savings during 2002-03 against grants/appropriation was as follows:

Table 2.3 (Rupees in crore)

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual Expenditure ²	Saving (-) Excess (+)
Voted	I Revenue	1264.38	66.19	1330.57	1294.03	(-) 36.54
	II Capital	341.41	189.79	531.20	340.69	(-) 190.51
	III Loans and Advances	19.53	---	19.53	2.33	(-) 17.20
	Total Voted	1625.32	255.98	1881.30	1637.05	(-) 244.25
Charged	IV Revenue	260.31	0.12	260.43	218.87	(-) 41.56
	V Capital	---	---	---	---	---
	VI Public Debt.	585.81	54.45	640.26	1286.32	(+) 646.06
Total Charged	846.12	54.57	900.69	1505.19	(+) 604.50	
	Appropriation to Contingency Fund	---	---	---	---	
Grand Total		2471.44	310.55	2781.99	3142.24	(+) 360.25

Source: Appropriation Accounts

The overall excess of Rs.360.25 crore was the result of excess of Rs.723.75 crore in 19 grants and appropriations offset by saving of Rs.363.50 crore in 67 grants and appropriations.

2.3 Result of Appropriation Audit

2.3.1 Saving or excess over provisions

The excess of Rs.77.67 crore under Revenue Section and Rs.646.05 crore under Capital Section as detailed in *Appendix-II* require regularisation under Article 205 of the Constitution.

2.3.2 Excess over grants in previous years not regularised

According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, it was noticed that excess expenditure of Rs.1056.73 crore reported during 1991-92 to 2001-02 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the

² These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz. Revenue expenditure Rs.6.63 crore and Capital expenditure NIL.

Government (Finance Department) for regularisation of the excess as of January 2004. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:

Table 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	1999-00	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
		Total:-		1056.73

Source: Appropriation Accounts

Supplementary provision made during the year constituted 13 *per cent* of the original provision as against 24 *per cent* in the previous year.

2.3.3 Unnecessary/excessive/insufficient supplementary grants

(a) Supplementary provision of Rs.21.94 crore made in 18 cases of grants/appropriations during the year proved unnecessary in view of aggregate savings of Rs.55.34 crore as detailed in *Appendix—III*.

(b) In 38 cases of grants/appropriations, against additional requirement of Rs.37.46 crore, supplementary grants and appropriation of Rs.209.90 crore were obtained, resulting in savings in each case exceeding Rs.10 lakh aggregating Rs.172.44 crore. Details of these cases are given in *Appendix-IV*.

(c) In 14 cases of grants/appropriations supplementary provisions of Rs.87.25 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.697.19 crore as per details given in *Appendix—V*.

2.3.4 Persistent savings

In two cases of 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—VI*.

2.3.5 Significant excess/savings

(a) In nine 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—VII*.

(b) In 45 cases of grants/appropriations expenditure fell short by more than Rs.50 lakh in each case, and also by more than 10 per cent of the total provision as detailed in *Appendix—VIII*.

2.3.6 Expenditure without provision

According to rules, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was noticed that expenditure of Rs.5.40 crore was incurred in 26 cases as detailed in *Appendix – IX* without provision having been made in the original estimates/supplementary demands or any re-appropriation orders issued. This was in violation of Constitutional provision.

2.3.7 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 18 cases of grants/appropriations, the amount of available savings of Rs.1 crore and above in each grant/appropriation not surrendered aggregated Rs.125.89 crore. Details are given in *Appendix—X*.

2.3.8 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.63.12 crore, the amount surrendered was Rs.68.68 crore resulting in excess surrender of Rs.5.56 crore. Details are given in *Appendix—XI*.

The above instances of budgetary irregularities have been reported from year to year in Chapter II of the Audit Reports. If precautions had been taken by all departments in the light of the observations made earlier in Chapter II of the Reports, these irregularities would not have persisted.

2.3.9 Trend of Recoveries and Credits

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

During 2002-03, the actual recoveries (Rs.6.63 crore) were less than the estimated recoveries (Rs.9.53 crore) by Rs.2.90 crore. This was the net result of less recoveries of Rs.5.58 crore in seven grants, and excess recovery of

Rs.2.68 crore in two grants. Details are given in *Appendix* to the Appropriation Accounts.

2.3.10 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. Dy. Accountant General (A&E) for preparation of the Appropriation Accounts.

Appropriation Accounts 2002-03 included 73 Grants and three Appropriations involving 1242 sub-heads. Of these 899 sub-heads attracted comments from the Government for excess/savings. The reasons for savings/excesses were called for by the Sr. Dy. Accountant General (A&E) in respect of these sub-heads. In 96 *per cent* cases, (860 sub-heads) explanations for variations were not received. The replies received in respect of 39 Sub-heads were incomplete.

2.3.11 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 76 controlling officers, eight involving Rs.252.40 crore pertaining to 2002-03 remained unreconciled.

The extent of non-reconciliation of expenditure by the controlling officers, increased from five *per cent* to eight *per cent* of the total expenditure in 2002-03 in comparison with 2001-02, as shown below:

Table 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
2000-01	76	2	5	88.56
2001-02	76	8	5	116.13
2002-03	76	8	8	252.40

Source: Appropriation Accounts

2.4 Unadjusted Abstract Contingent Bills

According to rules, Detailed Countersigned Contingent (DCC) Bills in support of drawals made in Abstract Contingent (AC) Bills are to be submitted within one month of the drawal to the Controlling Officer for onward transmission to the Accountant General. A certificate shall be attached by the Drawing and Disbursing officer (DDO) to every AC bill to the effect that DCC bills have

been submitted to the Controlling Officer in respect of all one month old AC bills drawn earlier.

Information collected (November 2003) from the Sr. Deputy Accountant General (A&E) revealed that 11 DDO of six Departments had drawn Rs.11.39 crore on AC bills during 2002-03, out of which DCC bills for Rs.1.21 crore were submitted and DCC bills for the balance amount of Rs.10.18 crore were not submitted as of January 2004. Details are shown in *Appendix – XII*.

Thus, non-observance of rules by the DDOs resulted in non-adjustment of Rs.10.18 crore drawn in AC bills. Due to non-submission of DCC bills by the Department, it could not be ensured that the amounts had been utilised for the purpose for which these had been drawn. Thus, possibility of misappropriation of amounts could not be ruled out in the absence of any DCC bills.

CHAPTER - III CIVIL DEPARTMENTS

SECTION - A - REVIEWS

SOCIAL SECURITY AND WELFARE DEPARTMENT

3.1 Welfare of Handicapped

Highlights

The scheme "Welfare of Handicapped" was launched to help disabled persons. The scheme was not successful as there was little educational infrastructure, nor job reservation for the handicapped.

State Co-ordination Committee (SCC), the policy framing apex body, held only three meetings till May 2002 as against the required 10 meetings. State Executive Committee (SEC), the apex scheme implementing agency, did not hold any meeting.

(Paragraph 3.1.6)

The State Government had neither developed any educational infrastructure nor arranged any non-formal education for Persons With Disabilities (PWD) nor had it adopted a policy of three *per cent* reservation of posts for PWD so far.

(Paragraphs 3.1.7 & 3.1.9)

The nodal department incurred an expenditure of Rs.31.07 lakh for procurement of furniture and equipment for two District Referral Centres at Tuensang and Dimapur even though there was no District Referral Centre at Dimapur and failed to produce vouchers and other records for Rs.18.65 lakh in support of procurement of these materials

(Paragraph 3.1.12)

Central assistance of Rs.1.02 crore provided for National Programme for Rehabilitation of Persons with Disabilities was utilised for procurement of items not covered under the scheme. Out of Central assistance of Rs.2.57 crore, an amount of Rs.92.77 lakh was spent in excess of admissible limits as envisaged in the National Programme for Rehabilitation of Persons with Disability in respect of items like, Training, Awareness Campaign, Computerised Data Bank Management and Honorarium.

(Paragraph 3.1.12)

The nodal department spent Rs.52.80 lakh on payment of honorarium for Community Base Rehabilitation Workers/Multiple Rehabilitation Workers, but actual expenditure was Rs.24.78 lakh and the balance amount of Rs.28.02 lakh was unauthorisedly utilised for sensitisation and awareness of the community in the villages.

(Paragraph 3.1.15)

3.1.1 Introduction

Disability is a global phenomenon. Persons with disability (PWD) form a large disadvantaged group. The plight of the disabled in Nagaland is no different, and they need the usual services and facilities that are available to the general people.

The basic policy framework for the welfare of handicapped is enshrined in the following Central Acts:

Rehabilitation Council of India, 1992.

Person With Disabilities (PWD) Act, 1995 and

The National Trust for Welfare of Persons with Autism, Cerebral palsy, Mental Retardation and Multiple Disabilities Act, 1999.

3.1.2 Financial Pattern

Financial resources

Total funds provided for implementation of various schemes/programmes for welfare of PWD in Nagaland by the Government of India (GOI) and the State Government during 1998-99 to 2002-03 were Rs.3.18 crore as under:

State Financed Schemes

Social Security & Welfare Schemes : Rs.0.36 crore

Centrally Financed Schemes

(a) Integrated Education for Disabled Children (IEDC) : Rs.0.25 crore

(b) National Programme for Rehabilitation of Persons
With Disability (NRPD) : Rs.2.57 crore

Total : **Rs.3.18 crore**

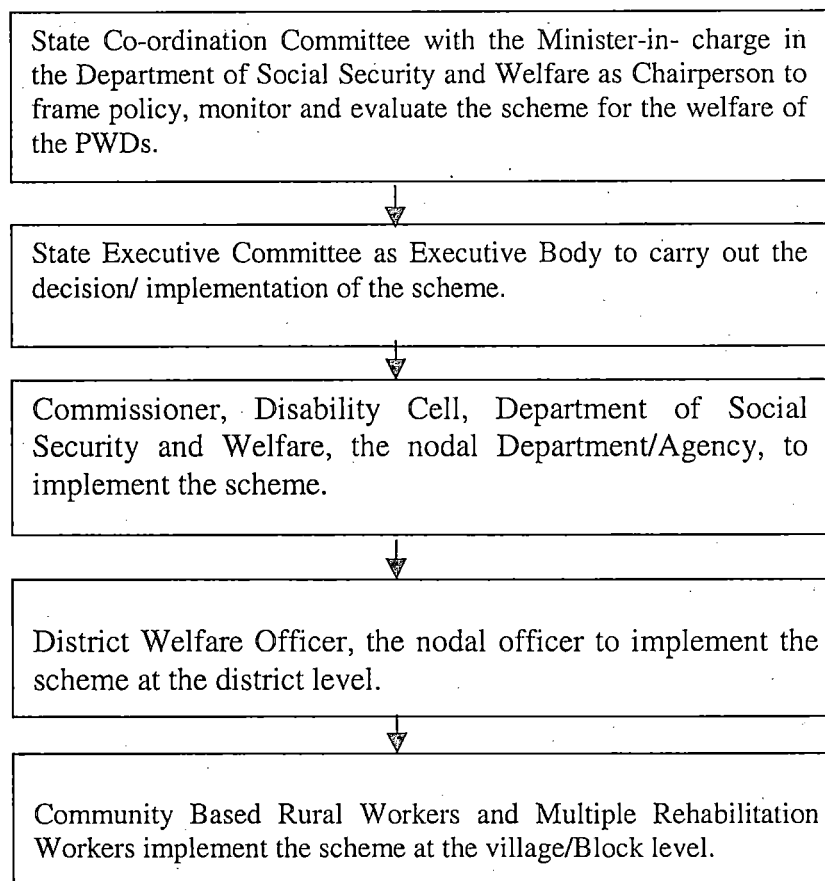
Scheme and year wise details of funds provided and expenditure thereagainst in respect of the above are given in *Appendices XIII, XIV & XV* respectively.

3.1.3 Objectives of the scheme

According to guidelines, the PWD Act 1995 aims:

To spell out the responsibility of the State towards the prevention of disabilities, protection of rights, provision of medical care, education, training, employment and rehabilitation of PWD, to create barrier free environment for PWD, to remove any discrimination against PWD in sharing of the development benefits, vis-a-vis non-disabled persons, to counter act any situation of the abuse and exploitation of PWD, to lay down strategies for comprehensive development of programmes and services and equalisation of opportunities for PWD, and to make special provision for the integration of PWD into the social mainstream.

3.1.4 Organisational set up



In addition, Director of Health Services, Director of Rural Development, Director of Employment and Craftsmen Training and Director of School Education were implementing the schemes relating to prevention of disability, poverty alleviation, reservation of posts for PWD and Integrated Education for disabled children respectively.

3.1.5 Audit coverage

Implementation of the scheme in the State during 1998-99 to 2002-03 was reviewed in audit by test check of records of Commissioner of Disability Cell,

Director of Social Security and Welfare, two District Welfare Officers¹, Director of Health Services, District Referral Centre², Director of School Education, two Deputy Inspector of Schools³, Director of Rural Development, Director of Employment and Craftsmen Training and one Non-Governmental Organisation during May-June 2003 by covering an expenditure of Rs.2.86 crore representing 90 per cent of the total expenditure of Rs.3.18 crore during the period.

3.1.6 Implementation of the Programme

The State Co-ordination Committee (SCC) was formed in November 1996 with the Minister-in-charge of Social Security and Welfare, Chief Secretary and Director, Social Security & Welfare as Chairperson, Vice Chairperson and Member Secretary respectively, besides nine other members from Government Departments and one NGO to deal with matters of disability. The State Executive Committee (SEC) comprised the Secretary and the Director, Social Security & Welfare Department as Chairperson and Ex-officio Secretary respectively besides seven other members from Government Departments.

According to Section 17 to 20 of the Central PWD Act, the SCC and SEC were to hold meetings at least once in every six and three months respectively. The SCC held three meetings in October 1998, May 2000 and May 2002 whereas the SEC failed to hold any meeting. Thus, the SCC could not review and co-ordinate the activities of the Government Departments and Non-Governmental Organisations (NGOs) dealing with the disability to the extent envisaged. The reasons for the SEC not meeting at all, and the SCC not meeting the required number of times, had not been stated (June 2003).

3.1.7 Prevention and early detection of disabilities

The Commissioner, Disability Cell stated that the Medical Department had taken up several preventive measures for preventing disabilities and also taken action for investigation, screening of school children for identifying 'at risk' cases by 67 Primary Health Centres (PHCs) trained staff, Civil Hospital through School Health programme for prevention and early detection of disabilities but it could not furnish any record showing the number of trained workers available and number of PHCs having the facility for pre-natal and post-natal care of mother and children. Further, a house to house survey conducted in 2000 identified 9,739 persons with different types of disabilities as detailed Table 3.1 below district wise:

¹ Mokokchung and Tuensang
² Tuensang
³ Mokokchung and Dimapur

Table 3.1

SI No.	Nature of Disabilities	Name of the District								Total
		Kohima	Dimapur	Mokokchung	Zunheboto	Tuensang	Wokha	Phek	Mon	
1	Blindness	146	190	202	185	480	79	200	368	1,850
2	Low Vision	1	75	---	13	---	31	---	---	120
3	Leprosy	10	---	---	---	5	8	---	29	52
4	Hearing Impairment	165	161	240	257	469	51	216	185	1,744
5	Locomotor Disabilities	352	324	482	372	1321	273	364	496	3,984
6	Mental Retardation	277	137	314	169	146	174	411	168	1,796
7	Mental Illness	54	---	44	1	40	1	43	10	193
Total :-		1,005	887	1,282	997	2,461	617	1,234	1,256	9,739

Source: Departmental figures

Education

The State Government had neither taken any action to develop/provide educational infrastructure, teaching aids and teachers training institute, nor made arrangements for imparting non-formal education to the children with disability nor funds were provided for carrying out all these activities as per the provision of the Act.

Employment - Identification of posts

No policy of reservation for three *per cent* posts for PWD and identification of posts in Government Department was adopted/made by the State Government as required under Section 32 and 33 of Central PWD Act.

3.1.8 Provision of a Special Employment Exchange

Central PWD Act provides for a Special Employment Exchange (SEE) and Special Cell for registration of names of PWD. In Nagaland, instead of a SEE, a Special Cell for PWD was set up in the Regional Employment Exchange (REE), Kohima under the Centrally Sponsored Scheme (CSS - 1984-85). But no Central assistance was received by the department after 1990. A total number of 605 PWD were registered in the Special Cell under REE, Kohima, besides 509 PWD registered in six District Employment Exchanges. Category and District wise registration of 1,114 PWD upto March 2003 are detailed in *Appendix-XVI*.

Out of 1,114 PWD registered in the Employment Exchanges, no PWD had been appointed as the State Government had not yet formulated/announced any incentive to the employers for employing PWD.

3.1.9 Reservation in Poverty Alleviation Schemes

According to Section 40 of the Central PWD Act, the State Government/Local Authority was required to reserve three *per cent* slot for PWD in all Poverty Alleviation Schemes. Scrutiny of records (June 2003) of Rural Development Department revealed that out of eight District Rural Development Agencies (DRDAs) only two (Wokha and Phek) had reserved slots for PWD varying between 0.19 *per cent* to 0.42 *per cent* as detailed in *Appendix-XVII*.

Reasons for not providing three *per cent* slots in Poverty Alleviation Schemes by the remaining six DRDAs were not stated by Rural Development Department.

3.1.10 Social Security and Miscellaneous

The State Government had not yet introduced rehabilitation/insurance schemes/unemployment allowance as envisaged in the CPWD Act. However, scrutiny of records revealed that the State Government had introduced financial assistance in cash to totally blind, invalid persons and scholarship to handicapped students. The number of PWD benefited out of the schemes during the years 1998-99 to 2002-03 are detailed in Table 3.2 below:

Table 3.2

(No. of Persons with Disability)

Sl No.	Name of the scheme	1998-99	1999-00	2000-01	2001-02	2002-03
1	Totally Blind	170	170	173	177	176
2	Invalid Pension	551	551	-- *	564	566
3	Scholarship to Handicapped student	202	202	--- *	202	201

(* No funds were provided in the budget during 2000-01)

Source: Departmental figures

In respect of issue of identity cards to the PWD by the concerned District Welfare Officers (DWOs), it was seen that out of 9,739 PWD in the State, only 323 PWD were issued identity cards during the period from 1998-99 to 2002-03 as detailed in Table 3.3 below:

Table 3.3

Name of the District		Total No. of Identity Card issued
Mokokchung	}	23
Tuensang		14
Kohima	}	59
Dimapur		
Phek	}	162
Zunheboto		60
Mon		5
Wokha		N.A
Total :-		323

Source: Departmental figures

These indicated the extent of awareness spread by the DWOs among the PWD.

3.1.11 National Programme for Rehabilitation of Persons with Disabilities (NPRPD)

The National Programme for Rehabilitation of Persons with Disabilities, a new flexible State Sector scheme fully financed by the Government of India from 1999-00 to 2001-02 was implemented in two districts* to (a) create service delivery system at State Resource Centre/District/Block/Gram Panchayat level (b) provide services to PWD and create awareness for prevention of disabilities with clear linkage of each level with the other. From 2002-03 onwards, Government of India had stopped funding and directed the State Planning Department (May 2002) for keeping adequate provision in its Tenth Plan as well as in the Annual Plan (2002-03) for NPRPD but no provision was made by the State Government in the budget for the year 2002-03 in view of paucity of funds.

At Village level, there was a provision of two Community Base Rehabilitation Workers (CBRWs) and at Block level two Multiple Rehabilitation Workers (MRWs).

3.1.12 Financial management

Funds released by the Government of India and expenditure incurred for implementation of the Scheme are shown in Table 3.4 below:

* Dimapur and Tuensang.

Table 3.4

(Rupees in lakh)

Year	Opening Balance	Fund released	Expenditure	Unutilised	Percentage of utilisation to fund received
2000-01	NIL	12.50 136.40	148.90	Nil	100
2001-02	NIL	108.20	Nil	108.20	Nil
2002-03	108.20	---	108.20	Nil	100

Source : Departmental figures of expenditure

No budget provision was, however, made by the State Government during the years 1999-00 to 2002-03.

Records produced to audit indicated that the entire amount of Central assistance of Rs.2.57 crore under NPRPD was kept in the Current Account maintained by the Commissioner, Disability Cell instead of devolution of fund to the lower levels. Reasons thereof were neither on records nor stated to audit.

Scrutiny of utilisation certificates/statements of expenditure for the years 1999-00 to 2001-02 furnished to Government of India revealed that out of Rs.12.50 lakh released by the Government of India (May 2000), the Commissioner, Disability Cell procured a Mahindra GLX vehicle (Rs.5.67 lakh), Disability Identity Card (Rs.1.30 lakh) and Bill board for outdoor Information, Education and Communication publicity (Rs.0.75 lakh) in contravention of the provision of guidelines. Thus, expenditure of Rs.7.72 lakh (Rs.5.67 + Rs.1.30 + Rs.0.75) was unauthorised utilisation of Central assistance.

The nodal department incurred expenditure of Rs.31.07 lakh during 2000-01 and 2001-02 for procurement of furniture (Rs.7.57 lakh) and equipment (Rs.23.50 lakh) for State Resource Centre at Kohima and two District Referral Centre (DRC) at Tuensang and Dimapur for which vouchers/Actual Payee Receipts (APRs) for Rs.12.42 lakh only (Furniture-Rs.5.77 lakh and Equipment -Rs.6.65 lakh) could be furnished to audit. Besides, there was no DRC at Dimapur for which furniture/equipment had been procured. Thus, the expenditure of Rs.18.65 lakh (Rs.31.07 - Rs.12.42) could not be vouched by audit.

The department incurred an expenditure of Rs.10.50 lakh during the year 2001-02 and 2002-03 for payment of honorarium to the consultants (Rs.5.00 lakh) and training expenses for imparting training to CBRWs and MRWs at Tuensang and Dimapur (Rs.5.50 lakh) for which the department could produce vouchers/APRs for Rs.2.52 lakh only. Thus, expenditure of Rs.7.98 lakh (Rs.10.50 - Rs.2.52) was doubtful.

It was provided in the guidelines that assistance under the scheme should be utilised for admissible items only. It was seen that an amount of Rs.1.02 crore was spent on inadmissible items like, information, education, communication

equipments, inauguration of DRCs, office materials and furniture, operation cost, survey work on disability, sensitisation of public and community leaders and workshops and construction of 28 toilets and 25 ramps. Fund for meeting expenditure on these items was to be provided by the State Government. Thus, funds to the tune of Rs.1.02 crore were diverted for procurement of inadmissible items.

The guidelines of the scheme earmarked component wise budget for State and District level. Scrutiny revealed that the nodal department in violation of provisions of the scheme incurred expenditure of Rs.92.77 lakh during 2000-01 and 2001-02 in excess of admissible limit out of Central assistance. Thus, the expenditure of Rs.92.77 lakh was irregular utilisation of Central assistance as given in *Appendix - XVIII*.

3.1.13 Implementation of NPRPD

The Government of India released Rs.1.36 crore and Rs.1.08 crore during 2000-01 and 2001-02 respectively for implementation of NPRPD Scheme. The nodal department selected two districts Tuensang and Dimapur for establishing District Referral Centre (DRC) to provide services for treatment of PWD and training to MRW and CBRW and also declared/selected as the implementing districts for NPRPD during 2000-01 and 2001-02 respectively. It was stated (as per Status Report) that two District Referral Centres were inaugurated/opened on 17 May 2001 (Tuensang) and 30 June 2001 (Dimapur) but scrutiny revealed that there was no DRC at Dimapur.

3.1.14 Appointment of Community Base Rehabilitation Workers and Multiple Rehabilitation Workers

As per guidelines, the quality of CBRWs and MRWs were of crucial importance in the success of the scheme. The first effort should be to utilise already trained and experienced professionals and also having knowledge of simple repair to assistive devices.

For the purpose, the nodal department had selected only Tuensang district comprising 14 Blocks with 240 villages during 2001-02. It had appointed 14 MRWs and 363 CBRWs (November 2001) but no MRWs and CBRWs had yet been appointed for Dimapur district so far. Out of 363 CBRWs and 14 MRWs, appointment of 288 CBRWs and 10 MRWs were made on the recommendation of the members of the Legislative Assembly/Village Councils concerned. As a result, the capability of CBRWs and MRWs so selected remained un-assessed as there was nothing on record whether CBRWs and MRWs so selected were already trained/having knowledge in the field of disability rehabilitation.

3.1.15 Training of CBRWs and MRWs

According to NPRPD guidelines, the CBRWs and MRWs were required to be imparted training for three months and one month respectively. Scrutiny of records revealed that 14 MRWs and 300 CBRWs were given training at DRC, Tuensang as detailed in Table 3.5 below:

Table 3.5

Year	No. of CBRWs	Training courses conducted	Range of duration of training	No. of MRWs	Training courses conducted	Range of duration of training
2001-02	300	15	7days	14	2	30 days

The nodal department spent Rs.52.80 lakh as honorarium for CBRWs/MRWs at Tuensang district but scrutiny of records revealed that the amount of honorarium paid to CBRWs and MRWs by the nodal department totalled to Rs.24.78 lakh*. It was stated by the nodal department that the balance amount of Rs.28.02 lakh (Rs.52.80 lakh - Rs.24.78 lakh) was utilised for sensitization and awareness of the community in the village (covering eight districts) not covered under the scheme. Thus, expenditure of Rs.28.02 lakh was unauthorised utilisation of Central assistance.

3.1.16 Performance of CBRWs and MRWs

Test check of the door to door survey report of 363 CBRWs for the period from November 2001 to October 2002 revealed that the CBRWs had conducted only the survey part but not performed the duties of screening of infants and expectant mothers, conducting periodic meetings of CBRWs/MRWs and also referring the 'at risk' cases to the higher authority as no periodical reports covering performance of the duties of CBRWs as required, could be made available to audit. Thus, purpose of appointment of CBRWs and MRWs stood frustrated and honorarium paid to them proved unfruitful.

The nodal department had not yet introduced reporting system of the MRWs as envisaged in the scheme. Moreover, no cases of PWD were referred to the District Referral Centre/higher authority for further investigation and follow up action.

3.1.17 National Handicapped Finance and Development Corporation (NHFDC)

Implementation of Soft Loan Scheme

National Handicapped Finance and Development Corporation (NHFDC) set up under the Government of India, Ministry of Social Justice and Empowerment extended financial assistance in the form of soft loan to promote economic development activities, self employment, rehabilitation, up-

* November 2001 to April 2002 i.e. 6 months	
351 CBRWs x Rs.500 x 6 months	= Rs.10,53,000
May 2002 to October 2002 i.e. 6 months	
363 CBRWs x Rs.500 x 6 months	= Rs.10,89,000
November 2001 to October 2002 i.e. 12 months	
14 MRWs x Rs.2000 x 12 months	= Rs.3,36,000
Total:	Rs.24,78,000

gradation in technical and entrepreneurial skills and various welfare schemes for the disabled persons.

NHFDC had sanctioned/disbursed loans of Rs.1.21 crore to 255 beneficiaries during 1998-99 to 2002-03 through the department of Social Security and Welfare being State Channelizing Agency (SCA) nominated by the State Government (November 1998) with a condition to repay the loan amount (principal and interest) within seven years (including moratorium period) on equal instalment basis.

The year-wise position of applications received and loan sanctioned for disbursement during the period from 1998-99 to 2002-03 is given below:

Table 3.6

Year	No. of loan application received by SCA	No. of loan application sanctioned by SCA	No. of loan application forwarded to NHFDC	No. of loan application sanctioned by NHFDC
1998-99	Nil	Nil	Nil	Nil
1999-00	Nil	Nil	Nil	Nil
2000-01	20	14	20	14
2001-02	141	127	141	127
2002-03	142	114	142	114
Total			303	255

Source: Departmental figures

Scrutiny revealed that NHFDC accorded sanction of loan for Rs.7.00 lakh (February 2001), Rs.59.36 lakh (July 2002) and Rs.54.26 lakh (November 2002) for 14 numbers, 127 numbers and 114 numbers of projects respectively submitted by disabled persons from the State of Nagaland. The SCA had realised Rs.2.52 lakh from borrower being recovery of loan till date (June 2003) but records showing the schedule of repayment of instalments alongwith interest due thereon to NHFDC were neither made available nor reasons therefor were stated to audit.

According to terms and conditions of the loan sanction, the SCA was required to monitor the implementation of the project under a time bound schedule and also to send an estimated schedule, giving estimated date of commencement of project and its implementation, before disbursement of loan. But no such record showing monitoring the implementation of the project by the SCA was made available to audit. Moreover, the SCA did not carry out any post assistance inspection to ascertain the benefit derived out of the loan extended to the PWD. It was stated by the SCA that the post assistance inspection would be carried out in near future.

Hence, economic development activities and self-employment ventures for the benefit/economic rehabilitation of PWD with assistance through NHFDC could not be vouched in audit.

3.1.18 Monitoring and evaluation

Scheme provided/prescribed a format for monitoring. No monitoring and evaluation mechanism was set up by the nodal department as required under Section 18 of Central PWD Act.

3.1.19 Recommendations

In view of the shortcomings discussed in the foregoing paragraphs, audit recommended that :

The nodal department should evolve a monitoring mechanism to oversee the activities of all State Government departments towards the benefit of PWD.

The SCA should devise an effective system in promoting awareness among PWD about various schemes and programmes launched by the Government for their welfare as also about the soft loans facilities extended by the NHFDC.

The matter was reported to the Government and the department in September 2003; their replies had not been received (January 2004).

HOME (POLICE) DEPARTMENT

3.2 Avoidable expenditure in the Police Central Workshop

Due to inadequate provision of requisite machinery and trained and skilled technicians in Police Central Workshop the department had to incur avoidable expenditure of Rs.64.05 lakh on major repairs and Rs.40.44 lakh on job charges on tyre retreading done in private garages during 1998-99 to 2002-03

Police Central Workshop (PCW) under the administrative control of the Director General of Police (DGP) Nagaland was established at Chumukedima in November 1971 for repair of all vehicles of police department in the State. Functioning of the PCW is supervised by an Additional Superintendent of Police (Mechanical) as officer in charge who is assisted by one Deputy Superintendent of Police (Technical) and six mechanics, welders and painters.

The working of the PCW for the period from 1998-99 to 2002-03 was reviewed during June and July 2003 by test check of records of the DGP, PCW, two¹ out of eight Superintendents of Police (SP), Commandants of two² out of 10 Battalions and Commandant, Nagaland Armed Police Training Centre, Chumukedima.

No separate provision was made in the State budget for the PCW. The PCW did not receive funds from Police Headquarters (PHQ) except pay and allowances for its staff. The cost of the spare parts etc. for repair and replacement done in the PCW was borne by the respective unit office to which the repaired vehicle was attached. The expenditure on account of pay and allowance of the PCW staff during the years from 1998-99 to 2002-03 was as under:

¹ 1) SP Dimapur. 2) SP Kohima.

² 1) Commandant 1st NAP Battalion. 2) Commandant 7th NAP Battalion.

Expenditure

<u>Year</u>	<u>pay and allowances</u>
	(Figures in lakh)
1998-99	Rs.18.23
1999-00	Rs.18.99
2000-01	Rs.22.23
2001-02	Rs.30.94
<u>2002-03</u>	<u>Rs.35.51</u>
<u>Total</u>	<u>Rs.125.90</u>

Management of equipment and manpower

The department had a fleet of 1,160 vehicles including models like Bolero, Gypsy King etc. for use of 27 unit offices and Police Headquarters, but the PCW was not equipped with machineries and tools for repairs of various types of vehicles available with the department. The machineries like Micro PFIP test bench, Nuzzle tester, Nuzzle grinding and Lapping and vertical main line boring machine procured in April 2003 had not been installed as of October 2003. It did not have the facilities for tyre retreading.

The PCW did not have requisite man power and technical skill although it had submitted (November 1996) to Government a proposal for sanction of more posts of technical staff in addition to existing six posts of mechanic, etc. The department had not taken any action to impart training to the existing technical staff for up-gradation of their skill. Reply from the department/Government was awaited (January 2004).

The above factors, among others, were mainly responsible for carrying out repairing jobs in private garages as discussed in following paragraphs:

Avoidable expenditure

Test check of records of the two SPs, three Commandants and PHQ revealed that despite existence of PCW, major repairs of 228 vehicles were carried out in private garages during 1998-99 to 2002-03 at an expenditure of Rs.1.87 crore out of which Rs.64.05 lakh was paid as labour charge which could have been avoided had these vehicles been repaired in PCW as shown in *Appendix – XIX*.

The PCW was not equipped with tyre retreading plant since its creation. Records of PHQ revealed that 13,196 tyres of different sizes were retreaded between 1998-99 and 2002-03 in private plants at a cost of Rs.2.56 crore which included Rs.40.44 lakh towards payment of job charges. Thus, the payment of Rs.40.44 lakh towards job charges could have been avoided had the plant been provided in PCW.

Excess expenditure over permissible limit

Under the financial powers delegated vide Government of Nagaland finance department's order (April 1998) the heads of the department could incur expenditure on repairs and maintenance of light vehicles including the cost of tyres, tubes and batteries as under:

1. Attached vehicles: i) Upto Rs.3,000 annually for first two years.
ii) Upto Rs.8,000 annually for subsequent years.
2. Pooled vehicles: i) Upto Rs.5,000 annually for first two years.
ii) Upto Rs.10,000 annually for subsequent years.

Scrutiny of records of two SPs, three Commandants, PCW and PHQ revealed that expenditure to the extent of Rs.4.57 crore, incurred on repairs and maintenance of 1,094 vehicles during 1998-99 to 2002-03, was beyond the permissible limits as shown in the *Appendix - XX*.

Non development of unit MTs

The motor transport (MT) wings in unit offices also lacked required infrastructure, equipment, machineries, spare parts and trained technicians to carry out major repairs, which necessitated such repairs in private garages. The unit offices located in the far flung districts of the State did not send their vehicles to PCW because of the long distances and consequential expenditure involved for carrying the off-road vehicles to PCW at Chumukedima. Thus, due to failure of the department to develop the unit MTs useful for remote districts with requisite infrastructure and trained technicians, the repairing of the vehicles in private garages could not be avoided.

Thus, inadequate/non-existence of provision of tools, machines, equipment and technical/skill man power rendered the functioning of PCW and unit MTs ineffective. The department had to incur avoidable excess expenditure of Rs.1.04 crore for repairs and maintenance of police vehicles despite maintaining the PCW at a cost of Rs.1.25 crore during the five years ending 2002-03 which proved to be largely infructuous, and thus, failed to meet the objectives of setting up the PCW fully.

The matter was reported to the Government and the department in July 2003; their replies had not been received (January 2004).

SECTION – B – AUDIT PARAGRAPHS

HOME (POLICE) DEPARTMENT

3.3 Non-realisation of cost of Police Guards

Unit Commanders are yet to recover Rs.5.83 crore towards cost of providing police guards against banks/agencies

Due to the adverse security conditions prevailing in the state, all commercial banks in Nagaland have been provided with police guards. Instructions (March 1971) of the Government of Nagaland were also reiterated by the Orders (May 1995) of the Director General of Police (DGP) which stipulated that the cost of providing Police Guards was to be recovered at the rate of 10 per cent (From the Currency Chest bank, branch at Dimapur), and 50 per cent (From other bank branches and offices) towards the pay and allowances of the guards deployed. The DGP also directed (May 1995) all Unit Commanders (UC) to ensure that all payments due upto 31 March 1995 be realised within three months from the date of issue of the orders and credited to Government Account.

Test check (September-October 2002) of records of the DGP, Nagaland, Kohima (September 2000 to September 2002) revealed that claims of Rs.5.83 crore raised against different banks/agencies for the period from June 1986 to March 2002 by 14 UCs, had not been settled as of October 2002. No reasons were assigned by the banks/agencies against non-settlement of claims.

The matter was reported to the Government and the department in July 2003; in reply (October 2003), the Government while admitting the fact stated that steps were being taken to realise the outstanding amount from the banks and agencies.

3.4 Fraudulent drawal of arrears of sterilisation increment

There was fraudulent drawal of Rs.47.37 lakh on account of arrears of sterilisation increment

In terms of the provisions contained in the Government of India, Ministry of Finance Office Memorandum (OM) dated December 1979 and September 1980 and subsequent OM dated December 1985 (as adopted by the Government of Nagaland) a special increment in the form of special pay, not to be absorbed in the future increase of pay, is allowed to Government employees who undergo sterilization after having two or three surviving children (effective upto 16.12.85)/after having one surviving child (effective from 17.12.85) subject to other conditions laid down thereunder.

During audit (September 2002) of records of the Superintendent of Police (SP) Kiphire (March 1997 to August 2002) it was seen that as per the Kiphire Treasury's schedule of payments, the SP Kiphire drew (March 1999) Rs.47.37 lakh through eight bills being the arrears of sterilization increment in favour of the police personnel. The department neither furnished the authority allowing the drawal of special increment, nor could the fulfillment of conditions for grant of the incentive be shown to audit. The amounts were not routed through cash book and the copies of bills/records indicating the period to which arrear amounts related, number of Police personnel involved, payees' receipts in support of disbursement, sanction of the competent higher authority, medical certificates of sterilisation and declaration of family members as required under the rules were not made available to audit for verification.

On being pointed out in audit, the SP, Kiphire while confirming (September 2002) the fact of the fraudulent drawals, stated that a prima facie case of fraudulent drawal was established (after investigation) and the charge sheet was submitted to the Court (March 2001) against the then SP Kiphire, a Sub-Inspector, Armed branch (both since retired) and others. However, an amount of Rs.7,04,250 was recovered from the possession of the accused persons and deposited into treasury (June 2000). The details of the amounts recovered and from whom recovered were not made available to audit.

The fraud had occurred due to system failure on the part of both the offices of the SP, Kiphire and the Treasury Officer, Kiphire for not exercising necessary statutory checks while submitting bills and allowing the payment of arrear bills like, obtaining the sanction of the competent authority and non-observance of codal provisions regulating grant of special increment. The SP, Kiphire neither reported the fact of fraudulent drawal to the Government nor to the Accountant General, Nagaland, Kohima as required under Rule 16 of General Financial Rules.

The matter was reported to the Government and the department in August 2003; in reply (October 2003) Government admitted that it was an act of fraudulent drawal by SP, Kiphire in connivance with the Treasury Officer.

3.5 Infructuous expenditure on idle staff

There was irregular expenditure of Rs.8.95 lakh towards payment of salary to staff

Test check (October 2002) of records of the District Commandant, Home Guards, Kohima for the period from September 1997 to September 2002 revealed that one Clerk and one Assistant were employed in excess of the sanctioned strength from October 1994 to September 2002 and July 1998 to September 2002 respectively. Thus, excess engagement of staff resulted in an irregular and extra expenditure to the tune of Rs.8.95 lakh (Rs.5.27 lakh + Rs.3.68 lakh) on payment of their salary.

The matter was reported to the Government and the department in July 2003; their replies had not been received (January 2004).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.6 Extra expenditure due to deployment of excess staff

Deployment of excess staff resulted in extra expenditure of Rs.1.78 crore towards pay and allowances

Mention was made in para 3.4.16 (e) of the Report of the Comptroller and Auditor General of India for the year 1987-88, para 3.10 of the Report for the year 1995-96 and para 3.7.8 of the Report for the year 1997-98 regarding deployment of excess staff of various categories under Urban Malaria Scheme (UMS), Dimapur upto March 1998 by the Government of Nagaland over the norms prescribed by the Government of India. Sanction for creation of such posts in excess of Government of India norms was accorded by the Government of Nagaland, Health and Family Welfare Department (H&FWD) in March 1984 in violation of norms prescribed by the Government of India.

Test check (October 2002) of records of the Biologist, UMS, Dimapur (April 1998 to September 2002) revealed that despite the matter being highlighted in the Reports, H&FWD had continued to deploy staff of various categories in excess of the scale laid down by Government of India for operation of UMS at Dimapur as detailed in *Appendix-XXI* without obtaining any approval from the Government of India.

It was further noticed that the Government of Nagaland (H&FWD) decided (September 1991) to open a new Zonal Malaria Office at Tizit (Mon District) by transferring all excess staff under Biologist, UMS, Dimapur, but the new office at Tizit had not been established as of October 2003 and as a result, the excess staff continued to remain with the Biologist, UMS, Dimapur. The Public Accounts Committee in its 59th Report also cautioned the department not to entertain excess staff beyond norms.

Thus, despite the Public Accounts Committee's caution (March 1997), the department continued entertaining staff in excess of prescribed scale and incurred extra expenditure of Rs.1.78 crore during the period April 1998 to September 2002. Further, the department did not act upon the decision (September 1991) to open a new Zonal Malaria Office at Tizit to gainfully utilise the surplus staff as of October 2003.

The matter was reported to the Government and the department in July 2003; in reply (October 2003), the Government, while admitting the fact, stated that the excess staff were appointed in anticipation of their posting to the Zonal Malaria Office to be newly opened at Tizit. The reply is not tenable as the new office at Tizit has yet to be opened under the scheme.

**HEALTH AND FAMILY WELFARE/HORTICULTURE
DEPARTMENT**

3.7 Irregular expenditure on contingency paid employees

The departments incurred irregular expenditure of Rs.51.44 lakh towards wages and salaries against contingency paid employees

Extant orders (April 1993) of the Finance Department, Government of Nagaland prohibit the appointment of contingency paid employees and casual employees by all Government departments.

Test check (November 2002) of records of the Civil Surgeon, Phek (July 2000 to October 2002) revealed that in violation of the above Government orders, the department appointed 1337 and 636 contingency paid/casual employees like chowkidars/sweepers during April 1997 to June 2000 and July 2000 to October 2002 respectively in excess of the regular sanctioned strength and incurred irregular expenditure of Rs.17.49 lakh (Rs.10.66 lakh + Rs.6.83 lakh) towards their wages and salaries.

Similarly, test check (August 2002) of records of the Director of Horticulture, Kohima (October 2000 to July 2002) revealed that in violation of the Government orders, the department appointed 485 contingency paid/casual employees like labourers/malies during December 1999 to December 2001 in excess of the regular sanctioned strength and incurred irregular expenditure of Rs.33.95 lakh towards their wages and salaries.

The matter was reported to the Government and the department in August 2003 and July 2003 respectively. In reply, Government, Horticulture Department stated (October 2003) that due to shortage of staff and considering the need for maintenance of huge areas of farms, the appointment of contingency paid employees was made. Similarly, Government, Health and Family Welfare Department stated (October 2003) that the said employees were appointed against creation and up-gradation of some health units. Both the replies are not tenable as the appointment of the same was banned vide orders *ibid*.

INDUSTRIES AND COMMERCE DEPARTMENT

3.8 Drawal of money in excess of requirement

There was excess drawal of Rs.66 lakh for payment under Voluntary Retirement Scheme to the employees of the Nagaland Sugar Mill Company Limited and non-remittance of Rs.1.76 crore to Government account

The Government of Nagaland, Industries and Commerce department vide their letter dated August 2001 decided to close down the Nagaland Sugar Mill Company Limited (NSMCL) with effect from 30 September 2001 with a direction to the Director to settle all dues within one month.

Test check (June 2002) of records of the Director, Industries and Commerce department, Nagaland, Kohima (September 1998 to March 2002) revealed that the Director had drawn Rs.19.93 crore in three separate bills for payment under Voluntary Retirement Scheme (VRS) to the employees of the NSMCL and paid Rs.19.27 crore in three instalments during December 2001, March 2002 and June 2002. Thus, the Director had drawn Rs.66 lakh in excess of requirement and retained the money till the date of audit (June 2002).

Further scrutiny revealed that out of the total amount paid to the employees as VRS, the Director recovered Rs.46 lakh from the employees as rent of Company quarters, which were to be credited to the Head-Land and Building and Rs.64 lakh were recovered as deduction of interim payment paid to the employees during October 2001 to March 2002, which were to be credited to the salary head. But the Director did not remit Rs.1.10 crore (Rs.0.46 crore + Rs.0.64 crore) to Government till the date of audit (June 2002).

Thus, Rs.1.76 crore had been retained in hand, which included unnecessary drawal of Rs.66 lakh in excess of requirement.

The matter was reported to the Government and the department in August 2003; their replies had not been received (January 2004).

3.9 Avoidable/excess expenditure

Due to delay in providing fund and inclusion of a faulty and injudicious clause in the agreement, an avoidable/excess expenditure of Rs.37.20 lakh was incurred by the department

Test check (January – February 2002) of records (October 1999 to January 2002) of the Director of Sericulture, Nagaland, Kohima revealed that the work of construction of Directorate of Sericulture office building at Kohima was awarded (28.11.1991) to the lowest tenderer at 150 *per cent* above Schedule of Rates (SOR) 1985 at a cost of Rs.21.50 lakh with stipulated date of completion within 12 months from the 10th day of the issue of work order. It

was seen that a faulty and injudicious clause, not in accordance with the provisions of financial rules, was inserted in the conditions of contract that in case the department failed to make payment to the contractor as and when bill for part completion of work was submitted, the tendered rate above the SOR would be enhanced as desired by the contractor. The enhancement of rate was left to the discretion of the contractor without specifying its upper limit. Accordingly, the contractor was paid Rs.90.95 lakh (upto January 2001) by allowing the tendered rate enhanced to 280 percent from 150 percent above SOR in respect of fifth to eighth running account bill. The work had been completed in December 2000. Due to non-availability of funds sanction and delayed payment to contractor the completion of work was prolonged for many years. Delay on the part of the Government to provide funds resulted in excess/avoidable expenditure of Rs.37.20 lakh (Rs.90.95 lakh – Rs.53.75 lakh).

Thus, inclusion of arbitrary, injudicious and faulty clause not in accordance with the general financial principles in the conditions of contract for making payment at an enhanced rate preferred by the contractor resulted in excess expenditure of Rs.37.20 lakh. Due to failure on the part of the controlling officers, like Superintending Engineer, Chief Engineer, etc. in noticing this arbitrary clause in the agreement, payment at injudiciously higher rate continued.

The matter was reported to the Government and the department in August 2003; their replies had not been received (January 2004).

**VETERINARY AND ANIMAL HUSBANDRY
DEPARTMENT**

3.10 Blocking of funds

Procurement of liquid nitrogen plant without calling for tenders and its non-commissioning resulted in blocking of Government funds of Rs.1.11 crore

Government of India (GOI), Ministry of Agriculture, Department of Animal Husbandry and Dairying accorded (December 1998) sanctions for Rs.1.03 crore¹ and Rs.8.00² lakh for setting up a Frozen Semen Bank with Liquid Nitrogen Plant (LNP) at Mokokchung under Centrally Sponsored Scheme of Extension of Frozen Semen Technology for Cattle and Buffalo Development and implementation of the National Bull Production Programme (NBPP) respectively in the State during 1998-99.

¹ (a) One Frozen Semen Bank at Mokokchung with liquid nitrogen plant	- Rs. 70.00 lakh
(b) Artificial Insemination Centres with frozen semen facilities – 150 nos.	- Rs. 30.00 lakh
(c) Frozen Semen Doses – 15000 nos.	- <u>Rs. 3.00 lakh</u>
Total	- Rs. 103.00 lakh
² (i) Training cost	Rs.2.00 lakh
(ii) procurement of castrators - 50 nos	<u>Rs.6.00 lakh</u>
Total	Rs.8.00 lakh

Test check (November 2001) of records (May 2000 to September 2001) of the Director of Veterinary and Animal Husbandry Department (DVAH) revealed that on the basis of a single offer (December 1998) of a Guwahati based supplier M/s X³ at a cost of Rs.1.01 crore for supply of a LNP⁴ with accessories, DVAH issued (May 1999) supply orders to the M/s X with instructions to supply the materials within three months from the date of issue of supply orders. The offer had a condition of 100 per cent advance payment and was inclusive of the cost of installation/commissioning of the plant FOR Mokokchung. Based on State Government sanction (March 1999), the DVAH drew Rs.1.11 crore in the same month and paid (June 1999) Rs.91.40 lakh for supply of Liquid Nitrogen Plant to the M/s X against the demanded cost of Rs.1.01 crore and Rs.1.85 lakh (October 1999) to M/s Y⁵ for supply of 7255 doses of frozen semen totalling Rs.93.25 lakh, keeping the balance amount of Rs.17.75 lakh (Rs.9.75 lakh being the cost of 75 KVA generator set plus Rs.8.00 lakh being the cost of NBPP) undisbursed as of October 2003. Reason for single offer based procurement without ensuring competitive rate was neither on record nor stated to audit. It was also seen that no penal clause for non-supply/non-commissioning of the plant by the supplier within the time schedule (August 1999) was incorporated in the deed of agreement executed (11 June 1999).

It also transpired from the records that Rs.9.75 lakh (being the cost of the generator set) and Rs.8.00 lakh (meant for implementation of the NBP programme) remained unutilised as of October 2003. Further, no stock certificate as required vide Clause 4 of the deed of agreement to ensure the receipt of article in good condition and in full quantity could be shown to audit for verification. The DVAH made no arrangement as of October 2003 for procurement of 75 KVA generator set being indispensable for commissioning of the plant through the supplier at its originally quoted price of Rs.9.75 lakh. It was further seen that 7,255 doses of frozen semen procured in October 1999 much in advance of requirement were yet to be utilised (October 2003) although the artificial insemination centres were stated to have been created by the department.

On being pointed out, the DVAH replied that the plant with accessories worth Rs.91.40 lakh was supplied in November 2001 except for the generator set which was yet to be installed by the supplier as of October 2003 despite several references.

The department neither followed the established procedure for selection/approval of the supplier by inviting necessary quotation, nor adhered to the instruction for procurement of articles as specified in the annexure to the Government of India sanction letter *ibid*.

³ M/s S.S Services Private Limited

⁴ (a) One Linit 10 liquid Nitrogen Plant – 10 Ltrs capacity	Rs.79.20 lakh
(b) One Voltage Stabilizer 75 KVA	Rs.3.25 lakh
(c) One Liquid Nitrogen Container (Statebourn HV-500/2 twin neck)	Rs.8.95 lakh
(d) One Generator 75 KVA	<u>Rs.9.75 lakh</u>
Total	Rs.101.15 lakh

⁵ M/s NEMCONS, Dimapur

Thus, non-commissioning of the plant till October 2003 despite its belated supply in November 2001 had hampered the implementation of the artificial insemination programme depriving the farming community of the benefit of the scheme, besides locking up of Government money to the tune of Rs.1.11 crore.

The matter was reported to the Government and the department in July and August 2003; Government replies had not been received (January 2004).

SCHOOL EDUCATION DEPARTMENT

3.11 Irregular drawal of arrears of Dearness Allowance

The department irregularly drew excess arrears of Dearness Allowance amounting to Rs.23.21 lakh

As per Government of Nagaland Office Memorandum dated April 2001 and ADDENDUM dated May 2001 arrears of Dearness Allowance (ADA) were to be paid at the rate of one and four *per cent* for the periods from 1.1.2000 to 30.6.2000 and 1.7.2000 onwards respectively.

Test check (May 2002) of records of the Deputy Inspector of Schools (DIS), Wokha (May 1999 to April 2002) revealed that the ADA was drawn and paid at the rate of 37 *per cent* in nine bills and 38 *per cent* in two bills amounting to Rs.23.85 lakh for the period January 2000 to March 2000 instead of Rs.0.64 lakh at the rate of one *per cent* admissible for the said period. This resulted in excess drawal of ADA of Rs.23.21 lakh.

The matter was reported to the Government and the department in July 2003. At the instance of audit the department recovered Rs.20.11 lakh leaving balance amount of Rs.3.10 lakh unrecovered (January 2004).

3.12 Failure to respond to Audit objections and non-compliance

690 paragraphs relating to 108 Inspection Reports involving Rs.151.60 crore had not been settled as of June 2003.

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, these are incorporated in the IRs and issued to the Heads of Offices inspected with a copy to the next higher authorities. Though the State Government had accepted the recommendations of Shakhdar Committee regarding establishment of appropriate mechanism in Government to monitor Government's response to Audit, no separate monitoring cell has been established by the State Government as of October 2003. 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 2003) pertaining to School Education Department disclosed that 690 paragraphs relating to 108 IRs involving money value of Rs.151.60 crore remained outstanding at the end of June 2003. Of these, 29 IRs containing 142 paragraphs had not been replied to for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix -XXII*. Some irregularities of serious nature in these IRs had not been settled, as of October 2003, as shown below:

Table 3.7

<i>Sl No.</i>	<i>Nature of irregularities</i>	<i>No. of paragraphs</i>	<i>Amount (Rupees in lakh)</i>
1.	Avoidable expenditure/excess payment	106	4,505.65
2.	Misappropriation/shortage/loss of Government money/store	34	123.56
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	156	8,026.21
4.	Loss due to non-realisation of Government money	29	96.12
5.	Fictitious/doubtful drawal	41	974.72
6.	Miscellaneous/Others	324	1,434.05
	Total:-	690	15,160.31

A review of the IRs awaiting settlement revealed that Heads of Offices and the concerned Head of the department (Director, School Education) had not discharged their responsibilities as they did not send any reply to a large 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 Shakdhar Committee.

The matter was reported to the Government in September 2003; their replies had not been received (January 2004).

**CHAPTER – IV
WORKS EXPENDITURE**

SECTION – A – REVIEWS

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.1 Irrigation and Flood Control Department including manpower management

Highlights

The Department is implementing minor irrigation projects in the State besides executing anti-erosion and flood control works. Large amounts of borrowed funds were drawn without any immediate requirement and parked in civil deposits. Schemes/projects in progress were shown as completed without any completion certificate on record. Scheme funds were utilised for purposes for which these were not to be expended. There was no monitoring or evaluation of schemes.

Payment of pay and allowances to workcharged/casual employees engaged for work/projects but not actually deployed on any work/projects resulted in infructuous expenditure of Rs.5.29 crore. Further, there was unfruitful expenditure of Rs.3.67 crore on payment of pay and allowances to idle staff of defunct Land Reclamation and Agri Unit Workshop, Dimapur.

(Paragraphs 4.1.9 & 4.1.10)

Diversion of scheme funds of Rs.1.41 crore for purchase of vehicles, computer and accessories rendered schemes partly incomplete.

(Paragraph 4.1.12)

Partly completed schemes deprived people of intended benefits resulting in unfruitful expenditure of Rs.41.43 lakh on construction of four minor irrigation projects.

(Paragraphs 4.1.14)

Key records like project reports, estimates, measurement books, work orders and agreements relating to Accelerated Irrigation Benefit Programme and Command Area Development Programme from 1999-2003 for Rs.9.69 crore were not produced to audit.

(Paragraph 4.1.18)

4.1.1 Introduction

The Irrigation and Flood Control Department (I&FCD) is responsible for implementation of irrigation projects in the State. The department was created with effect from 1 April 1988 by bifurcating the Agriculture Department with the main objective of harnessing water resources of the State for accelerating agricultural production through irrigation and also to mitigate the devastating effects of floods and erosion on the banks of major rivers in the State.

4.1.2 Organisational set up

The Irrigation and Flood Control Department is headed by a Secretary to Government of Nagaland. In technical matters he is assisted by an Additional Chief Engineer designated as Officer-on-Special Duty (OSD). Directorate, I&FC is headed by an Additional Chief Engineer (Addl. CE) who is responsible for planning, programming, implementation and monitoring of schemes and projects. He is assisted by a Superintending Engineer (SE) and 11 Executive Engineers (EEs).

4.1.3 Audit coverage

Records relating to receipt and release of funds, expenditure, implementation of different minor irrigation projects, human resource and material management in the office of the Addl. CE and in three¹ Divisions out of nine were test checked between April and June 2003. An expenditure of Rs.48.52 crore, constituting 78 per cent of total expenditure of Rs.61.98 crore for the period from 1998-99 to 2002-03, was test checked in audit.

4.1.4 Funding pattern

Total receipt and expenditure under various schemes during 1998-2003 are shown below in Table 4.1.

Table 4.1

(Rupees in crore)

Year	Release of fund			Expenditure incurred	Unspent balance
	Government of India and other financial institution	Government of Nagaland	Total		
1998-99	---	0.10	0.10	0.10	---
1999-00	4.78	1.35	6.13	6.13	---
2000-01	6.11	1.43	7.54	7.54	---
2001-02	11.76	1.01	12.77	12.77	---
2002-03	9.06	0.85	9.91	4.41	5.50
Total	31.71	4.74	36.45	30.95	*5.50

Source: Departmental figures

¹

- (i) Executive Engineer (I&FC), Kohima Division
- (ii) Executive Engineer (I&FC), Works Division, Dimapur
- (iii) Executive Engineer (I&FC), Investigation Cell, Dimapur

- (i) Government of India paid Rs.2.50 crore for Accelerated Irrigation Benefit Programme during 2002-03 which was not released to the department by the State Government as of 31 March 2003.
- (ii) Funds of Rs.3.00 crore paid by the Government of India as additional central assistance for Flood Control and Anti-erosion work during 2002-03 was kept in Civil Deposit by the Department.

Funding pattern of various schemes ** undertaken by the department during 1998-2003 was as under:

(i) Minor Irrigation Scheme:

(a) Accelerated Irrigation Benefit Programme (AIBP) –

Centre : State :: 75 : 25

Under the programme the department received Rs.18.98 crore of which Rs.15.23 crore was from Government of India as loan and Rs.3.75 crore from State Government being its share.

(b) Rural Infrastructure Development Funds (RIDF) –

The pattern of its financing by National Bank for Agriculture and Rural Development (NABARD) (as loan) and the State Government differs from fund to fund.

State Government raised loan of Rs.5.49 crore from NABARD but no contribution was made by it.

(c) Non-Lapsable Central Pool of Resources (NLCPR) –

It is fully financed by the Government of India.

Government of India paid Rs.1.06 crore of which Rs.11 lakh was loan and Rs.95 lakh was grant.

(ii) Command Area Development Programme (CADP) –

Centre : State :: 50 : 50

Under the scheme the department received Rs.2.09 crore of which Government of India paid Rs.1.55 crore as grant against which State Government paid Rs.54 lakh.

(iii) Flood Control and Anti-erosion Work:

**

(1) Minor irrigation scheme:-	- Rs. 25.53 crore
(a) Accelerated Irrigation Benefit Programme (AIBP)	- Rs.18.98 crore
(b) Rural Infrastructure Development Fund (RIDF)	- Rs.5.49 crore
(c) Non-Lapsable Central Pool of Resources (NLCPR)	- Rs.1.06 crore
(2) Command Area Development Programme (CADP)	- Rs.2.09 crore
(3) Flood Control and Anti-erosion work	- Rs.8.55 crore
(4) Rationalisation of Minor Irrigation Statistics (RMIS)	- Rs.28 lakh

Under the scheme, the department received Rs.8.55 crore of which Rs.8.10 crore was from Government of India (Rs.81 lakh as loan being ten *per cent* and Rs.7.29 crore as grant being 90 *per cent*) and Rs.45 lakh from the State Government.

(iv) Rationalisation of Minor Irrigation Statistics (RMIS) –

It was fully funded by the Government of India.

Government of India paid Rs.28 lakh as grant.

4.1.5 Budget provision and expenditure

Funds allotted to the department and expenditure incurred during 1998-99 to 2002-03 are given in Table 4.2 below:

Table 4.2

Year	Budget provision			Expenditure			Excess (+)/Savings (-)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
1	2	3	4	5	6	7	8	9	10
1998-99	836.99	---	836.99	585.22	---	585.22	(-) 251.77	---	(-) 251.77
1999-00	970.02	---	970.02 ^o	1090.41	---	1090.41	(+) 120.39	---	(+) 120.39
2000-01	1279.40	---	1279.40	1283.17	---	1283.17	(+) 3.77	---	(+) 3.77
2001-02	1549.88	---	1549.88	1346.62	---	1346.62	(-) 203.26	---	(-) 203.26
2002-03	1634.42	520.00	2154.42	1345.88	519.98	1865.86	(-) 288.54	(-) 0.02	(-) 288.56

Source: Detailed Appropriation Accounts Figures

It was stated by the department that excess expenditure during the years 1999-00 and 2000-01 was due to release of dearness allowance installment and payment of arrears of pay. The reply was not tenable as all these items of expenditure were foreseeable and provision therefor should have been made in the budget of the concerned years.

4.1.6 Remittance to field offices by the Directorate was found short in the books of accounts of field offices

Funds were drawn centrally by the Directorate and released to the field offices for disbursement to the payees.

Test check of records revealed that money remitted by the Directorate during the period from 1998-99 to 2002-03 was found short received to the extent of Rs.36.76 lakh as shown in Table 4.3 below, in the books of accounts of three divisional offices. Possibility of such short receipt of money by other divisional offices could not be ruled out. It was seen that discrepancies between the figures of Directorate and divisional offices were not reconciled during the period under review:

Table 4.3

(Rupees in lakh)

Year	Amount remitted by the Directorate			Amount actually received by the division			Short receipt by the division		
	EE (I & FC), Kohima Division	EE (I & FC), Works Division, Dimapur	EE (I & FC), Investigation Cell, Dimapur	EE (I & FC), Kohima Division	EE (I & FC), Works Division, Dimapur	EE (I & FC), Investigation Cell, Dimapur	EE (I & FC), Kohima Division	EE (I & FC), Works Division, Dimapur	EE (I & FC), Investigation Cell, Dimapur
1999-00	1.80	6.33	3.50	-	3.19	-	1.80	3.14	3.50
2000-01	41.07	34.94	0.20	57.21	33.14	-	18.57	1.80	0.20
2001-02	34.71	56.31	131.41		48.98	131.37		7.33	0.04
2002-03	0.25	0.13	232.51	-	-	232.51	0.25	0.13	-
Total	77.83	97.71	367.62	57.21	85.31	363.88	20.62	12.40	3.74

Source:- Departmental records

4.1.7 Parking of funds

Test check of records of the Directorate revealed that funds amounting to Rs.10.23 crore were drawn for implementation of various schemes in March during the year 1999-00 to 2002-03 but deposited in civil deposit during the same period as detailed in Table 4.4 below:

Table 4.4

(Rupees in crore)

Year	Date of drawal	Amount	Name of the scheme
1999-00	28.3.2000	2.73	AIBP
	31.3.2000	1.14	RIDF(NABARD)
2000-01	31.3.2001	0.86	RIDF(NABARD)
	31.3.2001	2.50	AIBP
2002-03	31.3.2003	3.00	Flood control
Total :-		10.23	

Source:- Departmental figures

It was noticed that the above deposits were made according to orders of Finance Department reportedly due to financial constraints. While the funds were obtained from the Government of India and other financial institutions as negotiated loan, keeping the funds in civil deposits on the ground of financial constraints was not justified. This not only affected programme implementation but also increased the interest payment liability on the unutilised borrowed funds. The amount kept in civil deposits was reported as expenditure and thus, inflated expenditure was reported.

4.1.8 Non-furnishing of Utilisation Certificates

Test-check of records of the Directorate revealed that utilisation certificates for a total amount of Rs.12.11 lakh in respect of Rationalisation of Minor Irrigation Statistics (RMIS) pertaining to the years 1998-99 (Rs.0.39 lakh) and 1999-2000 (Rs.11.72 lakh) were not furnished to Government of India on the plea of non-receipt of audited figures of expenditure from the State Accountant General.

Department's reply is not acceptable as it was clearly mentioned in the Government of India sanction order that department should send utilisation certificate initially and audited figures of expenditure thereafter.

4.1.9 Human Resource Management

Infructuous expenditure of Rs.5.29 crore on payment of pay and allowances to workcharged/casual employees

According to para 43 (a) of Nagaland Public Works Department Code, work-charged establishment includes such establishment as is employed upon the actual execution as distinct from the general supervision, of a specific work or of sub-works of a specific project or upon the subordinate supervision of departmental labour, stores and machinery in connection with such work or sub-works.

Test check of record revealed that the department engaged 236 to 162 workcharged/casual employees during 1998-99 to 2002-03 but they were not deployed on any scheme/project/work which violated the codal provision and resulted in infructuous expenditure of Rs.5.29 crore² towards payment of pay and allowances to these employees.

4.1.10 Unfruitful expenditure of Rs.3.67 crore on payment of pay and allowances to idle staff of the defunct workshop unit

Test check of records of the Executive Engineer (I&FC), Works Division, Dimapur revealed that a workshop namely Land Reclamation and Agri Unit Workshop established by the Agriculture Department (date and cost of establishment were not available with division) for repair and maintenance of departmental vehicles, machineries and equipment stopped functioning since 1995-96 (records showing rendering the staff idle and the date of non-functioning could not be made available). It was stated by the Executive Engineer that though there was enough manpower in the workshop and requisite machineries and equipment, the manpower and the machineries could not be utilised due to dearth of repairing jobs and supply of spare parts as there was no allotment of fund from the Government since 1995-96.

Therefore, payment of pay and allowances of Rs.3.67 crore to the staff (the staff strength of the workshop was 98 as on 31 March 2003) during 1998-99 to 2002-03 without utilising their services was unfruitful.

² 1998-99 – Rs.1.06 crore
1999-00 – Rs.1.08 crore
2000-01 – Rs.1.05 crore
2001-02 – Rs.1.09 crore
2002-03 – Rs.1.01 crore

4.1.11 Programme Implementation

Four ³ types of schemes were in operation in the State under Irrigation and Flood Control Department during 1998-99 to 2002-03. The department stated that it had undertaken a total of 574 minor irrigation projects (*Appendix-XXIII*) under these schemes as of 31 March 2003. The defects/irregularities in the implementation of these schemes noticed during test check of records are given below:

4.1.12 Diversion of funds

In addition to grants, loans were obtained from the Government of India and National Bank for Agriculture and Rural Development (NABARD) for implementation of minor irrigation schemes. In contravention of the scheme guidelines and terms of sanction of the department, a sum of Rs.1.41 crore was spent on purchase of vehicles (15) computer and accessories, furniture, stationery, muster roll, which were not covered in the approved estimates, as shown in *Appendix-XXIV*. This diversion of funds adversely affected the implementation of programmes/components for which these were provided.

(i)	Vehicles	Rs.71.16 lakh
(ii)	Computer and Accessories	Rs.14.68 lakh
(iii)	Furniture	Rs.12.74 lakh
(iv)	Stationery	Rs.16.59 lakh
(v)	Muster Roll	Rs.20.16 lakh
(vi)	Zerox & Fax Machine	<u>Rs.6.14 lakh</u>
	Total	<u>Rs.141.47 lakh</u>

4.1.13 NABARD funded Projects**Completion of Project**

No monthly report and annual progress reports on completion and commissioning of minor irrigation schemes/projects from the field offices were found on record. But the department claimed to have completed 18 minor irrigation projects under NABARD creating additional irrigation potential of 3132 Hectare (Ha). The following deficiencies were also noticed:

4.1.14 Unfruitful expenditure of Rs.41.43 lakh on construction of three minor irrigation projects

The project Lihayi in Wokha district was taken up during the year 1999-00 (February 2000) at an estimated cost of Rs.10.50 lakh to create irrigation potential of 60 Ha (Kharif - 60 Ha). The construction was to be completed within 18 months from the date of commencement of work. The project consisted (July 2003) of seven items of work. Two items of work (i) providing and laying of GI pipe 100 mm dia, and, (ii) labour charge of fitting, fixing 100 mm dia at a cost of Rs.0.76 lakh remained unexecuted rendering the project

³ (i) Minor Irrigation Scheme (ii) CAD programme (iii) Flood Control & Anti-erosion work (iv) Rationalisation of Minor Irrigation Statistics (RMIS)

non-functional and thereby deprived the farmers of intended benefits of irrigation potential of 60 Ha. Thus, the expenditure of Rs.6.80 lakh incurred on other five items of work⁴, proved unfruitful.

The project Wozhu in Wokha district was taken up during 2000-01 (February 2001) to create irrigation potential of 65 Ha. (Kharif - 65 Ha) for completion within 15 months without indicating the starting time of the work. The project comprised seven items of work at an estimated cost of Rs.7.24 lakh. From the measurement book it was noticed that except earth work excavation and cement concrete work, executed at an expenditure of Rs.7.02 lakh (July 2003), the remaining five items of work⁵ were not executed even after a lapse of more than two years reckoned from the actual date of commencement of work. The department, however, stated that the work was completed. Thus the expenditure of Rs.7.02 lakh incurred (July 2003) was unfruitful as the desired benefits could not be derived.

The project Mongleu comprising six items of work was taken up during 1999-00 (February 2000) for creating irrigation potential of 93 Ha (Kharif 93-Ha) at an estimated cost of Rs.23.07 lakh to be completed within 18 months. According to approved project report, the Command Area would be fed by way of tapping water from the Mongleu river by constructing a 3600 metre long channel.

Test check of records revealed that channel lining for 550 metres was executed against the channel cutting of 1740 metres at an expenditure of Rs.19.54 lakh incurred (upto fourth running account bill). Further, construction of channel beyond 1740 metres was not executed for reasons not stated to audit. Thus, the incurring of expenditure of Rs.19.54 lakh on different* items of work was unfruitful.

The project Shangi comprising four items of work was taken up at an estimated cost of Rs.21.37 lakh during 2000-01 (January 2001) for creating irrigation potential of 80 Ha (Kharif 80-Ha) to be completed within 18

⁴ (i) Earth work in excavation, (ii) Providing and laying CC in proportion 1:3:6 bed for channel lining, (iii) Construction of dry stone masonry wall, (iv) Construction of CRSM wall "C". (v) Construction of Boulder sausage wall

⁵ (i) Providing and supplying of GI pipe of 100 mm dia
(ii) Fixing and fitting charge of 100 mm dia
(iii) Construction of boulder sausage wall
(iv) Construction of diversion weir No. 1
(v) Construction of diversion weir No.2

* (i) Jungle clearing (ii) Construction of Retaining Wall and check Dams (iii) Construction of RCC slab aqueduct (3 Nos.), (iv) Construction of channel head regulator, (v) Construction of brick masonry channel lining, (v) Construction of Boulder Sausage Diversion weir and protection walls.

months. Three items of work were completed but the fourth item of work⁶, viz cement concrete channel (c c channel), was not executed completely⁷.

Thus, non-execution of c.c. channel led to non-functioning of the project and the expenditure of Rs.8.07 lakh incurred for the project proved unfruitful.

4.1.15 Fictitious expenditure of Rs.10.20 lakh in construction of Thizuru M.I. Project

Without identifying the principal source of water, the Thizuru minor irrigation project of Kikruma village at Phek district was taken up for execution departmentally in 1999-00 (December 1999) at an estimated cost of Rs.25.71 lakh after framing detailed estimate. The project scheduled to be completed in August 2001 was not completed as of June 2003. Even after a lapse of more than three years, the principal item of work of laying of GI pipes of different dimensions⁸ although not carried out was shown to have been executed in the measurement book without receipt of materials from the supplier as ordered in February 2000 for the project. The expenditure of Rs.10.20 lakh incurred so far for execution of the project thus was fictitious.

4.1.16 Expenditure of Rs.11.54 lakh incurred towards non-sanctioned project

Government of Nagaland, Department of Irrigation and Flood Control accorded administrative approval and expenditure sanction (March 2002) of Rs. 69.00 lakh for construction of six minor irrigation projects under the Rural Infrastructure Development Fund (RIDF) Programme.

Test check of records of the Directorate revealed that out of the sanctioned funds, the department incurred an expenditure of Rs.11.54 lakh on six other minor irrigation projects not sanctioned by Government of Nagaland which resulted in unauthorised expenditure as detailed in Table 4.5 below:

Table 4.5

				(Rupees in lakh)
Sl. No.	Sanctioned project	Amount sanctioned	Non-sanctioned project	Expenditure incurred
1	Yiangmen	12.34	Thizuru	1.50
2	Wozhu	5.29	Lihaye	1.00
3	Chalou	10.61	Mongleu	2.25
4	Shangi	13.25	Aphuye	2.85
5	Yuhtongyim	8.24	Longpen and Chetchet	1.84
6	Setong	6.36	Longpen and Chetchet	2.10

⁶ CC channel comprising (i) providing and laying of cement concrete 1:3:6 for side and bottom wall, (ii) centering and shuttering for cement concrete work and (iii) providing 12 mm thick cement plastering 1:3

⁷ Cement concrete work was executed for 330 metre against the channel cutting of 420 metres.

⁸ 50 mm 6120 metres 40 mm 2620 metres 25 mm 4500 metres

	Total	56.09		11.54
	Add :- 23 per cent on Net Estimate *	12.91		
	Gross Total	69.00		

Source:- Departmental figures

The reason for such deviation was neither on record nor stated.

4.1.17 Diversion of AIBP fund

According to the guidelines of AIBP, fund under this scheme should not be diverted for purposes other than the purpose for which it was sanctioned.

Test check of records of the Directorate revealed that an amount of Rs.8.10 lakh was incurred from AIBP fund during the year 2001-02 towards clearance of past liabilities of the erstwhile office of the Mechanical Engineer, Land Reclamation Centre (LRC), Dimapur (now renamed as Executive Engineer, Works Division, Irrigation and Flood Control, Dimapur) relating to the periods from 1986-87 to 1988-89. The diversion as such, was irregular and had also adversely affected the implementation of the programme.

4.1.18 Non-production of records

The relevant records like project reports, estimates, measurement books, agreements and work orders under AIBP and Command Area Development Programme (CADP) from 1999-03 for Rs.9.69 crore were not produced to audit despite repeated pursuance.

4.1.19 Flood Control and Anti-erosion work

Test check of records revealed that the department took up the erosion protection work at Dhansiri river (Phase-I comprising four parts) in Dimapur (July 2002) at an estimated cost of Rs.5.10 crore and completed the same (March 2003) at an expenditure of Rs.5.09 crore. The project was funded by the Government of India from Non-Lapsable Central Pool of Resources (NLCPR). No technical sanction could be produced to audit. The work was awarded (July 2002) to four contractors. The audit findings are given below:

4.1.20 Non-deduction of Security Deposit

According to the terms and conditions of work order, 10 per cent security deposit was to be deducted from the contractors' bills. But no security deposit amounting to Rs.40.87 lakh was deducted from the contractors' bills.

4.1.21 Excess procurement of material

The department procured (August 2002) 26,913 nets of GI wire⁹ valuing Rs.69.44 lakh from four suppliers. Out of above, 21,131 nets were utilised in

* 10 per cent T&P, 5 per cent workcharged, 5 per cent price escalation and 3 per cent contingencies.

⁹ At the rate of Rs.258/- per net

work leaving a balance of 5,782 nets still lying idle in stock, which resulted in unnecessary blocking up of Government money to the tune of Rs.14.92 lakh. The department stated (June 2003) that excess materials would be utilised for anti-erosion work at Dhansiri river, Dimapur during Phase-II operation. The reply is not tenable as Government money remains blocked till the material is utilised.

4.1.22 Material management

Doubtful expenditure on purchase of GI pipes, fittings and sausage wire worth Rs.25.28 lakh for construction of 25 minor irrigation projects in Phek Division

Test check of records revealed that GI pipes, fittings and sausage wire worth Rs.25.28 lakh¹⁰ were procured (September 1999) by the Directorate for 25 minor irrigation projects in Phek district. A certificate of receipt of materials was recorded on the body of the supplier's bill by the Executive Engineer, I&FC, Phek stating that the materials were received in full and good condition and accounted for in the stock register of the division. On verification of stock register, it was noticed that the materials were issued to beneficiaries between October - November 1999 while acquittance in token of receipt of materials was neither found recorded in the stock register nor could any documentary evidence be produced to audit. The purchases were thus, not susceptible to audit.

4.1.23 Fictitious procurement of GI pipes and fittings

Based on provision made in the approved estimates, the Superintending Engineer – I issued supply order (22 February 2000) in favour of a local supplier to supply G.I. pipes and fittings of different dimensions (50 mm, 40 mm and 25 mm). The supplier was paid (March 2000) Rs.17.30 lakh in advance on the basis of his proforma bill on plain paper in violation of para 350 of Nagaland Public Works Department Code. Subsequently, the supplier was instructed through modified supply order (28 February 2000) to supply GI pipes and fittings of 50 mm dimension only valuing Rs.21.23 lakh not at par with the actual requirement of approved estimates. He was paid (March 2001) Rs.3.93 lakh after adjustment of earlier payment of Rs.17.30 lakh without recording certificate of receipt of materials.

Records such as stock register and challans in support of receipt and utilisation of aforesaid materials could not be produced to audit. Collateral check of supply bill with the concerned measurement book also did not establish the receipt and consumption of the materials. Thus, the expenditure of Rs.21.23 lakh on procurement of materials was fictitious.

¹⁰ (sausage wire 30,607 sqm @ Rs.35/- per sqm ,Rs.10,71,245/-, 100 mm dia GI pipes 3380 mtr @ Rs.344.50/- per mtr Rs.11,64,410/- and 100 mm dia socket 554 nos. @ Rs.190/- per no. Rs.1,05,260/- + NST @ 8 per cent Rs.1,87,273/-) = Rs.25.28 lakh.

4.1.24 Other points of interest

Unadjusted Medical Advance of Rs.7.65 lakh

Rule provides that if the final medical claim against the advance drawn is not preferred within three months of completion of medical treatment, the claim stands forfeited and the whole amount of advance is to be recovered from the concerned Government servant.

Test check of records of the Directorate revealed that a total amount of Rs.7.65 lakh paid as medical advance to 22 employees during the period from 1998-99 to 2002-03¹¹ remained unadjusted (June 2003) due to non-submission of final bills.

4.1.25 Non-maintenance of records

The following basic records were not maintained by the department:

Applications of the villagers/beneficiaries duly recommended by the Chairman, Village Council/Secretary, Village Development Board for construction of minor irrigation projects.

Records showing the commencement, completion, commissioning and handing over of projects.

Work orders and deed of agreements except in one/two cases for construction of minor irrigation projects.

Report/returns on financial and physical progress of work of various projects.

Earnest money and security deposit register.

Stock registers of materials.

Utilisation certificates.

In the absence of the aforesaid vital records, audit could not verify the efficacy of the implementation of various irrigation and flood control programmes.

4.1.26 Monitoring and Evaluation

The Addl. CE was responsible for monitoring and implementation of minor irrigation schemes but no monitoring mechanism to watch the progress of works and use of funds was found in place. No independent evaluation to assess the impact of implementation of minor irrigation schemes was carried out. Non-existence of a monitoring and evaluation system was admitted by the department.

¹¹ 1998-99 – Rs.1.90 lakh (4 nos.), 1999-00 – Rs.0.60 lakh (2 nos.)
2000-01 – Rs.2.40 lakh (8 nos.), 2001-02 – Rs.1.60 lakh (4 nos.)
2002-03 – Rs.1.15 lakh (4 nos.)

4.1.27 Conclusion and Recommendations

Due to lack of proper planning, monitoring and evaluation the implementation of projects suffered time and cost overrun.

No internal control system was found in place in the department.

Material management including maintenance of necessary inventory records relating to receipt/issue of stores needs to be strengthened.

Looking into special nature of projects, the department needs to prepare its own Schedule of Rate (SOR) on the lines of that of PWD.

The matter was reported to the Government and the department in September 2003; their replies had not been received (January 2004).

SECTION – B – AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE/WORKS AND HOUSING (HOUSING) DEPARTMENT

4.2 Unauthorised expenditure on workcharged staff

The departments incurred unauthorised expenditure of Rs.60.70 lakh towards pay and allowances of workcharged staff appointed in violation of Government orders.

The Government of Nagaland in the Cabinet meeting dated September 1994 imposed ban on appointment of workcharged (WC) staff. In June 1996, Government completely banned appointment of workcharged staff with immediate effect.

Test check (August – September 2001) of records of the Executive Engineer, Medical Engineering Division, Kohima (March 1996 to July 2001) revealed that in violation of Government orders *ibid*, the department appointed nine workcharged staff like Jugalis, Sectional Assistant, etc. both in scale of pay and in fixed pay between August 1996 to April 1999 and paid Rs.9.33 lakh as detailed in *Appendix-XXV* towards their pay and allowances as of May 2001.

Similarly, test check (February 2002) of records of the Executive Engineer, Public Works Division (Housing), Central Division, Kohima (June 2000 to January 2002) revealed that in violation of Government orders *ibid*, the department appointed 90 workcharged staff like Jugalis, Sectional Assistant, Labourer, Sweeper, etc. both in scale of pay and in fixed pay between 1996 and 2001 and paid Rs.51.37 lakh as detailed in *Appendix-XXV* towards their pay and allowances as of January 2002.

Thus, appointment of workcharged staff in violation of the Government orders resulted in unauthorised expenditure of Rs.60.70 lakh (Rs.9.33 lakh + Rs.51.37 lakh).

The matter was reported to the Government and department in July 2003. In reply, the Government, Health and Family Welfare department stated (October 2003) that the appointment of workcharged staff was made before the ban had been imposed on workcharged appointment. Similarly, the Works and Housing department stated (July 2003) that the appointment of workcharged staff was made against the vacancies caused by either discharged/expired. Both the replies are not tenable as the Government completely banned (June 1996) the appointment of workcharged staff even in case of employees retired/discharged/expired.

Reply from Government, Works and Housing department had not been received (January 2004).

PLANNING AND CO-ORDINATION DEPARTMENT

4.3 Extra expenditure due to cost escalation

Prolonged delay in construction work due to non-release of fund and consequential price escalation resulted in extra expenditure to the tune of Rs.1.40 crore

Test check (September 2001) of records (December 1994 to July 2001) of the Executive Engineer, Town Planning Works Division, Kohima revealed that the work of construction of Town Hall by dismantling the existing one at Mokokchung was awarded (March 1991) at the negotiated cost of Rs.30 lakh¹ with the stipulation to complete the work by March 1992. Due to non-allotment of site till 1994 and law and order problems compounded with non-release of fund till 1998, the work of construction could achieve little progress upto 1996-97 and the said work was completed on 9 November 2002. Due to heavy price escalation all through the period, an amount of Rs.1.70 crore was paid for the construction of the building.

The department in reply (May 2002) stated that the project was delayed for three years after the issue of work order due to dispute in allotment of land. Reason for taking up the work without prior allotment of land to the department was not stated as of November 2003.

Thus, action by the Government in issuing the work order in March 1991 for the construction of Town Hall without ensuring availability of undisputed site to the department and non-release of fund till 1998, prolonged the construction work resulting in cost escalation of Rs.1.40 crore (Rs.1.70 crore – Rs.0.30 crore).

The matter was reported to the Government and the department in August 2003; the Government reply had not been received (January 2004).

¹ Copies of work orders, estimates etc. were not produced to audit reportedly due to seizure of records by Vigilance Cell of Government of Nagaland.

POWER DEPARTMENT

4.4 Loss of interest due to grant of undue financial aid

Grant of interest-free mobilisation advance to contractor resulted in loss of interest of Rs.16.03 lakh.

Under Nagaland Public Works Department Code (NPWDC), payment of advance to contractor is prohibited except with the sanction of Government in special circumstances taking all necessary precaution for securing Government against loss. According to Central Public Works Department Manual Vol.-I, in respect of certain specialised and capital intensive works costing not less than Rs.1 crore, mobilisation advance limited to a maximum of 10 *per cent* of the estimated cost put to tender or Rs.1 crore, whichever is less, may be granted on the security of machinery brought to site and only on the production of non-revokable bank guarantee. Further, the rate of interest as may be approved by the Ministry from time to time shall be stipulated in the clause of agreement and interest shall be calculated in form of simple interest.

Test check (August 2002) of records (July 1999 to July 2002) of the Executive Engineer, Transmission Division, Mokokchung revealed that for construction of 66 KV Sub-centre Transmission Line from Mokokchung to Zunheboto and construction of 66 KV Sub-station at Zunheboto, Rs.1.13 crore (Rs.95 lakh and Rs.18 lakh) was paid (March 2000) to M/s 'X'* (Renamed as M/s 'Y',** Dimapur since June 1997) being 30 *per cent* and 25 *per cent* respectively as interest-free mobilisation advance as per work orders but neither any sanction of Government was taken nor any certificates of responsible officers were recorded in the bills. No records in support of the bank guarantees against payment of mobilisation advance were made available to audit. The amount of advance was recovered in the months of February 2001, March 2001 and July 2001 through six Running Account Bills without charging any interest.

Payment of interest-free advance to the contractor as per faulty clause in the work orders not in accordance with codal provisions resulted in loss of interest of Rs.16.03 lakh*** calculated at 12.5 *per cent* simple interest per annum for the period from 1.03.2000 to 30.07.2001.

* M/s Nezone Power Systems, Dimapur
 ** M/s Techno Power Enterprises (P) Ltd.

On Rs.95,05,000 from 1.03.2000 to 31.01.2001	-	Rs.10,89115
On Rs.46,57,450(9505000-4847550) from 1.02.2001 to 30.07.2001	-	Rs. 2,91,091
	-	Rs. 13,80,206 (A)
On Rs.17,82,000 from 1.03.2000 to 19.03.2001	-	Rs. 2,22,750... (B)
(A) + (B)	-	Rs.16,02,956
	-	i.e., Rs.16.03 lakh

The matter was reported to the Government and the department in July 2003 and December 2003; the Government reply had not been received (January 2004).

4.5 Avoidable extra expenditure on land rent

Due to inaction and unnecessary delay in settlement of land rent the department incurred an avoidable extra cash outgo of Rs.26.40 lakh

Vide sanction order dated October 2001 and drawal authority dated September 2001, the Chief Engineer, Power department, Kohima had drawn and paid to Shri Mansur Ahmed, land owner, Rs.55.64 lakh (Rs.11.64 lakh paid in April 2002 being the cost of a plot of land measuring 11,638 sq.ft. at Dimapur and Rs.44 lakh paid in February 2001 being its rent for the period from 1.1.1971 to 31.12.2000).

Test check (September 2002) of records of the Chief Engineer, Power department, Kohima for the period from November 1998 to August 2002 revealed that the plot of land under reference was being used by the Power department for storing materials since 1971 after being assured by the District Administration that the land belonged to the Government. Meanwhile, a case was filed in the Gauhati High Court by one Shri Yusuf Khan in 1972 claiming to be owner of the land and for payment of rental to him for use of his plot of land by Power department. Since then, the case regarding actual ownership of the disputed land was continuing until the Court gave its first verdict in favour of Shri Mansur Ahmed in December 1982 and final verdict again in his favour in February 1996. It was then decided to acquire the land at the cost of Rs.11.64 lakh and land rent of Rs.44 lakh for the period from 1.1.1971 to 31.12.2000. Thus, due to inaction and unnecessary delay in settlement of the matter after receipt of the Court's verdict in December 1982, the department had to pay an avoidable extra expenditure of Rs.26.40* lakh being the land rent for the period from 1983 to 2000.

The matter was reported to the Government in July 2003; their replies had not been received (January 2004).

* $\frac{\text{Rs.44 lakh} \times 18 \text{ years}}{30 \text{ years}} = \text{Rs.26.40}$

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.6 Avoidable expenditure in the form of interest on delayed payment

Failure of the department to make full payment of contractors' bill in time resulted in avoidable expenditure of Rs.10.23 lakh in the form of interest on delayed payment

Test check (April to May 2002) of records (August 2000 to February 2002) of the Executive Engineer, Public Health Engineering Department, (EE, PHED), Store Division, Dimapur revealed that the EE, PHED issued work orders between December 1988 and April 1991 for six different works at a total estimated cost of Rs.16.27 lakh to M/s 'X'*, Dimapur for the work of providing water supply facilities to different places at Dimapur, with stipulation to complete the works within three months from the date of issue of work orders. Records relating to the administrative approval/technical sanction, NIT, comparative statement and the agreement executed were not shown to audit. Upon completion of the works, the firm was paid at different times (December 1989 to December 1994) Rs.8.65 lakh against the total claim of Rs.13.45 lakh, leaving Rs.4.80 lakh unpaid. Reason for non-payment of the full bill amount of the works to the firm was not on record.

M/s 'X' filed (December 1995) three money suits in the court of the Deputy Commissioner (DC), Dimapur for payment of the full amount of the construction bill. The court directed (21 December 1995) the EE, PHED to make payment of the amount within 90 days after the date of the judgment and in default pay interest at the rate of 18 *per cent* per annum on the defaulted amount till the entire amount was paid. Government filed an appeal (14 August 1996) against the above orders in the courts of DC (Judicial), Dimapur, without seeking legal opinion in the matter. Despite demand, relevant case records were not furnished to the Advocate General for filing a revision appeal. The appeal was rejected by the court holding it time barred.

The court of DC Dimapur while rejecting the department's subsequent appeals, passed orders (13 November 1998 and 19 December 1998) for payment of Rs.15.03 lakh (principal Rs.4.80 lakh and interest Rs.10.23 lakh calculated at a rate of 18 *per cent* per annum as on 30 November 1998) and further ordered attachment of department's Bank Account. The firm was paid Rs.15.03 lakh (21 December 1998).

Failure on the part of the department to make payment of the balance amount and filing of time barred appeal in the court rendering its rejection (May 1997) resulted in avoidable expenditure of Rs.10.23 lakh being the interest on delayed payment to the firm.

* M/s X Lim Steel Engineering, Dimapur

The matter was reported to the Government and the department in August 2003; their replies had not been received (January 2004).

**WORKS AND HOUSING (ROADS AND BRIDGES)
DEPARTMENT**

4.7 Excess expenditure/payment for allowing higher rate over SOR and non-deduction of void element

Execution of works at injudiciously higher rate over SOR resulted in excess expenditure of Rs.1.83 crore and non-deduction of void element from the contractors' bills led to excess payment of Rs.13.36 lakh

Test check (September-October 2002) of records of the Executive Engineer, Public Works Department (Road and Bridges) PWD (R&B), Dimapur Division (March 2001 to August 2002) revealed that the project Phase-II of the work of improvement of Kohima-Bokajan road under North Eastern Council (NEC) was awarded (October 1997) by the Chief Engineer (CE) to two contractors at the rate 45 *per cent* above SOR 1996 without inviting any tender, with a stipulation to complete the work in two years. A year later, Phase-V of the work, similar in nature, was also awarded by the CE to two other contractors/agencies (November 1998) but at the rate of SOR 1996, i.e., below 45 *per cent* of the rate awarded for Phase-II of the work, and thus, rate awarded for Phase-II work was very high when compared to that of Phase-V. Records were also not made available to establish whether the prescribed procedure was followed and the competitiveness of rates awarded was ensured. Subsequently the estimate of the project was revised from Rs.6.40 crore to Rs.11.00 crore and the time for completion was extended upto March 2002.

It was noticed that the pre-mix carpeting and black topping of road were yet to be started (August 2002), but the amount already paid (November 2001) upto eighth Running Account (RA) bill was as under:

Table 4.6

Name of agency	Value @ 45 <i>per cent</i> above SOR 1996	Value at SOR 1996
(i) M/s Panesar & Sons	Rs.3.26 crore (Vr. No. 3 of 11/2001)	Rs.2.25 crore
(ii) M/s Tectonics Co.	Rs.2.63 crore (Vr. No. 6 of 11/2001)	Rs.1.81 crore
Total	Rs.5.89 crore	Rs.4.06 crore

While the Phase-V of the work (same nature of work) was awarded (November 1998) at the rate as per SOR 1996, execution of works in Phase-II (October 1997) at 45 *per cent* above the SOR 1996 was highly injudicious and irregular also as codal formalities and procedures had not been followed, which resulted in extra expenditure of Rs.1.83 crore (Rs.5.89 crore - Rs.4.06 crore).

For supply and stacking of stone metals, a deduction ranging from seven *per cent* to eight *per cent* depending upon the sizes of stone metals is required to be made from the total quantity of stone metals supplied, due to void available in loose stacking. 13500.98 m³ (40 mm to 63 mm) and 5851.10 m³ (20 mm to 50 mm) stone metals were supplied by the agencies for Phase-II but no deduction for void at the rate of eight *per cent* for (40-63 mm stone chips) and seven *per cent* for (20-50 mm stone chips) was made. The amounts were paid in November 2001. Thus, non-deduction of void from the bills resulted in excess payment of Rs.7.76 lakh as shown below:

Table 4.7

		40 mm to 63 mm		20 mm to 50 mm
Stone chip supplied	@ 8 <i>per cent</i>	13,500.98 m ³	@ 7 <i>per cent</i>	5,851.10 m ³
Deduction to be made		1,080.08 m ³		4,09.58m ³
Value	@ Rs.347/m ³	Rs.3,74,787 (A)	@ Rs.392/m ³	Rs.1,60,555 (B)
Total value			(A+B)	Rs.5,35,342
Add. 45 <i>per cent</i> above				Rs.2,40,904
Grand total				Rs.7,76,246

Further, Rs.313.52 lakh was received by the Division (December 2001 to July 2002) from the District Rural Development Agency (DRDA) in the form of Bank Draft towards the cost of improvement of roads under PMGSY Scheme from Tenyephe to Shokhovi village, Dhansaripar to Uratovidima village, and from Pophima to Tsiphema village

The Division issued (June 2001) work orders to different agencies at the rate 25 *per cent* above the Nagaland Schedule of Rate (NSR) but no deduction of void was made from the bills.

Thus, non-deduction of voids resulted in excess payment of Rs.5.60 lakh as shown below:

Table 4.8

		40 mm to 90 mm		20 mm to 50 mm
Stone chip supplied	@ 8 <i>per cent</i>	11326.59 m ³	7 <i>per cent</i>	6,372.66 m ³
Deduction to be made		906.13 m ³		4,46.09 m ³
Value	@ Rs.301 per m ³	Rs.272745 (A)	@ Rs.392 per m ³	Rs.1,74,867 (B)
Total value			(A+B)	Rs.4,47,612
Add. 25 <i>per cent</i> above				Rs.1,11,903
Grand total				Rs.5,59,515

The matter was reported to the Government and the department in August 2003; in reply, the department stated (September 2003) that excess payment of Rs.7.76 lakh on account of non-deduction of void would be deducted from the next running bill(s). As regards excess payment of Rs.5.60 lakh, the department stated that the work being under PMGSY Scheme was supervised by Centre. The department reply is not tenable because the deduction towards void from the

running account bills was mandatory as per NSR 1996, irrespective of the scheme under which the works were taken up. As regards execution of works injudiciously at higher rate over SOR, no reply had been received from the Government and the department (January 2004).

4.8 Undue financial benefit to the contractors

Excess payment of secured advance resulted in undue financial benefit of Rs.87.04 lakh to the contractors

According to para 352 (a) (i) of Nagaland Public Works Department (NPWD) Code, secured advances may be allowed to the contractors at the rate 90 per cent of the value of materials brought to the site by the contractors.

Test check (September – October 2002) of records of the Executive Engineer Public Works Department (Roads and Bridges) PWD (R&B), Dimapur Division (March 2001 to August 2002) revealed that works of construction of reinforced cement concrete (RCC) bridge having 120 metre span over Intanki river on Monglumukh were awarded (October 2001) to two contractors (60m span each) by the Chief Engineer (CE) at a cost of Rs.2.74 crore each. The order for preparation of drawing, design and detailed estimate of the project was, however, issued (April 2002) after allotment of work.

Against the admissible amount of secured advance of Rs.39 lakh to two contractors the department paid an amount of Rs.1.26 crore to the contractors. This resulted in undue financial aid of Rs.87 lakh to the contractors. The details of payments (vr. No. 15 and 16 of April 2002) are as below:

Table 4.9

Materials brought to the site	M/s Prakash & Co.			M/s Panesar & Sons		
	Quantity	Rate (Rs.)	Amount (Rs.)	Quantity	Rate (Rs.)	Amount (Rs.)
River sand	200 m ³	1,200 per m ³	2,40,000	216 m ³	1,200 per m ³	2,59,200
Stone chips	400 m ³	1,560 per m ³	6,24,000	400 m ³	1,560 per m ³	6,24,000
Tor steel	72.40 MT	18,000 per MT	13,03,200	71.06 MT	18,000 per MT	12,79,080
			21,67,200			21,62,280
Secured advance admissible @ 90 per cent			19,50,480			19,46,052
Secured advance allowed			63,00,000			63,00,000
Excess allowed			43,49,520			43,53,948

There was nothing on record that the materials were actually brought to the site except recording in measurement books (MBs). The rate of tor steel allowed to contractor was Rs.75,075 per MT, which was for finished item of work, having tor steel as its one of the components, and not of the tor steel alone and in the cost abstract it was clearly mentioned that for the work only SAIL and TISCO steel should be used. To provide financial help to the contractors in form of secured advance the rate of tor steel was allowed at Rs.75,075 per MT instead of

Rs.18,000 per MT at the rate at which TISCO tor steel was purchased around the same time for the work of Referral Hospital, Dimapur.

In the absence of basic records like tender documents, comparative statement of rates, the reasons for not floating tenders for works and basis for selection of agencies (October 2001) before the preparation of drawing, design and detailed estimates of the project (April 2002) could not be ascertained in audit.

The matter was reported to the Government and the department in August 2003; in reply, the department stated (September 2003) that the rate was approved by the Government. The reply is not tenable as the department could not justify the reason for allowing secured advance worked out at the rate of finished product (instead of the component tor steel alone) which was higher than that of Referral Hospital, Dimapur also.

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

4.9 Failure to respond to Audit objections and non-compliance

131 paragraphs relating to 15 Inspection Reports involving to Rs.20.85 crore had not been settled as of June 2003

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, these are incorporated in the IRs and issued to the Heads of Offices inspected with a copy to the next higher authorities. Though the State Government had accepted the recommendations of Shakhdar Committee regarding establishment of appropriate mechanism in Government to monitor Government's response to Audit, no separate monitoring cell has been established by the State Government as of October 2003. 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 departments 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 2003) pertaining to Works and Housing (Mechanical Engineering) department disclosed that 131 paragraphs relating to 15 IRs involving Rs.20.85 crore remained outstanding at the end of June 2003. Of these, two IRs containing 22 paragraphs had not been replied to for

more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix -XXVI*. One division/office did not furnish even the initial replies to one IR issued in November 1990, although the Heads of Offices were required to furnish reply within a period of four weeks of their receipt. Some irregularities commented upon in these IRs had not been settled, as of October 2003 as shown below:

Table No.4.10

Sl. No.	Nature of irregularities	No. of paragraphs	Amount (Rupees in lakh)
1.	Avoidable expenditure/excess payment	2	6.21
2.	Misappropriation/shortage/loss of Government/money/stores	22	181.49
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	50	1,695.71
4.	Loss due to non-realisation of Government money	1	3.46
5.	Fictitious/doubtful drawal	4	87.66
6.	Miscellaneous/Others	52	110.37
	Total:-	131	2,084.90

A review of the IRs awaiting settlement revealed that Heads of Offices and the concerned Head of the department (Chief Engineer, Works and Housing (Mechanical Engineering department)) had not discharged their responsibilities as they did not send any reply to a large number of IRs/paragraphs indicating thereby their failure to initiate action for removal of 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 took prompt and timely action to settle the paragraphs.

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 September 2003; their replies had not been received (January 2004).

CHAPTER V STORES AND STOCK

WORKS AND HOUSING/PUBLIC HEALTH ENGINEERING/POWER DEPARTMENTS

GENERAL

5.1 Closing of stock registers

According to the provisions of Nagaland Public Works Department Code, accounts are required to be closed each year on 30 September and valuation of stores done with reasonable accuracy. The valuation should be periodically reviewed and revised, where necessary, to enable the authorities to know the profit and loss in respect of different classes of materials and re-adjust the issue prices, where required. In case the valuation is not so reviewed from time to time, accounts of stores would not reflect the true picture of the value of stores held.

Information received from the Public Works Department (PWD)-Roads and Bridges (R&B), Housing, Civil and Mechanical divisions, Public Health Engineering (PHE) and Power revealed the following position:

Table 5.1

Name of Department	No. of Division	Stock maintained (no. of divisions)	Period upto which stock accounts closed	
PWD (R&B)	24	20	2 divisions	Upto September 1995
			1 division	Upto September 1996
			3 divisions	Upto September 1997
			1 division	Upto September 2000
			4 divisions	Upto September 2001
			9 divisions	Upto September 2002
PWD (Housing, Civil and Mechanical divisions)	20	8	Information regarding period of closing of accounts in respect of eight divisions was not available	
PHE	10	10	All 10 divisions had closed accounts upto September 2002.	
Power	16	12	All 12 divisions had closed their accounts upto September 2002	
Total	70	50		

Source: Departmental letter and Sr. DAG (A&E) records.

Four divisions under PWD (Roads & Bridges), 12 divisions under PWD (Housing, Civil and Mechanical) and four divisions under Power department did not maintain stores accounts. In the absence of the information on stock accounts actual value of the stock held by the divisions could not be ascertained in audit. As such the accounts of stores held by these divisions could not reflect the true picture of the value of stores held.

5.2 Physical verification of stores

The Nagaland Public Works Department Code prescribes that the Sub-divisional Officers should carry out *cent per cent* physical verification of the stores under their charge once a year. The Divisional Officers are required to verify annually 10 *per cent* of all stores before submission of stock returns to the higher authorities and the Accountant General. Such verification is meant to enable the authorities to detect shortage and discrepancies in the stores and are applicable to all other departments, where stores accounts are maintained. It was, however, noticed in audit that:

Out of 70 divisions, 10 Public Health Engineering divisions, nine Electrical divisions and 12 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) had conducted physical verification of stores upto September 2002. Four Public Works divisions (Roads and Bridges) had conducted physical verification of stores upto September 2001, one upto September 2000, three upto September 1997, one upto September 1996 and two upto September 1995. Information relating to physical verification of stores in respect of remaining 28¹ divisions was awaited (January 2004).

In the absence of physical verification of stock, the extent of loss caused due to pilferage, deterioration, damage, etc., of stock items could not be verified in audit.

5.3 Reserve stock limit

Reserve Stock Limit (RSL) had not been prescribed for three out of 10 Public Health Engineering divisions. Of these, the sanctioned RSL was exceeded in three divisions by a total amount of Rs.17.30 crore. The excess was due to the mismatch between the reserve stock limit and the prevailing market rate as the existing reserve stock limit was sanctioned in February 1982. Seven divisions exhibited minus balance of stores aggregating Rs.23.70 crore as on 31 March 2003. The minus balance was attributed by the department to centralised procurement through indents and the value of stock materials left unadjusted against the indenting divisions.

RSL had not been prescribed for 21 out of 44 Public Works divisions (Roads and Bridges, Mechanical, Housing and Civil). Of these, five divisions unauthorisedly held stores worth Rs.5.47 crore at the end of March 2003. The sanctioned RSL was exceeded in 13 divisions by a total amount of Rs.5.31 crore.

RSL had not been prescribed for four out of 16 Electrical divisions. Seven divisions had exhibited minus balance of stores aggregating Rs.6.42 crore as on 31 March 2003. No reasons were furnished by the divisions for the minus balance.

¹ Electrical division (7), Public Works divisions (Roads & Bridges, Housing, Civil and Mechanical) (21)

5.4 Tools and Plant

According to Nagaland Public Works Department Code, the divisions should close the Tools and Plant accounts on 30 September every year and arrive at the balance of stock held. Physical verification of Tools and Plant articles should also be conducted once a year.

It was noticed that all 10 Public Health Engineering divisions had closed the Tools and Plant accounts and physically verified them upto September 2002. Nine Electrical divisions and 12 Public Works divisions (Roads & Bridges, Housing, Civil and Mechanical) had closed the Tools and Plant accounts and physically verified them upto September 2002. Four Public Works divisions (Roads and Bridges) upto September 2001, one division upto September 2000, three divisions upto September 1997, one division upto September 1996 and two divisions upto September 1995. Information relating to closing of Tools and Plant accounts and physical verification thereof in respect of seven Electrical divisions and 21 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) was not made available.

Due to delay in closing of accounts and non-conducting of physical verification, shortage/surplus of Tools and Plant, if any, could not be ascertained and adjusted in accounts in time.

SECTION – B – AUDIT PARAGRAPHS

HOME (POLICE) DEPARTMENT

5.5 Locking up of Government funds due to injudicious procurement of materials

Injudicious procurement of spare parts led to locking up of Government funds of Rs.32.45 lakh

Test check (August 2002) of records (May 2001 to July 2002) of the Project Engineer, Police Engineering Project, Chumukedima revealed that vehicle parts (75 items) valued Rs.40.22 lakh were procured prior to 1993-94. Of these, parts worth Rs.7.77 lakh only were utilised by Phesama section till July 2002. The purchase of spare parts in excess of actual requirement led to the blocking of funds to the tune of Rs.32.45 lakh for nine years.

Relevant records relating to the requirement of parts and their procurement were not made available due to which the actual period in which these parts were procured could not be verified in audit.

The reasons for procurement of such huge quantity of spare parts without assessing the actual requirement were also not stated.

The matter was reported to the Government and the department in July 2003; in reply (October 2003), Government while admitting the fact stated that the

vehicle parts were purchased in anticipation of their requirement. The reply is not tenable as non-utilisation of the vehicle parts for 10 years since their procurement prior to 1993-94 led to the locking up of Government money.

PLANNING AND CO-ORDINATION DEPARTMENT

5.6 Non-accountal of stores

Non-observance of codal provisions resulted in non-accountal of stores to the tune of Rs.19.76 lakh

As per rule, all stores, whether purchased or otherwise obtained should be counted and measured as the case may be and entered in the stock registers under the signature of a responsible officer.

Test check (September – October 2002) of records of the Development Commissioner (DC), Planning and Coordination Department, Nagaland, Kohima (April 1998 to September 2002) revealed that the DC had procured furniture worth Rs.19.76 lakh (inclusive of Nagaland Sales Tax) during the period December 1999 to March 2002. The stock book/register showing accountal of stocks was not shown to audit for verification. Also, no stock certificate was given by the responsible officer on the body of the bill while making payment. No report on physical verification of stock as required under the rules was made available to audit. In the absence of any stock certificate recorded on the body of bills passed and paid, correctness of receipt/issue could not, therefore, be verified.

The matter was reported to the Government and the department in July 2003; in reply the Department stated (September 2003) that no stock certificate was recorded and no physical verification was conducted due to ignorance of the codal formalities. Department's reply was not tenable as proper procedure laid down in rules for purchase/accountal of stocks had not been followed.

CHAPTER-VI REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

The tax and non tax revenue raised by the Government of Nagaland during the year 2002-03, 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 6.1

(Rupees in crore)

		1998-99	1999-00	2000-01	2001-02	2002-03
I.	Revenue raised by the State Government					
	(a) Tax revenue	30.56	39.50	46.24	54.90 ¹	62.00 ²
	(b) Non-tax revenue	44.15	38.86	39.23	43.41	43.94
	Total: I	74.71	78.36	85.47	105.80	105.94
II.	Receipts from Government of India					
	(a) State's share of divisible Union Taxes	437.19	526.04	96.48	30.71	46.01
	(b) Grants-in-aid	477.48	527.06	1072.15	1195.51	1194.95
	Total: II	914.67	1053.10	1168.63	1218.73	1240.96
III.	Total receipts of the State Government (I plus II)	989.38	1131.46	1254.10	1324.53	1346.90 ³
IV.	Percentage of I to III	8	7	7	8	8

Source : Finance Accounts

6.2 Analysis of revenue receipts

The details of tax revenue raised during the year 2002-03 alongwith the figures for the preceeding four years are given below:

¹ 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.

² Figures under the share of net proceeds assigned to States under the following Major heads booked in the Finance Accounts under 'A'-Tax revenue' have been excluded from Revenue raised by the state Government and included in state's share of divisible union taxes in this table:

0020-Corporation Tax	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

³ For details, please see Statement No.10 of Detailed Accounts by Minor Heads in the Finance Accounts-Government of Nagaland for the year 2002-03.

Table 6.2

(Rupees in crore)

Major heads of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage of Increase (+)/ Decrease (-) in 2002-03 with reference to 2001-02
1. Sales Tax	16.10	23.04	27.30	34.42	41.15	(+)20
2. Taxes on Vehicles	4.37	4.59	5.28	5.35	4.74	(-)11
3. Other Taxes on Income and Expenditure	6.02	7.87	9.63	11.32	12.23	(+)8
4. State Excise	1.88	1.73	1.77	1.87	1.98	(+)6
5. Stamps and Registration Fees	1.94	1.85	1.77	0.91	0.57	(-)38
6. Other Taxes and Duties on Commodities and Services	0.12	0.15	0.14	0.30	0.10	(-)66
7. Land Revenue	0.12	0.26	0.35	0.62	0.41	(-)34
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	(+)699
Total:-	30.56	39.50	46.25	54.90⁴	62.00	(-)1

Reasons for variations, though called for have not been intimated by the concerned departments (January 2004).

The details of major non tax revenue raised during the year 2002-03 alongwith the figures for the preceeding four years are given below:

Table 6.3

(Rupees in crore)

Major heads of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage of Increase(+)/ Decrease(-) in 2002-03 with reference to 2001-02
1. Interest Receipts	1.44	4.59	3.50	1.62	1.72	(+)6
2. Public Service Commission	0.04	0.03	0.03	0.06	0.13	(+)116
3. Police	0.21	0.15	0.24	0.51	0.56	(+)10
4. Stationery and Printing	---	0.01	0.01	0.01	0.01	---
5. Public Works	0.14	0.32	0.32	0.97	0.62	---
6. Other Administrative Services	3.28	6.11	1.85	3.14	3.14	---
7. Contribution and recoveries towards Pension & Other Retirement Benefits	0.08	0.08	0.09	1.04	0.11	(-)89
8. Miscellaneous General Services	14.83	0.79	1.22	0.44	2.11	(+)380
9. Education, Sports, Art and Culture	0.12	0.15	0.14	0.46	0.15	(-)67
10. Medical & Public Health	0.02	0.02	0.07	0.12	0.15	(+)25

⁴ 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.

Audit Report (Civil) for the year ended 31 March 2003

Major heads of Revenue		1998-99	1999-00	2000-01	2001-02	2002-03	Percentage of Increase(+)/ Decrease(-) in 2002-03 with reference to 2001-02
11.	Water Supply and Sanitation	0.18	0.33	0.29	0.36	0.63	(+)75
12.	Housing	0.22	1.89	2.25	2.22	2.25	(+)1
13.	Social Security and Welfare	---	---	0.01	0.01	0.13	(+)1,200
14.	Crop Husbandry	0.03	0.03	0.14	0.10	0.10	---
15.	Animal Husbandry	0.10	0.21	0.17	0.22	0.20	(-)9
16.	Forestry and Wildlife	3.05	1.70	2.64	2.04	3.54	(+)73
17.	Food storage and Warehousing	0.02	0.08	0.06	0.07	0.01	(-)74
18.	Co-operation	0.06	0.08	0.08	1.30	0.97	(-)86
19.	Other Agricultural Programmes	0.04	0.03	0.04	0.03	0.02	(-)33
20.	Minor Irrigation	---	---	---	0.01	---	(-)100
21.	Power	17.21	17.85	19.87	22.93	19.59	(-)15
22.	Village and Small Industries	0.10	0.14	0.15	0.18	0.62	(+)244
23.	Non-ferrous Mining and Metallurgical Industries	0.03	0.01	0.10	0.02	0.01	(-)50
24.	Road Transport	2.50	3.81	5.16	5.10	5.52	(+)8
25.	Tourism	0.14	0.18	0.09	0.10	0.16	(+)60
26.	Other General Economic Services	0.06	0.05	0.05	0.05	0.06	(+)20
Total:-		43.90	38.64	38.57	43.11	42.51	(+)1

Reasons for variations, though called for, have not been intimated by the concerned departments (January 2004).

6.3 Variations between Budget estimates and actuals

Variations between Budget estimates and actuals of revenue receipts for the year 2002-03 are given below:

Table 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	13.06	12.32	(-)6
2.	Stamps and Registration Fees	0.70	0.57	(-)19
3.	State Excise	1.90	1.98	(+)4
4.	Sales Tax	37.98	41.16	(+)8
5.	Taxes on Vehicles	5.76	4.74	(-)18
6.	Other Taxes and Duties on Commodities and Services	1.03	3.15	(+)206
7.	Interest Receipts	1.00	1.72	(+)72
8.	Police	0.05	0.56	(+)1,020
9.	Stationery and Printing	0.22	0.01	(-)95
10.	Public Works	1.35	0.62	(-)54
11.	Other Administrative Services	4.28	3.14	(-)27

Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
(1)	(2)	(3)	(4)	
12.	Miscellaneous General Services	1.40	2.11	(+51)
13.	Education, Sports, Art & Culture	0.29	0.15	(-)48
14.	Medical and Public Health	0.12	0.15	(+)25
15.	Water Supply and Sanitation	0.75	0.63	(-)16
16.	Housing	5.36	2.25	(-)58
17.	Social Security and Welfare	0.15	0.13	(-)13
18.	Crop Husbandry	0.15	0.10	(-)33
19.	Dairy Development	0.14	---	(-)100
20.	Forestry & Wildlife	2.50	3.54	(+)42
21.	Food, Storage and Warehousing	---	0.01	(+)100
22.	Co-operation	0.02	0.97	(+)4,750
23.	Other Agricultural Programmes	0.08	0.02	(-)75
24.	Power	21.00	19.59	(-)7
25.	Village and Small Industries	0.16	0.62	(+)288
26.	Non-ferrous Mining and Metallurgical Industries	4.41	0.01	(-)100
27.	Road Transport	6.65	5.52	(-)17
28.	Tourism	0.13	0.16	(+)20
Total:-		110.64	105.93	(-4)

Reasons for variations, though called for, have not been intimated by the concerned departments (January 2004).

6.4 Cost of collection

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

Table 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 2001-02
1.	Sales Tax	2000-01	27.30	2.83	10	1.26
		2001-02	34.42	3.51	11	
		2002-03	41.15	3.01	7	
2.	State Excise	2000-01	1.77	3.83	216	3.21
		2001-02	1.87	4.24	227	
		2002-03	1.98	4.36	220	
3.	Taxes on Vehicles	2000-01	5.29	1.54	29	2.99
		2001-02	5.35	1.64	31	
		2002-03	4.74	1.64	35	
4.	Stamps and Registration Fees	2000-01	1.77	0.09	5	3.51
		2001-02	0.91	0.11	12	
		2002-03	0.57	0.09	16	

The State is facing a 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 corresponding All India Average percentage for the year 2001-02 under the head State excise was mainly due to excess establishment charges.

SECTION-B – AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE/HOME/WORKS AND HOUSING (ROADS AND BRIDGES) DEPARTMENT

6.5 Non-deduction of tax on works contract – loss of revenue

Government suffered loss of revenue of Rs.1.12 crore due to non-deduction of tax on works contract at source

Schedule III Section 5A (2) (e) of Nagaland Sales Tax (NST) Act, 1967 read with Nagaland Sales Tax Rules, 1970 as amended upto 31 March 1996 provides that the tax on works contract should be deducted from the contractors' bill at source at the rate of four *per cent* on the value of work done after allowing deduction of 30 *per cent* on account of labour and other charges.

Government of Nagaland, vide their notification dated 27 March 2001 revised the rate of tax on works contract from four *per cent* to eight *per cent* and the allowable deductions from 30 *per cent* to 25 *per cent* effective from 1 April 2001.

Test check of records (March 1996 to August 2002) of three * works divisions revealed that Rs.20.29 crore was paid to different contractors between March 2000 and August 2002 for executing various civil construction and up-gradation works without deducting tax on works contract to the tune of Rs.1.12 crore from the bills of contractors.

Failure to deduct works contract tax from the contractors' bills at source resulted in loss of Rs.1.12 crore to the Government.

The matter was reported to the Government and the respective departments in July 2003; in reply, the Executive Engineer, Medical Engineering Division, Kohima stated in July 2003 that the deduction of the works contract tax could not be done due to non-receipt of government notification. The Government and the Executive Engineer, Public Works Department (Roads and Bridges) stated in October 2003 and September 2003 respectively that the tax would be deducted from the final bills of the contractors. The replies were not tenable as the tax should have been deducted on the value of work done from the contractors' bills at source as the rule was already in force.

Reply from the Government is still awaited (January 2004).

* (1) Executive Engineer, Medical Engineering Division, Kohima
(2) Project Engineer, Police Engineering Project, Chumukedima and
(3) Executive Engineer, Public Works Department (Road and Bridges), Dimapur

CHAPTER VII FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

GENERAL

7.1 Assistance to autonomous bodies and others

Autonomous bodies and authorities are set up to discharge generally non-commercial functions of public utility services. These bodies/authorities, by and large, receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act 1956 etc., to implement certain programmes of the state Government. The grants are sanctioned and released to such bodies and authorities for maintenance of educational institutions, industrial institutions construction and maintenance of school and hospital buildings, improvement of roads and other communication facilities under Town Committees and local bodies.

During 2002-03, financial assistance of Rs.11.91 crore was paid to various autonomous bodies and other institutions broadly grouped as under:

Table 7.1

(Rupees in crore)

Serial Number	Name of institutions	Amount of assistance paid
1.	Village Development Boards	0.43
2.	Industrial institutions	2.45
3.	Town Committees	0.15
4.	Co-operative Societies	1.25
5.	Non-Government Schools/Colleges and Institutions	1.45
6.	Other Institutions	6.18
Total:-		11.91

Source: Detailed Appropriation Accounts

7.2 Delay in furnishing utilisation certificates

The financial rules of Government require that where grants are given for a specific purpose, certificates of utilisation should be obtained by the departmental officers from the grantees, and after verification, these should be forwarded to the Accountant General within one year from the date of sanction, unless specified otherwise.

Three thousand two hundred and fifty three utilisation certifications due in respect of grants aggregating to Rs.84.16 crore paid during the period from 1967-68 to 2002-03 had not been furnished. Department-wise break-up of outstanding utilisation certificates was as under:

Table 7.2

Serial Number	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2002-03	47	23.57
2.	School Education	1982-83 to 2002-03	644	*27.28
3.	Co-operation	1967-68 to 2002-03	286	6.03
4.	Rural Development	1980-81 to 2002-03	2255	**20.34
5.	Agriculture	1999-00 to 2002-03	9	*6.92
6.	Social Security and Welfare	2001-02 & 2002-03	1	0.01
7.	Art and Culture	2001-02 & 2002-03	11	0.01
	Total:-		3,253	84.16

Source: Based on departmental figures

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

7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Powers 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, the purpose for which assistance was sanctioned, and the total expenditure of the institutions. Information for the years 1995-96 to 2002-03 was awaited from the Finance department of the Government (January 2004).

7.4 Audit arrangements

Under section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any body or authority which is substantially financed by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A body or authority is said to be substantially financed, if the amount of Government grant or loan is not less than Rs.25 lakh and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that body or authority. The following seven authorities/bodies¹ received Rs.101.98 crore as grants/loans from the Government of India/State Government during 2001-02.

* The position of utilisation certificates outstanding was as per last year's position as the information upto (September 2003) is awaited (January 2004).

** The position of outstanding utilisation certificates was only for the grants upto 1993-94. Information for subsequent years is awaited (January 2004).

¹ Taking seven DRDAs as one unit

Table 7.3

Sl. No.	Name of Body/Authority	Accounts prepared/submitted	Accounts audited as on 31.3.2003	Source of Funds	Amount of grant/loan
					2001-02
					(Rupees in crore)
1.	Nagaland University	2001-02	1999-00 ²	Government of India & Government of Nagaland	14.17
2.	Development Authority of Nagaland, Dimapur	2001-02	2001-02	Government of Nagaland	0.85
3.	Nagaland Board of School Education	2001-02	March 2001	Government of Nagaland	1.05
4.	Nagaland State Social Welfare Advisory Board, Kohima.	2001-02	2001-02	Government of India & Government of Nagaland	0.89
5.	North East Zone Cultural Centre, Dimapur	1999-00	1999-00 ³	Government of India & Government of Nagaland	72.69
6.	Nagaland Khadi and Village Industries Board, Kohima	1999-00	1987-88 ⁴	Government of Nagaland	1.30
7.	District Rural Development Agency, Kohima	2001-02	2000-01	Government of India & Government of Nagaland	11.03
8.	District Rural Development Agency, Mokokchung	2001-02	2001-02	Government of India & Government of Nagaland	
9.	District Rural Development Agency, Tuensang	2001-02	2001-02	Government of India & Government of Nagaland	
10.	District Rural Development Agency, Wokha	2001-02	2001-02	Government of India & Government of Nagaland	
11.	District Rural Development Agency, Mon	2001-02	2000-01	Government of India & Government of Nagaland	
12.	District Rural Development Agency, Phek	2001-02	2000-01	Government of India & Government of Nagaland	
13.	District Rural Development Agency, Zunheboto	2001-02	1994-95	Government of India & Government of Nagaland	
Total					101.98

Source: Based on departmental figures

Nagaland Khadi and Village Industries Board, Kohima is a Statutory Corporation formed under an Act passed by the State Legislature. During 2001-02, the Board received Rs.1.30 crore from the Government of Nagaland. Details of loans/grants received from the Khadi and Village Industries Commission had not been made available.

² Audit of NU for the period 2000-01 and 2001-02 has been undertaken in the first quarter of 2003-04 and the SARs under finalisation.

³ SARs on NEZCC for the periods from 1995-96 to 1999-00 are pending due to non-approval of Annual A/cs by the Governing Body.

⁴ The approval to A/cs of NKVIB for the periods from 1988-89 to 1999-00 was submitted by the Board on 20/4/03 and accordingly audit was undertaken in October-November 2003. The SARs are under finalisation.

SECTION – A – REVIEWS

PLANNING AND CO-ORDINATION DEPARTMENT

7.5 Working of Development Authority Nagaland

Highlights

A review by audit on "Working of Development Authority Nagaland" revealed that the objectives of the Authority were not achieved due to lack of proper planning, control and direction. Lack of proper execution, implementation and monitoring of scheme resulted in loss of revenue due to non-allotment of a large number of stalls/rooms and non-realisation of rent from allottees. Recruiting staff without assessing actual requirements with reference to work load and financial mismanagement created an alarming situation.

Financial management of Development Authority Nagaland was poor, and the budget was not prepared annually, which led to unplanned expenditure and breach of provisions of Act/Rules.

(Paragraph 7.5.5)

Development Authority Nagaland engaged 47 work-charged staff and incurred expenditure of Rs.68.98 lakh on their salary when it did not have works to execute during 1998-99 to 2002-03.

(Paragraphs 7.5.6)

There was no provision in the Nagaland Town and Country Planning Act, 1966 nor in the Budget for expenditure on repair/maintenance of the Naga Shopping Arcade out of revenue collected from the occupants. Development Authority Nagaland irregularly spent Rs.80.49 lakh on repair/maintenance of the market complex out of revenue collected by it from the occupants of the stalls/rooms during 1998-99 to 2002-03.

(Paragraph 7.5.8)

Due to non-realisation of rent and non-allotment of a large number of stalls/rooms, the Development Authority Nagaland sustained loss of revenue of Rs.68.69 lakh

(Paragraph 7.5.9 to 7.5.11)

Development Authority Nagaland irregularly utilised the revenue of Rs.1.34 crore for day to day expenditure instead of crediting it to the Development Fund.

(Paragraph 7.5.12)

7.5.1 Introduction

Development Authority Nagaland (DAN), Dimapur was set up in October 1976 under the Nagaland Town and Country Planning Act, 1966.

DAN is financed by grants/investments from Consolidated Fund of the State and audit was taken up under Section 14 (i) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

7.5.2 Objectives

The objectives of DAN as envisaged in Nagaland Town and Country Planning Act, 1966 include, implementation of Master Plans and social housing schemes including land development, construction of urban infrastructure, promotion and enforcement of building bye-laws, execution of works entrusted by the Government and any other function which is supplemental, incidental or consequential to any of the functions aforesaid or which may be prescribed. By an amendment in 1981, DAN was also permitted to execute projects outside the State when directed by the Government of Nagaland (hereinafter referred to as Government). Against the above objectives, DAN had undertaken the following works during 1998-99 to 2002-03:

The Mithun project, costing Rs.52.91 lakh awarded to DAN by Indian Council of Agricultural Research (ICAR), Dimapur on deposit work basis, and

Construction of DAN office building at Dimapur costing Rs.53.29 lakh only.

It was stated by DAN that due to creation of an Engineering Wing under Town Planning department, all the construction works were being executed by that department, and therefore Engineering Wing of DAN remained partially utilised.

7.5.3 Organisational set up

DAN is managed/governed by a Board of Directors consisting of a Chairman, Vice-Chairman and six other members appointed by the Government of Nagaland. The Secretary, DAN is overall responsible for the working of DAN and is assisted by a Senior Executive Officer in matters relating to administration and laws, an Accounts Officer and two Executive Engineers in monitoring the execution of construction works.

7.5.4 Audit coverage

A review on the "Working of Development Authority Nagaland" based on test check of transactions for the period from 1998-99 to 2002-03 was conducted during March-April 2003 covering an expenditure of Rs.6.13 crore (100 per cent). The results of the review are incorporated in the succeeding paragraphs.

7.5.5 Financial Management

Budgeting process

As provided in the Nagaland Town and Country Planning Act, DAN was to prepare on or before the 1st day of February each year annual estimate of the anticipated income and proposed expenditure during the next financial year and submit it to Government for approval. DAN had, however, not prepared any budget during the period (1998-99 to 2001-02) and only demands for grants-in-aid were sent to the State Government through the Chief Town Planner to meet the requirement of funds. This led to unplanned receipt and expenditure and breach of provision of the Act/Rules. In reply DAN (October 2003) stated that the budget for 2002-03 had been prepared and approved in the meeting of Board (July 2002).

Maintenance of accounts and other records

According to provisions of the Act, the Secretary DAN is required to maintain an account of transactions in two sections viz ordinary (Revenue) and capital expenditure, which is required to be placed before the Budget and Finance Committee for approval and audited accounts are required to be submitted to the State Government. Scrutiny of records revealed that the annual audited accounts of 2001-02 only had been approved by the Board of Directors and submitted to the Government. As a result, upto-date position of assets, liabilities and borrowings were not disclosed.

Sources of finance and expenditure

DAN's sources of finance include grants-in-aid from State Government, investments, rent of stalls/rooms, daily market rent during the period 1998-99 to 2002-03.

Details of income, grants-in-aid/investment and expenditure incurred by DAN during 1998-99 to 2002-03 were as under:

Table 7.4

(Rupees in lakh)

Year	Opening Balance	Grants-in-aid/Investment received during the year			Other Receipts	Total Receipts (5+6)	Fund available (2+7)	Expenditure	Closing Balance (8-9)
		Plan	Non-Plan	Total	Revenue				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1998-99.	1.99	70.00	50.00	120.00	26.10	146.10	148.09	100.13	47.96
1999-00	47.96	50.00	50.00	100.00	22.66	122.66	170.62	130.77	39.85
2000-01	39.85	50.00	50.00	100.00	27.54	127.54	167.39	142.52	24.87
2001-02	24.87	85.00	---	85.00	51.94	136.94	161.81	125.33	36.48
2002-03	36.48	70.00	---	70.00	31.07	101.07	137.55	114.14	23.41
Total		325.00	150.00	475.00	159.31	634.31		612.89	

Source: Receipts and Expenditure statement of DAN

Other receipts

Other receipts for the year 2001-02 included Rs.20.00 lakh as fixed deposit. The source from which the money was obtained for keeping in fixed deposit was neither on record nor stated. In reply (October 2003) DAN stated that the source of fund was from grants-in-aid.

The percentage of revenue receipts to total expenditure ranged between 17 to 27 per cent** and as such DAN had to depend mainly on the Plan and Non-Plan grants released by the Government, which constituted 62 to 82 per cent of the total receipts.

Against revenue receipts of Rs.6.89 lakh (Rs.3.53 lakh : 1999-00, Rs.3.36 lakh : 2000-01) realised as per cash book and receipt books, Rs.2.19 lakh (Rs.0.56 : 1999-00, Rs.1.63 lakh : 2000-01) were exhibited in accounts.

Thus, receipts were understated to the extent of Rs.4.70 lakh in accounts during 1999-00 and 2000-01. Government admitted the fact (October 2003).

Government of Nagaland, Planning and Coordination department accorded sanction as Grants-in-aid/Investment for payment of salaries to the officers and staff of DAN under "Plan" expenditure during the year 1999-00 to 2002-03. This classification of expenditure was not in consonance with the Financial Rules.

* This includes a fixed deposit of Rs.20 lakh.

** Calculation of year-wise percentage of income with total expenditure:

1998-99	-	$\frac{26.10}{100.13} \times 100$	= 26 per cent	2001-02	-	$\frac{31.94}{125.33} \times 100$	= 25 per cent
1999-2000	-	$\frac{22.66}{130.77} \times 100$	= 17 per cent	2002-03	-	$\frac{31.07}{114.14} \times 100$	= 27 per cent
2000-01	-	$\frac{27.54}{142.52} \times 100$	= 19 per cent				

Although DAN prepared the Annual Accounts, the accounts for the year 2001-02 only were placed before the Board for approval (July 2002) since inception. In reply (October 2003) DAN stated that the accounts for the year 2002-03 were prepared and approved in the meeting of Board (July 2002). The reply is not tenable as DAN did not indicate the reasons for non-submission of its Annual Accounts for the years prior to 2001-02 before the Board.

7.5.6 Human Resource Management

Staffing pattern

No norms were fixed for the recruitment and posting of staff by DAN vis-a-vis the work load. In the absence of prescribed norms for staffing pattern, entertainment of excess/less staff against sanctioned strength could not be ascertained in audit.

Scrutiny of records, however, revealed that the Board of Directors occasionally analysed the strength of regular and work charged staff and sanctioned the posts accordingly. While the work charged staff was required to be terminated after completion of the work/project and the deputationist posted to project site reverted to their respective department, 47 workcharged staff were not terminated/reverted, in violation of Boards decision of May 1987. The expenditure on such staff towards their wages/salaries worked out to Rs.68.98 lakh.

Scrutiny revealed that DAN was established with 22 regular staff of different categories of posts with the approval of Board meeting held on April 1977. The staff strength was increased upto 81 by the Board according to decision taken at its meetings held from time to time. Further there was nothing on record to show that the monthly returns indicating the position of staff were furnished to the higher authority/Government. This reflected lack of control in management of human resources. In reply (October 2003) DAN stated that the returns were being furnished to the employment exchange regularly which was not tenable in audit.

DAN stated that some recruitment was done on the recommendations of VIPs approved by the Board and the workcharged staff were not terminated as their services were required against maintenance of its Market Complex named Naga Shopping Arcade (NSA) and allied work. It was also stated that the matter for regularization of the services of 47 workcharged staff would be placed in the next Board meeting. The reply is not tenable in view of the Board decision taken in this regard in its meeting held in May 1987.

7.5.7 Irregular expenditure on construction of DAN office building

DAN decided in September 1998 to construct its office building on its own land at NSA, Dimapur. Estimate for Rs.28.80 lakh for ground floor (March 1999) and Rs.32.60 lakh for first floor (September 1999) were prepared by Executive Engineer, DAN which was approved by Chairman in December 1999 with a stipulation that (a) the proposal for construction of DAN office building would

require to be put up to the Board for formal approval in its next meeting and, (b) funding was to be provided from the savings of internal resources. Original estimate for construction of ground floor was, however, revised from Rs.28.80 lakh to Rs.35.26 lakh. Rule 4 to 10 of Nagaland Town and Country Planning Rules, 1979 provided for obtaining of the State Government approval/sanction to the scheme.

Test check of records revealed that no administrative approval and technical sanction, as required, were obtained for construction of DAN office building. The construction of the ground and the first floor were completed through labour contract during December 2000 and August 2002 respectively at a total cost of Rs.53.29 lakh by utilising a portion of Plan funds meant for external electrification, providing street light, office block and revenue earned which was rather to be utilised for creation of a Development Fund. DAN had neither put up the proposal for construction to the Board nor obtained any approval from the State Government. The work was awarded to the contractor through labour contract although DAN had its own technical wing with enough workcharged staff. The reason for awarding the work to contractor was neither available on record nor stated to audit. Thus, expenditure of Rs.53.29 lakh incurred towards construction of office building and that too through contractor without approval/sanction of the Board/Government was irregular.

7.5.8 Expenditure on repair and maintenance of Market Complex incurred without following codal formalities

Para 214 of the Nagaland Public Works Department Code (NPWDC) envisages that orders for execution on repair work may be given by the Executive Engineer after satisfying himself on the requisition for repair made by the concerned officer (s) subject to availability of fund for the purpose.

DAN had spent Rs.80.49 lakh on repair and maintenance of the Market Complex out of revenue collected from the occupants of the stall/rooms during 1998-99 to 2002-03. No record showing year wise list of repair works taken up for execution, survey report and allotment of funds therefor was made available to audit (October 2003). Moreover, neither the Nagaland Town and Country Planning Act, 1966 nor the budget had any provision for incurring expenditure on repair/maintenance of the NSA out of receipts/revenue collected from the occupants. In the absence of requisite records, the reasonableness of the repair work executed by incurring expenditure of Rs.80.49 lakh (January 2003) could not be verified in audit. Thus, expenditure of Rs.80.49 lakh on repair and maintenance work of Market Complex out of its revenue receipts was irregular.

DAN stated (July 2003) that no survey was conducted but repair and maintenance of NSA were carried out as and when necessity arose. The reply was not tenable as it was not in accordance with Para 214 of the NPWDC.

7.5.9 Non-realisation of rent

The construction of NSA at Dimapur consisting of 352 stalls/rooms was undertaken in 1978 to (i) create employment opportunities for educated/uneducated unemployed local youths, (ii) help create resources in the form of rent, (iii) reduce pressure on construction of buildings in a particular commercial area by way of renting out the stalls/rooms. The monthly rental value was assessed on the basis of floor area, location, category and the use of the buildings. According to the statement of dues prepared by the revenue section of DAN on the basis of demands, the arrear of rent which remained uncollected from the occupants of the stalls/rooms for the period from 1998-99 to 2002-03 amounted to Rs.22.89 lakh as detailed below:

Table 7.5

(Rupees in lakh)

Year	Amount due from occupants	Amount collected	Outstanding rent
1998-99	25.71	21.63	4.08
1999-00	25.41	22.10	3.31
2000-01	30.36	25.91	4.45
2001-02	33.36	27.65	5.71
2002-03	30.89	25.55	5.34
Total :-	145.73	122.84	22.89

Source:- Departmental figures.

Test check of records revealed that no effective steps were taken against the defaulters to realise the outstanding rent from them nor recovery proceedings were initiated against the defaulters as per law. In reply (October 2003) DAN stated that legal suit for recovery of outstanding rent was lodged (19.12.2002) with Deputy Commissioner (Judicial) Dimapur.

7.5.10 Loss due to non-allotment of stalls/rooms

Naga Shopping Arcade consisting of 352 stalls/rooms was constructed to rent out to educated/uneducated local youths. Test check of records revealed that a large number of stalls/rooms remained unallotted for years together due to defective planning and construction which resulted in loss of revenue of Rs.40.45 lakh (Appendix - XXVII). The basic objective of providing self employment to the educated/uneducated local youths also remained unachieved.

DAN stated (July 2003) that it sustained loss of revenue of Rs.40.45 lakh due to defective Project Report/planning of NSA, severe law and order problem and inadequate publicity for renting out of stalls/rooms.

7.5.11 Loss of revenue

DAN let out a building with plinth area of 6309 sq.ft. in NSA on lease for five years from January 1995 to December 1999 to the City Law College, Dimapur. It entered into a tenancy agreement (September 1994) with the College with the

condition to pay monthly rent and other charges within ten days following the month for which the rent was due. Scrutiny revealed that after the first seventeen months of the lease period, City Law College had defaulted in payment of monthly rent for the period from June 1996 to December 1999 amounting to Rs.4.12 lakh. DAN served a legal notice (December 2002) to City Law College for payment of outstanding dues within 15 days of receipt of notice failing which a money suit would be filed for recovery of dues with interest thereon at the rate 18 *per cent* per annum. But DAN had neither filed any money suit nor took any action to realise the outstanding dues from City Law College (June 2003) as the latter failed to respond to the legal notice.

7.5.12 Irregular utilisation of revenue

Under Section 48 of the Act and clause 24 (vi) of the amendments made in September, 1979 the rent, profit and sale proceeds of all lands, building and other property vested or vesting in or acquired by DAN should be utilised for creation of Development Fund to carry out the purpose of the Act in the matter of implementation of Master Plans and Schemes and for the running of the staff and employees of DAN. No portion of the fund should, except with the sanction of the Government, be expended for purposes not provided by this Act. But no such Development Fund was created by DAN so far.

It was seen in audit that DAN had realised Rs.1.41 crore (*Appendix-XXVIII*) being rent of stalls/rooms, daily market rent, hire charges of Road Roller and other miscellaneous receipts during the period from 1998-99 to 2002-03, out of which only Rs.7 lakh was deposited into Government account during March 2001 to September 2001 and the balance amount of Rs.1.34 crore was utilised towards day to day expenditure of DAN establishment without creating a Development fund as required under the Act *ibid*. Thus, expenditure incurred by DAN led to irregular utilisation of revenue.

7.5.13 Misutilisation of Security Deposit

According to NPWD Code, cash realised in the form of security deposit should be kept in Bank/Post Office savings account and the same should be released to the lessee at the time of completion of lease agreement/vacating the room after adjustment of dues, if any.

Scrutiny revealed that DAN had realised Rs.10.37 lakh as security deposit from the tenants before renting out the stalls/rooms during the period from 1998-99 to 2002-03 out of which Rs.2.07 lakh was released to the tenants at the time of vacation of stalls/rooms and the balance out of Rs.8.30 lakh was utilised for repair and maintenance work of Naga Shopping Arcade as detailed below:

Table 7.6

(Rupees in lakh)

Year	Amount realised	Amount released	Balance
1998-99	0.88	0.26	0.62
1999-00	0.54	0.04	0.50
2000-01	3.98	0.25	3.73
2001-02	1.56	0.30	1.26
2002-03	3.41	1.22	2.19
Total :-	10.37	2.07	8.30

Source:- Departmental figures

DAN replied (July 2003) that the amount of Rs.8.30 lakh was utilised for repair work purportedly due to financial crunch. Reply was not tenable as the expenditure of Rs.8.30 lakh incurred towards repair/maintenance of NSA was not covered by the provision of NPWD code.

7.5.14 Extra liability due to non-payment of instalment of loan

During 1978-79, DAN had taken up phasewise construction of the NSA on its own land at Dimapur at an estimated cost of Rs.2.39 crore with the stipulation to complete the work in its totality by the year 1981.

DAN obtained (March 1981) loan of Rs.1.44 crore bearing 8.50 *per cent* interest per annum from the Life Insurance Corporation of India (LIC) on the strength of State Government guarantee fees for financing the project. The principal was repayable in fifteen years in thirteen annual instalments with a moratorium of three years for the repayment of the principal as agreed upon. The interest was due on first day of the month of May and November every year and compound interest at the same rate to be paid on instalment of interest not paid on due date.

After paying Rs.1.13 crore* towards principal and Rs.1.07 crore towards interest against the loan upto June 1993 and March 2000 payment was stopped owing to "financial crunch" of DAN, thereby creating a further liability to pay compound interest of Rs.29.59 lakh (calculated upto November 2002) as detailed in *Appendix-XXIX*. DAN admitted the fact (October 2003).

As provided in the sanction (January 1981), DAN was to pay necessary guarantee fees at the rate of 0.50 *per cent* on due date which was to be credited into the treasury under the head of account "068-Miscellaneous General Services-receipts relating to guarantee given by Government-guarantee fees". The guarantee would be valid for fifteen years from the date of borrowings or upto the day the loan with interest thereon is fully repaid, which ever is earlier.

Test check of records revealed that DAN had not yet deposited (June 2003) any amount into the Government accounts on account of guarantee fee and thus

* April 1984 to June 1984 – Rs.111.00 lakh
March 2000 – Rs.1.73 lakh
– Rs.112.73 lakh

created further liability of Rs.15.54 lakh (*Appendix-XXX* calculated upto November 2002).

DAN stated (July 2003) that the guarantee fees, principal of loan and interest accrued thereon could not be paid/deposited into Government account due to acute financial crisis. The reply is not tenable as records pertaining to the period under review (1998-99 to 2002-03) indicated that there were huge closing balances available at the year end which could have been utilized for discharging increasing liability of repayment of loan (principal/interest). In reply, DAN stated (October 2003) that fee would be paid as soon as funds were available, which was not tenable.

7.5.15 Internal control

No record was produced to audit in support that DAN had a system of internal control. DAN had not maintained even the vital records like, advance register, asset register, register for outstanding rent affecting its functioning as a viable unit. No record was produced in support of any control exercised by the top management and Controlling department (Chief Town Planner). Only some utilisation certificates were shown to audit in support of any return or information sent to Controlling department. Further, bank reconciliation was also not carried out during the period from 1998-99 to 2002-03.

7.5.16 Monitoring and evaluation

DAN did not have any monitoring cell and no agency/department had been entrusted by the Government to evaluate the working/activities of DAN. No record relating to submission of reports/returns to Board or to the Controlling department (Chief Town Planner) was produced to audit. Thus, the working/activities of DAN had not yet been evaluated/appraised.

7.5.17 Recommendations

In view of the shortcomings discussed above, Audit recommends that :

Effective step be taken to recover the outstanding rent from the defaulters and to allot the vacant stalls/rooms to make its internal resources generation sound.

Immediate step be taken to liquidate the outstanding loans taken from Life Insurance Corporation of India in order to avoid increasing liability due to compound interest being charged on the unpaid amount of interest instalments.

The functioning of the organisation be reviewed in the light of the functions enumerated in the objectives laid down for it in the Act in order to make full use of its human and other resources.

The matter was reported to Government and the department in September 2003; replies furnished (October 2003) were incorporated in the relevant paragraphs.

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies

GENERAL

8.1. Introduction

As on 31 March 2003, there were six Government companies including one subsidiary and one non-working under the control of the State Government. The number of companies remained unchanged since the previous year. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) as per Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

The accounts of departmentally managed Government commercial undertakings are audited solely by the CAG under Section 13 of CAG's DPC (Duties, Powers and Conditions of Service) Act, 1971.

8.2 Working of Public Sector undertakings

Investment in working Government companies

The total investment in five working Government companies at the end of March 2003 and March 2002 was as follows in Table 8.1

Table 8.1

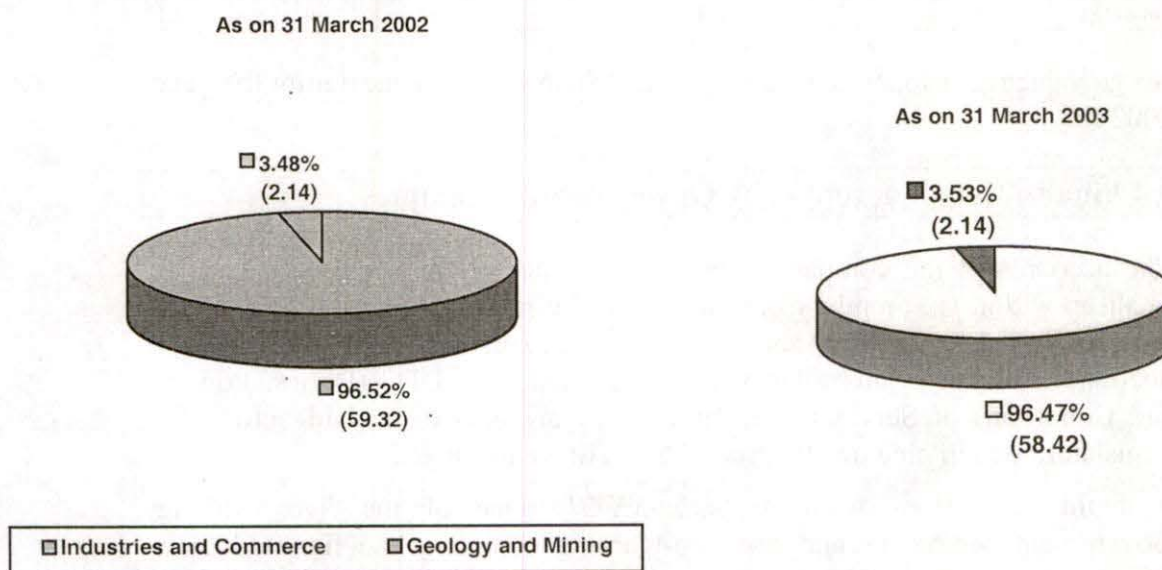
(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2001-02	5	19.17	10.20	32.09	61.46
2002-03	5	19.31	10.43	30.82	60.56

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

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2003 are indicated below in the pie charts:

Chart 8.1



(Figures in brackets indicate investment in Rupees in crore)

As on 31 March 2003, the total investment of Government companies comprised 49.11 per cent of equity capital and 50.89 per cent of loans as compared to 47.79 per cent and 52.21 per cent respectively as on 31 March 2002.

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

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

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 XXXI* and *XXXIII*.

The budgetary outgo (in the form of equity, capital and loans) and grants/subsidies from the State Government to Government companies for the three years upto 2002-03 are given below in Table 8.2

Table -8.2

	(Rupees in crore)					
	2000-2001		2001-2002		2002-2003	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	3	0.85	3	1.89	3	1.87
Loans given from budget	1	0.10	1	0.70	---	---
Grants/Subsidy towards						
(i) Projects/Programmes/Schemes			---	---	---	---
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	3	5.21	4	6.46	4	7.32
Total outgo	3*	6.16	4*	8.45	4*	9.19

No guarantees for loans were given by the State Government during the year 2002-03.

8.4 Finalisation of accounts by Government companies

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 DPC (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

It could be noticed from *Appendix-XXXII*, none of the five working Government companies and one non-working company had finalised their accounts for the year 2002-03 within the stipulated period. During the period from October 2002 to September 2003, two Government companies finalised two accounts for 1993-94 and 1988-89. The accounts of all the companies were in arrears for periods ranging from 9 to 23 years as on 30 September 2003 as detailed below in Table 8.3.

Table -8.3

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-XXXII</i>
1	1	1994-95 to 2002-03	9	1 (i)
2	1	1981-82 to 2002-03	22	1 (ii)
3	1	1983-84 to 2002-03	20	1 (iii)
4	1	1978-79 to 2000-01	23	1 (iv)
5	1	1985-86 to 2002-03	18	1 (v)
6	1	1989-90 to 2002-03	14	2 (i)

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government, and as a result, the net work 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.

8.5 Financial position and working results of Government companies

The summarised financial results of Government companies as per latest finalised accounts are given in *Appendix-XXXII*.

According to latest finalised accounts of four Government companies, three companies had incurred an aggregate loss of Rs.1.85 crore.

Loss incurring companies

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

Return on Capital Employed

As per latest accounts, the capital employed¹ worked out to Rs.17.55 crore in three companies and total return² thereon amounted to Rs.(-) 1.93 crore as compared to total return of Rs.(-)1.71 crore in the previous year (accounts finalised upto September 2002). The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix—XXXII*.

Persistent irregularities and system deficiencies in financial matters of companies

The following persistent irregularities and system deficiencies in the 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:

- (1) The accounts are not finalised in time.
- (2) 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 BODs.

Internal audit/internal control

No internal audit/internal control mechanism was found in place in the Government companies. The firms of Chartered Accountants were appointed by the companies to compile the annual statement of accounts only.

* Sl.No. 1 (ii) of Appendix-XXXII (Nagaland Industrial Raw Materials and Supply Corporation Ltd.)

¹ 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).

² 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.

8.6 Response to Inspection Reports

Audit observation raised during audit and not settled on the spot are communicated to the Head of PSUs and concerned Department of the State Government through Inspection Reports. The Heads of PSUs are required to furnish reply through respective Heads of Department within a period of six weeks. Inspection Reports issued upto June 2003 pertaining to six PSUs disclosed that 230 paragraphs relating to 36 Inspection Reports remained outstanding at the end of October 2003. 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 October 2003 is given below in Table 8.4

Table - 8.4

Sl. No.	Name of the Department	Number of PSUs	Number of outstanding Inspection Reports	Number of outstanding paragraphs	Year from which paragraphs outstanding
1	Industries and Commerce	5	29	162	1988-89
2	Geology and Mining	1	7	68	1987-88
	Total	6	36	230	

It is recommended that the Government should ensure that (a) procedure exists for action against the official who failed to send replies to Inspection Reports 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.

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

The reviews/paragraphs of Commercial Chapter of Audit Reports pending discussion as on 31 March 2003 by the Committee on Public Undertakings are shown below in Table 8.5

Table - 8.5

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	---	1 ³		
1995-96	1	2 ⁴		
1996-97	1 ⁴	Nil		
1997-98	1 ⁴	1 ⁴		
1998-99	1 ⁵	1 ⁵		
1999-2000	---	1		
2000-2001	---	1		1999-2000 to 2001-02
2001-2002	1	3		are pending for discussion

³ Discussed in September 2000 but recommendation of COPU is awaited.

⁴ Discussed in June 2001 but recommendation of COPU is awaited.

⁵ Discussed in February 2002 but recommendation of COPU is awaited.

8.8 Departmentally managed Government Commercial/ Quasi-Commercial Undertakings

Proforma accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 3 to 32 years

As on 31 March 2003, 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 2001-02 about delay in preparation of proforma accounts of these undertakings.

The following table depicts the extent of arrears in preparation of proforma accounts by the undertakings/departments:

Table -8.6

Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 2002-03
2.	Nagaland State Transport Department	1988-89 to 2002-03
3.	Nagaland Power Department	1999-2000 to 2002-03
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99 to 2002-03
	(ii) Medium size Seed farm, Merapani	1999-2000 to 2002-03
	(iii) Seed Farm, Tizit	1998-99 to 2002-03
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2002-03
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2002-03
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2002-03
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2002-03
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2002-03
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2002-03
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2002-03
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2002-03
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2002-03
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2002-03
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2002-03
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2002-03
	(x) Pig Breeding Centre, Tizit	1997-98 to 2002-03

Audit Report (Civil) for the year ended 31 March 2003

Sl. No.	Name of the Department/Undertaking	Extent of arrears
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2002-03
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2002-03
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2002-03
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2002-03
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2002-03
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2002-03
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2002-03
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2002-03
	(xix) Sheep Farm, Poilwa	1998-99 to 2002-03
	(xx) Buffalo Farm, Jalukie	1998-99 to 2002-03
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2002-03
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2002-03

SECTION - A - REVIEWS

INDUSTRIES AND COMMERCE DEPARTMENT

8.9 Working of the Nagaland Industrial Raw Materials and Supply Corporation Limited

Highlights

Recommendations of Committee on Public Undertakings (1999-2000) to revive the Company by making it a state trading agency for handling raw materials for Small Scale Industries units and other consumable goods for State Government departments remained unmaterialised.

(Paragraph 8.9.7)

The State Government provided Rs.2.02 crore (equity :Rs.0.46 crore and grants-in-aid : Rs.1.56 crore) during 1997-2003 for payment of pay and allowances to its employees as the Company incurred losses for the reasons that it did not carry out its activities on full scale.

(Paragraph 8.9.7)

Injudicious appointment of handling agents on payments of handling and incidental charges ranging between three and nine *per cent* caused not only extra payment of Rs.22.92 lakh but also wiped out the Company as market leader.

(Paragraph 8.9.9)

The Company underlevied commission of Rs.8.18 lakh defying Board's decision to charge higher rate from non SSI units.

(Paragraph 8.9.10)

The Company made payment of Rs.54.46 lakh towards pay and allowances to its idle staff.

(Paragraph 8.9.12)

8.9.1 Introduction

The Nagaland Industrial Raw Materials and Supply Corporation Limited (NIRMSC) was established on 28 March 1973 as a private Company jointly by the Government of Nagaland and Economy Promotion Agency (Private) limited (EPA) and other private individuals with 50 *per cent* share held by Government and balance 50 *per cent* by EPA and others. Government took over the Company in January 1978 by buying all its private shares. The management of the Company was kept under Nagaland Industrial Development Corporation Limited (NIDC) a wholly owned Government Company under Industries and Commerce Department. In March 1981, the Government placed the Company under an exclusive Board of Directors drawn from Government Departments.

8.9.2 Objectives

The main objectives as enumerated in the Memorandum of Association of the Company include:

procurement of various industrial raw materials, iron and steel, building materials and supply to small scale industries (SSI units) in Nagaland.

trade in all kinds of commodities required by the State Government Departments/Public Bodies/Central and State Undertakings,

to act as a dealer/distributor of any type of consumer goods and raw materials,

to carry out business and to act as a commission agent in any capacity and also to export/import any items of mercantile.

During the period under review, the Company has been pursuing its activities limiting only to trade in paraffin wax, iron and steel and plastic raw materials. As earnings from the supply of raw materials to SSI units were not sufficient enough to sustain itself (referred Table 8.10), the Company undertook supply of timber to Coal India Ltd., Railways, Army Ordnance Factory and bamboo to Hindustan Paper Corporation Ltd. (HPCL).

8.9.3 Organisational set up

Management of the Company is vested in a Board of Directors (Board) consisting of six directors including a Chairman (five are ex-officio) and a Managing Director (MD) appointed by the Government. During the period under review four individuals held charge of Managing Director for a tenure period varied from 12 to 14 months. The MD is the Chief Executive of the Company and is assisted by General Manager, Manager (Commerce) and an Accounts Officer in discharge of his duties.

Under the Companies Act 1956, the Board meeting was to be held every three months or at least four Board meetings in a year. During the last five years upto 2002-03, the Company held only five Board meetings instead of required twenty meetings, the reasons for which had been ascribed to absence of Chairman or Directors. The six Directors on the Board including MD were drawn from the Industries & Commerce Department and one from the Finance Department. The Director representing the Finance Department attended only five out of 14 meetings held during 1991-2003, as such deliberations of the Board did not comprehensively reflect the opinion of the Finance Department. Further, since the responsibility of the Board is fiduciary in nature, non-holding of regular meetings or Directors sparsely attending meeting defeated the purpose of the constitution of the Board.

8.9.4 Scope of Audit

The review being the first one was taken up during May - June 2003 and covered overall performance of the Company during the last five years from 1998-99 to 2002-03 and findings thereof were discussed in succeeding paragraphs. To bring a pragmatic approach and share knowledge and experience about the review topic, the Comptroller and Auditor General of India decided to constitute a State Level Committee i.e. Audit Review Committee for Comprehensive Appraisal of State Public Sector Enterprises (ARCPSE). The State Government was requested (September 2002) to direct the concerned Secretary of the Department and Managing Director of the Company for taking part in the proceedings of the Review Committee before issue of the comprehensive appraisal to the State Government. But no such discussion could take place due to non-receipt of any response from the State Government (January 2004)

8.9.5 Capital structure

The initial authorised share capital of Rs.20 lakh was enhanced subsequently (1993-94) to Rs.2 crore divided into equity share capital of Rs.1.90 crore for 190000 shares of Rs.100 each and preference shares (10 *per cent* cumulative) of Rs.10 lakh for 10,000 shares of Rs.100 each. Paid up capital as on 31 March 2003 was Rs.10.28 lakh divided into equity shares of Rs.9.60 lakh for 9600 shares at the rate of Rs.100 each and preference shares of Rs.0.68 lakh at the rate Rs.100 each for 680 shares. The Company received Rs.1.03 crore against equity shares during the period from 1997-98 to 2002-03. However, the Company did not further allot shares till date (November 2003).

8.9.6 Accounts and audit

The Company has not formulated its accounting policy nor any accounts manual. Although the Company stated to have followed mercantile system of accounts in consonance with provisions of the Companies Act 1956, the Company maintained hybrid system of accounting in contravention of the Act, *ibid*.

The accounts of the Company were finalised upto 1981-82 only. Thereafter, no action was taken by the Company to finalise its accounts resulting in arrears for more than 20 years. Reasons for non-finalisation of accounts were not furnished to audit.

8.9.7 Performacne

The physical and financial performance of the Company for the last five years ending 31 March 2003 are given below :

Physical performance

The Company was set up mainly with the objective to act as a nodal agent to procure and supply industrial raw materials especially the controlled commodities like cement, paraffin wax, iron and steel to the SSI units. Due to decontrol (1994-95) by the Central Government the above commodities became available in open market at rates cheaper than Company's price. The Company added handling and incidental charges ranging from three to nine *per cent* over and above the decontrol price. This led to rise in price of the above commodities. As a result, SSI units stopped buying materials from the Company causing loss of commission to it. The Company's main source of income was three *per cent* commission which it was charging from buyers on its sales without analysing the break even operation (i.e., complete absorption of overhead charges). Committee on Public Undertakings (COPU) in its report on the performance of the Company, presented (March 2000) to the State Assembly had recommended (1999-2000) to Government to make it a state trading agency for handling raw materials for the SSI units and other consumable goods for Government departments. No follow up action, however, had been initiated by the concerned department to implement these recommendations as of October 2003. At present the Company has ceased its activities due to non availability of working capital to fulfill its objectives for which it was set up.

The Company prepared (July 1996) estimates (plan for trading activities) for the 9th Five Year Plan period for procurement, trading in raw materials and requirement of funds therefor, the annual break up of which (Plan) was as below in Table 8.7

Table 8.7

Annual breakup of trading activities

(Rupees in lakh)			
Sl No	Items	Quantity (in MT)	Annual working capital requirement
1	Paraffin wax	800	185.00
2	Iron and steel	1000	230.00
3	Plastic raw material	600	270.00
4	Supply of mining timber	---	300.00
	Total		985.00

Against the above annual plan for its trading activities, the Company could take up trade only in Paraffin wax, iron and steel during 1997-98 and 1998-99 and later limited to only Paraffin wax during 1999-2000, as shown in the Table 8.8 below:

Table 8.8

(Rupees in lakh)					
Year	Items	Quantity (in MT) as per Annual Plan	Quantity (in MT) handled	Sale value	Commission earned
1997-98	Paraffin wax	800	215.00	54.73	1.64
	Iron and steel	1000	44.00	12.85	0.66
1998-99	Paraffin wax	800	88.15	29.73	0.89
	Iron and steel	1000	1.00	0.29	---
1999-2000	Paraffin wax	800	40.00	8.92	0.16
	Iron and steel	1000	Nil	Nil	Nil

After 1999-2000, the Company could not undertake any trading activities due to shortage of working capital. Thus, the Company failed in achieving its objectives. The COPU also observed that the State Government remained as a mute spectator to deteriorating affairs of its own Company at the time when it needed serious attention of the Government. Since the working capital was not made available by the Government, the Company on its own undertook (diversified to) supply of bamboos to Hindustan Paper Corporation Limited (HPCL), Nagoan, Assam through sub-contractors. The Company supplied 13222.250 MT of bamboos valuing Rs.2.09 crore to HPCL during 2001-03 through sub contractors and earned commission of Rs.6.32 lakh thereon. These sub contractors were later paid out of the sales proceeds received from HPCL. But the commission earned from such sub-contracts was not adequate enough to sustain itself.

Financial position and working results

The financial position and working results of the Company for the last five years ending 31 March 2003 are given in *Appendix-XXXIV*.

State Government released Rs.2.02 crore (equity shares : Rs.0.46 crore and grants-in-aid : Rs.1.56 crore) during 1997-03. The entire amount was utilised towards payment of salary/pension and leave salary contribution to employees stating as plan expenditure.

8.9.8 Non filing of documents with the Registrar of Companies (ROC)

According to Companies Act 1956, a Company is liable to be prosecuted if it does not file its Balance Sheet, Profit and Loss Account and Annual Returns every year with the Registrar of Companies (ROC). Under the Company Law Settlement Scheme 2000 (CLSS-2000) introduced by the Government of India (June 2000), a Company who had defaulted in filing the above documents with the ROC might do so through one time declaration and settlement by paying a lump sum amount according to the period of accounts in arrears. Accordingly the Company was to

pay Rs.0.15 lakh for filing above documents which were in arrears since 1982-83. To avail of the benefit under the scheme, the Company appointed (May 2000) a Guwahati based Company Secretary¹ (CS) to file documents at a negotiated lump-sum amount of Rs.5 lakh. The Company neither issued work order nor executed agreement in this context. The CS was paid Rs.5 lakh in two instalments (August and December 2000) for filing the documents.

The Company could not produce relevant records in support of filing the documents with ROC by the CS. Further, under the provision of Company Law Settlement Scheme, there was no stipulation for appointment of CS to file the documents with the ROC, Shillong. Hence, appointment of CS by the Company for filing the documents with ROC was injudicious and Rs.5 lakh paid to the CS proved to be infructuous. Records establishing reasonableness of the negotiated amount (Rs.5 lakh) were also not produced nor reasons stated to audit.

On this being pointed out in audit, the Company stated (June 2003) that no correspondence was made with the CS to refund the amount. The Company should immediately initiate action for recovery of the amount from the CS and also fix responsibility on the officials responsible.

8.9.9 Procurement and supply of raw materials

The procedure adopted by the Company for procurement of paraffin wax and bamboos was examined in audit. Following points emerged after such examination:

Paraffin wax

Paraffin wax was the life line of the trading activities of the Company as sales proceeds from the same constituted 71.45 to 86 per cent of total turnover of the Company, as depicted in the Table 8.9 below:

Table 8.9

Year	Quantities (MT) of paraffin wax		Sales proceeds from paraffin wax	Total turnover of the Company	Percentage of sale proceeds of paraffin wax to total
	lifted	sold			
1995-96	800.00	798.55	147.81	179.07	82.54
1996-97	598.00	599.40	140.30	196.36	71.45
1997-98	215.00	215.00	54.73	76.58	71.47
1998-99	108.05	108.05	29.73	34.56	86.00
1999-00	40.00	40.00	8.92	10.56	84.47
Total :-	1761.15	1761.10	381.49	497.13	

Note.1: There was no trade in paraffin wax after 1999-2000.

Note. 2: Quantity sold during 1996-97 included 1.40 MT out of unsold quantity of 1.45 MT (1995-96). The rest quantity (0.05 MT) was shortage.

¹ Shri Raj Kumar Sharma

Upto May 1995, paraffin wax was being lifted from Digboi by the SSI units who were reimbursed transportation charges @ Rs.400 per MT. The Company derived commission at the rate of three *per cent* from the sales. Industries and Commerce Department through different notifications (between May 1995 and June 1998) appointed three handling agents on payment of three to five *per cent* of handling commission and two to four *per cent* incidental charges.

Reasons for the appointment of handling agents for lifting of Paraffin wax in lieu of SSI units were not on records nor stated to audit.

The handling agents lifted a total quantity of 1584.15 MT of paraffin wax during 12 June 1995 to 30 April 1999 and were paid Rs.29.26 lakh between February 1996 and March 1998 towards handling commission, incidental and transportation charges. This resulted in increase in the selling price of paraffin wax to SSI unit from Rs.19,171.55 per MT in December 1995 to Rs.34,086.79 per MT in August 1999 causing a sharp decline in the sale of Paraffin wax from 1996-97 onwards and finally no supply or sales were made after 1999-2000. Coupled with the decontrol of the raw materials effective from April 1998, the IOC offered (April 1998) the selling price of paraffin wax at Rs.30,400 per MT allowing a margin of Rs.704 per MT over the prevailing control price of Rs.29696 per MT. Thus, the Company's rate of Paraffin wax became noncompetitive in the market and the SSI units started making purchases from other sources who were selling the product at a cheaper rate. As a result Company suffered loss of commission on sale of paraffin wax to SSI Units.

The Industries and Commerce Department cancelled (April 1998) the appointment of the handling agents with effect from 1 May 1999 on being informed (August 1998) by the Company of the deteriorating affairs of the Company.

Loss due to award of supply order at a higher rate

Cachar Paper Mills (CPM, HPC Limited) floated tender (February 2002) for supply of 5000 MT of green thick walled bamboos by rail from Upper Assam and Karbi Anglong District of Assam. After negotiation, Paper Mill (May 2002) issued letter of intent and work order for supply of 5000 MT of bamboo @ Rs.2127² per MT. The mode of supply was by road upto Lumding and by rail from Lumding to mill and period of supply was four months from June to September 2002 @1250 MT each month.

M/s Tridev Enterprise (TE) quoted (April 2002) rate of Rs.1,750³ per MT. But the Company issued work order to TE at rate of Rs.2127 per MT which was higher by Rs.377 per MT (Rs.2127-Rs.1750) than the quoted rate. The firm supplied 2758.03 MT of bamboos during September to December 2002. Thus the

² (Rs.500 per MT basic price + Rs.1,627 per MT towards transportation, handling and stacking)

³ (Basic price Rs.450 + Rs.300 for conversion + Rs.600 for road transportation + Rs.200 Rail freight + Rs.200 handling charges at site including stacking)

Company made less profit of Rs.10.40 lakh by issuing the work order at a rate higher than the quoted rate. As the Company could not supply balance quantity (2241.87 MT), it lost business and commission of Rs.1.43 lakh.

8.9.10 Fixation of commission

The Company fixed selling price equal to landed cost plus commission on the value of raw materials. With the approval of the Board of Directors, the rate of commission was enhanced (October 1982) from five to six *per cent* with effect from 1 December 1982. The rate of commission was reduced (April 1983) from six to four *per cent* with effect from 4 April 1983 in case of supplies to the SSI units of the State. The Board further reduced rate of commission to three *per cent* if the SSI units paid the full cost of materials in advance.

Table 8.10 below gives fixed cost, commission earned, turnover and percentage of fixed cost to turnover for the last four years from 1995-96 to 1998-99.

Table 8.10

(Rupees in lakh)

Year	Commission earned during the year	Fixed costs	Turnover	Percentage of commission to fixed costs	Turnover required to absorb fixed cost
1995-96	5.37	27.86	179.07	19.27	928.66
1996-97	5.89	30.03	196.34	19.61	1001.00
1997-98	2.30	20.01*	76.58	11.49	667.00
1998-99	1.04	37.97	34.56	2.74	1265.66

* Fixed costs of Rs.20.01 lakh during 1997-98 was the least because staff salary for eight months (April to November 1997) only was drawn and remaining four months salary was paid in the next year and thus the higher amount (Rs.37.79 lakh) against that year.

For complete absorption of overhead, a turnover ranging from Rs.9.28 to Rs.12 crore was required.

As aforesaid, the Board reduced commission from six *per cent* to four and then to three *per cent* in respect of SSI units only but Company charged the same commission of three *per cent* from all non-SSI units also. The Company, otherwise should have charged six or higher percentage as per negotiation to compensate its loss. Despite this being pointed out in audit (1991-92) the Company continued to charge three *per cent* commission from the non-SSI units in defiance of its Board's decision. Thus the Company sustained a loss of Rs.8.18 lakh during 1997-2003 as detailed in Table 8.11 below:

Table 8.11

(Rupees in lakh)

Year	Quantity supplied Nos./in MT	Six per cent commission required to be charged	3 per cent commission charged	Differential amount of commission
(A) Timber Supply				
1997-98	44813	1.24	0.62	0.62
2002-2004 (June 2002 to April 2003)	27366	2.54	1.26	1.28
(B) Supply of Bamboos				
2001-2002	1308.470 MT	1.14	0.57	0.57
2002-2003	11913.788	11.42	5.71	5.71
Total :-		16.34	8.16	8.18

8.9.11 Inventory control

No system of inventory control management was found operating in the organisation.

The organisation did not make available to audit basic records relating to purchase, storage and disposal of stores acquired by it. Purchase register, stores ledger and sales registers were not maintained. No physical verification of stores was reported to have been carried out. Stores were received/issued without challans and gate pass. The weighbridge counter did not maintain weighment register to record the stores weighed and their quantities.

8.9.12. Manpower management

The Company had staff strength of 32 in all categories during the last ten years (mostly Lower Division/Upper Division Assistants, grade IV and drivers). The Company had not reviewed its staff requirement particularly when the Company had outsourced its activities to the sub-contractors from 1985-86 onwards in respect of trade in timber, raw materials and bamboos. The requirement of staff was not reviewed and rationalised accordingly to justify payments of staff salary and allowances out of the equity contribution/grants given by the State Government during the last five years under review.

As analysed in audit, the following staff was in excess.

a) Initially there were five drivers for five vehicles. Subsequently the number of vehicles reduced to two but number of drivers remained the same. Thus, there was surplus of three drivers and the Company paid Rs.7.50 lakh for their pay and allowances from November 1996 to March 2003.

b) While business of the Company shrunk and turnover was declining, appointment of sub-contractors/outsourcing was not fully justified as the staff

strength continued to be the same. The Company incurred expenditure of Rs.46.96 lakh towards pay and allowances.

8.9.13 Internal audit

The Company has no internal audit wing. Though a firm of Chartered Accountants was appointed by the Company, it compiled the annual statements of accounts only, and records/report on any internal audit ever conducted or on internal control mechanism in the Company were neither on record nor reasons stated to audit.

8.9.14 Conclusion

The primary reason for taking over the Company by the Government (1978) was to make it a profitable concern. Thereafter, the Industries and Commerce Department did not provide working capital commensurating its requirement. The Company also failed to realise the amount from the debtors in time. Besides, the Company's offered rate of decontrolled commodities became uncompetitive with reference to market rate of similar commodities. Since the Company ceased its business, further continuance with the laid down objectives would not be sustainable and may entail more financial burden by way of staff salaries and allowance, etc. As such, there is an immediate need for Government to review its position.

The matter was reported to the Government September 2003; their replies had not been received (January 2004).

SECTION – B – AUDIT PARAGRAPHS

INDUSTRIES AND COMMERCE DEPARTMENT
(NAGALAND HOTELS LIMITED)

8.10 Non-realisation of lease rent and interest

Non-realisation of accumulated lease rent and interest thereon amounting to Rs.84.63 lakh

According to the lease deed executed on 11 March 1987 between the Nagaland Hotels Limited, Dimapur (now at Kohima), a subsidiary company of the Nagaland Industrial Development Corporation Limited, Dimapur (Lessor) and Shri X¹ (lessee), the hotel Saramati, Dimapur was leased out to the lessee initially for a period of 19 years from the date of execution of the deed, at a monthly rent of Rs.43,300 (subject to review by the lessor for increase of the rent in every three years) payable in advance on or before 10th day of each English calendar month. It was also stipulated therein that the lessee would have to pay interest at the rate of 11 *per cent* per annum on the defaulted monthly rent.

Test check (August 2003) of records of the Nagaland Hotels Limited, Kohima (April 1998 to March 2003) revealed that the lessee had not paid the rent regularly since his possession of the hotel on 15 April 1987. Out of the total rent of Rs.70.80 lakh due upto November 2000, an amount of Rs.17.02 lakh only was paid by him during 1987-88 to 1993-94 leaving a balance amount of Rs.53.79 lakh yet to be paid as of September 2003. The administration of Hotel Saramati was taken back from lessee by Nagaland hotels Limited on 1 December 2000. Neither any penal clause except imposing interest on defaulted payment of rent, was provided in the lease deed to initiate action against the lessee nor any action except issue of several reminders to the attorney of the lessee, was taken by the lessor to enforce action as per provision in clause 1 of Part-IV of the deed to take over the hotel from the lessee in 1994-95 when the latter failed to pay rent entirely.

Thus, due to non payment of monthly rent as per prescribed rate and time, an amount of Rs.84.63 lakh being the accumulated unpaid rent upto November 2000 (Rs.53.79 lakh) and interest (Rs.30.84 lakh) thereon was realisable from the lessee as of September 2003. The rental value could have been checked from being accumulated further, had the lessor taken over the possession of the hotel in 1994-95 when the lessee did not pay the rent. It was further noticed that the lessor at no point of time took up the matter with the lessee for realisation of the huge accumulated rent.

Thus, due to absence of enough stringent protective measures for rent recovery in the lease deed and inaction by the lessor as per the provision of the lease

¹ Shri M. R. Baruva

deed, the company sustained a huge financial loss of Rs.84.63 lakh in the form of un-recovered rental value and interest thereon.

The matter was reported to the Government and the company in September 2003; their replies had not been received (January 2004).

CHAPTER - IX FINANCE DEPARTMENT

9.1 Internal Control and Internal Audit arrangements

9.1.1 Introduction

To ensure smooth and efficient fiscal management through financial discipline, 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 committee and other Government undertakings and institutions receiving grants-in-aid from Government.

9.1.2 Structure of Internal Audit wing

An internal audit wing was set up* under the establishment and administrative control of the Director of Treasuries and Accounts, Nagaland with 11 personnel in different categories as under:

Audit Officer	-	5
Auditor	-	1
<u>Assistant Auditor</u>	-	<u>5</u>
Total	-	11

No sanctioned strength of the internal audit wing of the Directorate could be shown to audit. Records in support of any systematic study having been carried out to assess the work load and manpower requirement were also not made available to audit. No internal audit manual has been brought out nor any standards prescribed for conducting internal audit by the Directorate of Treasuries and Accounts.

In the line departments too, no internal control/audit arrangement exists.

* Date of establishment/notification was not on record.

9.1.3 Audit coverage

Test check of records of the Directorate of Treasuries and Accounts for the period from 1999-2003 and the information made available by the Finance department revealed various deficiencies which are mentioned in the succeeding paragraphs.

9.1.4 Audit Planning

The audit programmes were being chalked out by the Directorate on quarterly basis and sometimes at the instruction of the Finance department. In view of the reported limited strength of the audit personnel, audit programmes were being taken up for selected organisations only. Internal audit had inspected 68[@] units of 53 administrative departments/town committees/local bodies and public sector undertakings during the period 1999-2003 which constituted just eight *per cent* of the total auditee units (852 units).

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

It was also stated by the Directorate that specific independence of internal audit wing in its function was not ensured.

9.1.5 Implementation

Information furnished by the Director of Treasuries and Accounts, Nagaland revealed that the first batch of audit personnel was imparted training for three months only in 1987 and thereafter refresher courses were conducted for a period of two weeks or ten days occasionally; but no supporting records were produced to audit.

@	1999-00 -	14 units.
	2000-01 -	20 units.
	2001-02 -	16 units.
	2002-03 -	<u>18 units.</u>
		68 units.

Test check of records and information made available by five¹ Directorates revealed that no internal control system existed which resulted in the following deficiencies/irregularities:

Rule 45 of GFR provides that under the provision of Article 112 (1) of the Constitution, the Finance department should prepare an Annual Financial Statement also known as the 'Budget' showing the estimated receipts and expenditure of Government in respect of a financial year before the commencement of a year. Rule 49, 52 and 53 *ibid* provide that detailed estimates are required to be obtained from the subordinate authorities for preparation of budget and its submission to the Finance department by 30 November each year.

From the information furnished, it was noticed that no budget proposals were being received from the Drawing and Disbursing Officers of the field offices and budget estimates were prepared by heads of the department on lump-sum basis by adding certain percentage to previous year's budget figures which were then submitted to the Finance department (through the administrative department) according to the prescribed dates and format.

From the above, it was clear that preparation of budget was unrealistic and no internal control was in place leading to large amounts of excess and savings over the budgetary grant as might be seen from *Appendix – XXXV*.

9.1.6 Performance of Internal Audit Wing

As elucidated in the foregoing para, the internal audit wing with its nominal strength of eleven staff could audit only a few units/departments. The internal audit wing in its audit of 68 units conducted during 1999-2003 has so far issued 69 Inspection Reports (IRs) with 275** paras involving money value of Rs.27.91 crore and settled 23 paras only without settlement of any IR in full. No register showing the Inspection Reports issued/paras raised and settled was maintained. Thus the adequacy of follow up action being taken by the 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.

¹ (i) Agriculture, (ii) Tourism, (iii) Veterinary and Animal Husbandry, (iv) Soil and Water Conservation and (v) Irrigation and Flood Control

Year	Inspection Report/Paras issued		Inspection Report/Para settled	
	Inspection Report	Paras	Inspection Report	Paras
1999-00	14	49	---	10
2000-01	20	81	---	5
2001-02	17	80	---	8
2002-03	18	65	---	---
	69	275	--	23

9.1.7 Conclusion

It is held from the foregoing observations that the system of internal control and internal audit was by and large ineffective because of-

Absence of a nodal agency and 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 to ensure transparency in fiscal management.

Absence of internal audit standards and internal control/audit manuals.

Inadequate training necessary for upgrading existing audit skills.

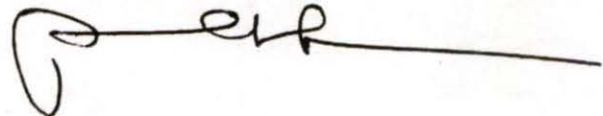
9.1.8 Recommendations

The internal audit system needs to be manned with requisite personnel to ensure inspection of all departments, local bodies, town committees and public sector undertakings through effective planning and targets for achievement.

Independence of internal audit need to be established. 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 mater was reported to the Government and the department in December 2003; their replies had not been received (January 2004).

Kohima
The 2 MAY 2004



(R. CHAUHAN)
Accountant General (Audit), Nagaland.

Countersigned



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

New Delhi
The 14 MAY 2004

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

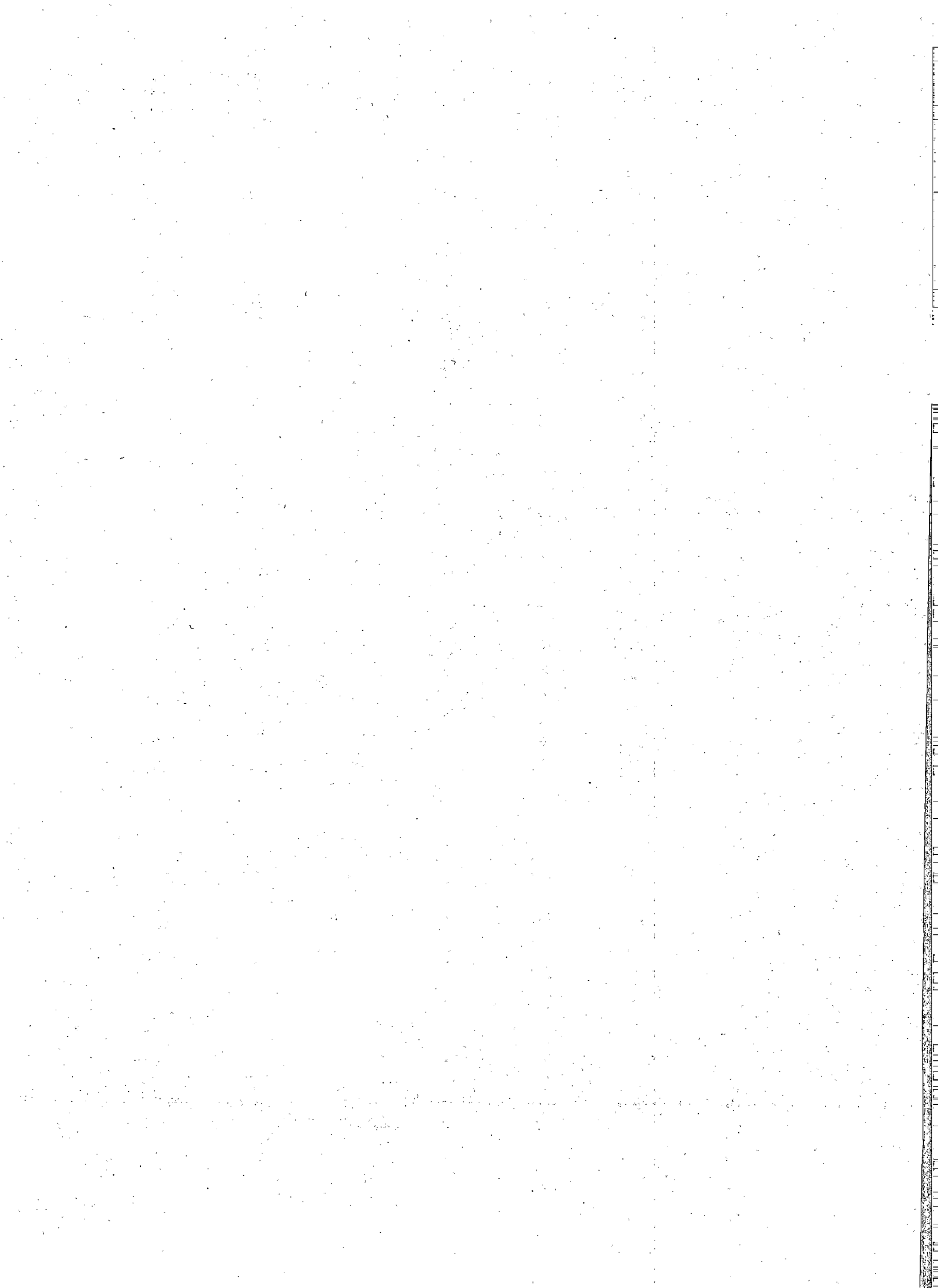
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PROBLEM SET 1

DATE: _____

NAME: _____

APPENDICES



APPENDIX - I
(Reference : Paragraph 1.1 ; Page 1)

Part A. Government Accounts

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

Part I: Consolidated Fund

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

Part II: Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorization from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorized by the Legislature at the end of 2002-03 was Rs.0.35 crore.

Part III: Public Account

Receipts and disbursements in respect of small savings, provident funds, deposits, reserve funds, suspense, remittances, etc., which do not form part of the Consolidated Fund, are accounted for in Public Account and are not subject to vote by the State Legislature.

II. Form of Annual Accounts

The accounts of the State Government are prepared in two volumes viz., the Finance Accounts and the Appropriation Accounts. The Finance Accounts present the details of all transactions pertaining to both receipts and expenditure under appropriate classification in the Government accounts. The Appropriation Accounts present the details of expenditure by the State Government vis-a-vis the amounts authorized by the State Legislature in the budget grants. Any expenditure in excess of the grants requires regularisation by the Legislature.

Part B - List of terms used in the Chapter – I and basis for their calculation

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Trend/Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1996-97: Amount of 2002-03)-1)*100
Share shift/Shift rate of a parameter	Trend of percentage shares, over a period of 5 years, of the parameter in Revenue or Expenditure as the case may be
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

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

(Reference:- Paragraph 2.3.1 ; Page 21)

Sl No.	Number and name of the grant/appropriation	Total grant/appropriation (Rs.)	Total expenditure (Rs.)	Excess (Rs.)
1	2	3	4	5
Revenue Section (Voted)				
1	16-State Guest House	3,96,62,000	4,04,98,247	8,36,247
2	18-Pensions and other Retirement Benefits	1,07,16,27,000	1,33,37,57,953	26,21,30,953
3	22-Civil Supplies	4,64,01,000	4,90,56,420	26,55,420
4	28-Civil Police	2,28,16,86,000	2,28,37,07,601	20,21,601
5	35-Medical, Public Health and Family Welfare	73,38,12,000	81,51,69,834	8,13,57,834
6	38-Information and Public Relations	9,90,25,000	10,34,13,474	43,88,474
7	42-Rural Development	32,45,04,000	32,51,80,909	6,76,909
8	43-Social Security and Welfare	33,57,54,000	38,37,21,425	4,79,67,425
9	49-Soil, Land Water Conservation	13,83,76,000	14,24,50,564	40,74,564
10	58-Roads and Bridges	39,08,03,000	57,60,87,096	18,52,84,096
11	61-Backward Area Development, Special Employment Programme and Special Development Programme	6,01,71,000	12,44,16,000	6,42,45,000
12	62-Civil Administration Works	1,31,45,000	1,39,91,174	8,46,174
13	64-Housing	16,60,71,000	24,48,69,776	7,87,98,776
14	65-State Council of Educational Research and Training	3,93,56,000	5,57,90,123	1,64,34,123
15	67-Home Guards	5,75,58,000	6,07,38,675	31,80,675
16	69-Fire Services	3,83,55,000	5,58,10,388	1,74,55,388
17	73-State Institute of Rural Development	56,25,000	64,31,848	8,06,848
18	74-Mechanical Engineering	9,66,70,000	10,02,13,422	35,43,422
Total Revenue (Voted)		5,93,86,01,000	6,71,53,04,929	77,67,03,929
Capital Section (Voted)				
19	42-Rural Development	17,00,000	19,88,000	2,88,000
Total Capital Section (Voted)		17,00,000	19,88,000	288,000
Capital Section (Charged)				
20	76-Servicing of Debt	6,40,26,32,000	12,86,31,47,251	6,46,05,15,251
Total Capital Section (Charged)		6,40,26,32,000	12,86,31,47,251	6,46,05,15,251
Grand Total		12,34,29,33,000	19,58,04,40,180	7,23,75,07,180

APPENDIX - III

Statement showing supplementary grants obtained proving unnecessary

(Reference: Paragraph 2.3.3 (a); Page 22)

(Rupees in lakh)

Sl No.	Number and name of the grant/appropriation	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)			
1	6-Land Revenue	0.81	1.37
2	8-Sales Tax	5.08	13.18
3	37-Assistance to Municipalities and Development Works in Towns	12.28	23.47
4	50-Animal Husbandry and Dairy Development	444.52	613.35
5	54-Mineral Development	118.39	147.21
6	59-Irrigation and Flood Control	590.67	807.54
7	60-Water Supply Schemes	44.92	544.40
Total Revenue Section (Voted)		1216.67	2150.52
Revenue Section (Charged)			
8	10-Public Service Commission	1.28	1.31
Total Revenue Section (Charged)		1.28	1.31
Capital Section (Voted)			
9	38-Information and Public Relation	95.00	113.80
10	39-Tourism	72.95	97.95
11	43-Social Security and Welfare	598.00	675.00
12	52-Forest	50.00	152.44
13	56-Road Transport	1.00	29.82
14	57-Housing Loans	16.00	1482.00
15	61-Backward Area Development Programme, Special Employment Programme and Special Development Programme	117.25	117.25
16	65-State Council of Educational Research and Training	12.00	15.00
17	68-Police Engineering Project	5.00	464.29
18	74-Mechanical Engineering	9.27	234.57
Total Capital Section (Voted)		976.47	3382.12
Grand Total		2194.42	5533.95

APPENDIX - IV

Statement showing the supplementary grants obtained resulting in savings in each case exceeding Rs.10 lakh and above

(Reference : Paragraph 2.3.3 (b); Page 22)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
	Revenue section(Voted)					
1.	1-State Legislature	4.60	1.16	5.76	5.61	0.15
2.	3-Council of Ministers	3.52	0.26	3.78	3.58	0.20
3.	8-Sales Tax	3.09	0.05	3.14	3.01	0.13
4.	11-District Administration and Special Welfare	26.13	1.40	27.53	27.43	0.10
5.	21- Relief of distress caused by Natural Calamities	2.16	2.99	5.15	3.56	1.59
6.	25-Land Records and Survey	6.40	1.92	8.32	7.06	1.26
7.	27-Planning Machinery	36.41	5.29	41.70	38.14	3.56
8.	30-Administrative Training Institute	1.24	0.20	1.44	1.25	0.19
9.	33-Youth Resources and Sports	4.99	0.41	5.40	5.30	0.10
10.	37-Assistance to Municipalities and Development Works in Towns	0.13	0.12	0.25	0.02	0.23
11.	40-Employment and Training	3.17	1.05	4.22	4.10	0.12
12.	50-Animal Husbandry and Diary Development	21.89	4.45	26.34	20.21	6.13
13.	54-Mineral Development	4.99	1.18	6.17	4.70	1.47
14.	59-Irrigation and Flood Control	15.63	5.91	21.54	13.46	8.08
15.	60-Water Supply Schemes	17.14	0.45	17.59	12.15	5.44
16.	68-Police Engineering Project	2.78	0.50	3.28	3.07	0.21
	Total Revenue (Voted)	154.27	27.34	181.61	152.65	28.96

Audit Report (Civil) for the year ended 31 March 2003

APPENDIX-IV-Concl'd.

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
	Capital section(Voted)					
17.	1-State Legislature	18.50	3.50	22.00	18.50	3.50
18.	14-Jails	0.25	1.39	1.64	0.35	1.29
19.	22-Civil Supplies	0.88	1.03	1.91	1.66	0.25
20.	31-School Education	3.59	9.14	12.73	0.20	12.53
21.	32-Higher and Technical Education	3.95	4.64	8.59	---	8.59
22.	33-Youth Resources and Sports	10.12	2.18	12.30	8.99	3.31
23.	35-Medical, Public Health and Family Welfare	4.50	8.31	12.81	8.29	4.52
24.	36-Urban Development	2.46	3.73	6.19	4.75	1.44
25.	38-Information and Public Relations	0.20	0.95	1.15	0.01	1.14
26.	39-Tourism	0.37	0.73	1.10	0.12	0.98
27.	43-Social Security and Welfare	6.30	5.98	12.28	5.53	6.75
28.	52-Forest	2.72	0.50	3.22	1.70	1.52
29.	55-Power Projects	52.95	38.48	91.43	74.26	17.17
30.	56-Road Transport	9.64	0.01	9.65	9.35	0.30
31.	57-Housing Loans	15.04	0.16	15.20	0.38	14.82
32.	58-Roads and Bridges	42.06	29.46	71.52	44.92	26.60
33.	60-Water Supply Schemes	50.08	54.01	104.09	80.94	23.15
34.	62-Civil Administration Works	8.78	8.09	16.87	9.12	7.75
35.	64-Housing	17.41	10.01	27.42	26.69	0.73
36.	65-State Council of Educational Research and Training	0.03	0.12	0.15	---	0.15
37.	68-Police Engineering Project	7.30	0.05	7.35	2.70	4.65
38.	74-Mechanical Engineering	4.79	0.09	4.88	2.54	2.34
	Total Capital(Voted)	261.92	182.56	444.48	301.00	143.48
	Grand Total	416.19	209.90	626.09	453.65	172.44

APPENDIX - V

Statement showing inadequate supplementary grant provision

(Reference : Paragraph 2.3.3(c); Page 22)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Excess
	Revenue section(Voted)					
1.	22-Civil Supplies	4.61	0.03	4.64	4.91	0.27
2.	28-Civil Police	217.39	10.78	228.17	228.37	0.20
3.	35-Medical, Public Health and Family Welfare	68.90	4.48	73.38	81.52	8.14
4.	38-Information and Public Relations	6.44	3.46	9.90	10.34	0.44
5.	43-Social Security and Welfare	29.91	3.67	33.58	38.37	4.79
6.	49-Soil, Land Water Conservation	12.37	1.47	13.84	14.25	0.41
7.	58-Roads and Bridges	37.82	1.26	39.08	57.61	18.53
8.	61-Backward Area Development Special Employment Programme and Special Development Programme	4.25	1.77	6.02	12.44	6.42
9.	64-Housing	12.92	3.69	16.61	24.49	7.88
10.	65-State Council of Education Research and Training	3.44	0.50	3.94	5.58	1.64
11.	67-Home Guards	4.90	0.85	5.75	6.07	0.32
12.	69-Fire Services	3.77	0.06	3.83	5.58	1.75
13.	74-Medical Engineering	8.89	0.78	9.67	10.02	0.35
	Total revenue Section (Voted)	415.61	32.80	448.41	499.55	51.14
	Capital Section (Charged)					
14.	76-Serving of Debt	585.81	54.45	640.26	1,286.31	646.05
	Total Capital Section(Charged)	585.81	54.45	640.26	1,286.31	646.05
	Grand Total	1,001.42	87.25	1,088.67	1,785.86	697.19

APPENDIX - VI

Statement showing persistent savings during 2000-01 to 2002-03
(Reference: Paragraph 2.3.4 ; Page 22)

(Rupees in lakh)

Sl No.	Number and name of the grant/appropriation	Amount of savings (percentage of Savings)		
		2000-01	2001-02	2002-03
	Capital section (Voted)			
1	25-Land Records and Survey	22.75 (100)	26.97 (82)	16.50 (79)
2	52-Forest	39.85 (31)	38.00 (15)	152.44 (47)

APPENDIX - VII

Statement showing significant cases of excess expenditure during 2002-03

(Reference : Paragraph 2.3.5 (a) ; Page 23)

(Rupees in lakh)

Sl. No.	Number and name of the grant/appropriation	Amount of excess (percentage of excess)
Revenue Section (Voted)		
1	18-Pensions and other Retirement Benefits	2621.31 (24)
2	35-Medical, Public Health and Family Welfare	813.58 (11)
3	43-Social Security and Welfare	479.67 (14)
4	58-Roads and Bridges	1852.84 (47)
5	61-Backward Area Development, Special Employment Programme and Special Development Programme	642.45 (107)
6	64-Housing	787.99 (47)
7	65-State Council of Educational Research and Training	164.34 (42)
8	69-Fire Services	174.55 (46)
Capital Section (Charged)		
9	76-Servicing of Debt	64605.15 (101)

APPENDIX – VIII

Statement showing cases where expenditure fell short by more than Rs.50 lakh each and also by 10 per cent or more of the total provision

(Reference : Paragraph 2.3.5(b); Page 23)

(Rupees in crore)		
Sl. No.	Number and name of the grant/appropriation	Amount of savings (percentage of savings)
1	2	3
	Revenue section (Voted)	
1.	4-Administration and Justice	0.74 (14)
2.	13-Village Guards	2.30 (20)
3.	21-Relief of Distress Caused by Natural Calamities	1.59 (31)
4.	25-Land Records and Survey	1.26 (15)
5.	32-Higher and Technical Education	5.81 (19)
6.	36-Urban Development	6.14 (55)
7.	41-Labour	0.55 (29)
8.	48-Agriculture	7.38 (24)
9.	50-Animal Husbandry and Dairy Development	6.13 (23)
10.	51-Fisheries	1.71 (25)
11.	52-Forest	10.98 (38)
12.	53-Industries	3.59 (16)
13.	54-Mineral Development	1.47 (24)
14.	59- Irrigation and Flood Control	8.08 (38)
15.	60- Water Supply Schemes	5.44 (31)
16.	70-Horticulture	17.64 (77)
17.	72-Wasteland Development	15.73 (67)
18.	75-Police Telecommunication Organisation	0.64 (13)
	Capital section (Voted)	
19.	1-State Legislature	3.50 (16)
20.	14-Jails	1.29 (79)
21.	23-Loans to Government Servants	2.50 (100)
22.	27-Planning Machinery	29.98 (98)
23.	31-School Education	12.53 (98)
24.	32-Higher and Technical Education	8.59 (100)
25.	33-Youth Resources and Sports	3.31 (27)
26.	35-Medical, Public Health and Family Welfare	4.52 (35)
27.	36-Urban Development	1.44 (23)
28.	38-Information and Public Relations	1.14 (99)
29.	39-Tourism	0.98 (89)
30.	43-Social Security and Welfare	6.75 (55)
31.	48-Agriculture	3.90 (44)
32.	50-Animal Husbandry and Dairy Development	3.60 (100)

APPENDIX - VIII - Concl'd.

1	2	3
33.	52-Forest	1.52 (47)
34.	53-Industries	13.32 (49)
35.	54-Mineral Development	6.66 (69)
36.	55-Power Project	17.17 (19)
37.	57-Housing Loans	14.82 (98)
38.	58-Roads and Bridges	26.60 (37)
39.	60-Water Supply Schemes	23.15 (22)
40.	61-Backward Area Development Special Employment Programme and Special Development Programme	1.17 (100)
41.	62-Civil Administration Works	7.74 (46)
42.	68-Police Engineering Project	4.64 (63)
43.	70-Horticulture	2.24 (98)
44.	74-Mechanical Engineering	2.35 (48)
Capital Section (Charged)		
45.	76-Servicing of Debt	41.47 (16)

APPENDIX – IX

Statement showing the grant wise details where expenditure was incurred without budget provision

(Reference: Paragraph 2.3.6 ; Page 23)

(Rupees in lakh)

Sl. No.	Grant/ appropriation Number	Head of Account	Budget Provision	Re-appropriation	Expenditure
1	2	3	4	5	6
1.	14	2056-800-03 Upgradation of Standards	35.00	(-) 35.00	20.21
2.	22	4408-01-101-01 Cost of Rice	---	---	69.31
3.	33	4202-03-800-02 Consturction	40.00	(-) 40.00	15.00
4.	35	2210-01-001-05 Grant for Medical Purposes	---	---	5.00
5.	35	2210-01-001-11 Artificial Limb Centre	---	---	7.57
6.	35	2210-03-104 Community Health Centre	---	---	10.68
7.	39	3452-80-001-02 Subordinate Establishment	2.00	(-) 2.00	16.21
8.	40	2230-03-800-01 Special Cell for Handicapped	---	---	1.02
9.	40	2230-03-800-02 Self Employment Scheme	---	---	5.50
10.	42	4515-103-02 Other Works	5.00	(-) 5.00	5.00
11.	49	2402-103-04 Water Source Development	---	---	5.00
12.	49	2402-103-08 River Taming	---	---	2.00
13.	50	2552-03-103-01 Regional Broilar Chick Production	---	---	6.09
14.	52	2406-01-005-01 Survey and Demarcation	---	---	25.04
15.	52	2406-01-800-06 Forest Fire Control Management	20.00	(-) 20.00	9.84
16.	52	2406-01-800-07 Development of National Park and Sanctuaries	---	---	11.24
17.	55	2801-05-799 Suspense	---	---	21.32
18.	58	2059-80-799 Suspense	---	---	8.15
19.	58	2059-03 Misc. Advance Recovery	---	---	9.62
20.	60	2515-799-04 MPWA	---	---	17.40
21.	63	3425-60-800-05 Corpus Fund – Setting up of call Centre	---	---	10.00
22.	64	2059-80-799-09 Stock	---	---	16.95
23.	64	2216-01-106-02 Maintenance and Repairs	297.77	(-) 297.77	102.00
24.	74	2059-80-105-01 Establishment	---	---	58.17
25.	76	2049-01-108 Interest on 182 days Treasury Bills	---	---	35.41
26.	76	6003-109-13 National Insurance Corporation	---	---	45.77
Total					539.50

APPENDIX - X

Statement showing the cases where anticipated savings were not surrendered

(Reference: Paragraph 2.3.7 ; Page 23)

(Rupees in crore)

Sl. No.	Number and name of grant/appropriation	Total savings	Amount surrendered	Unsurrendered savings
Revenue Section (Voted)				
1	13-Village Guards	2.30	0.89	1.41
2	21-Relief of Distress caused by National Calamities	1.59	Negligible	1.59
3	27-Planning Machinery	3.56	---	3.56
4	31-School Education	9.21	6.25	2.96
5	48-Agriculture	7.38	2.71	4.67
6	50-Animal Husbandry and Dairy Development	6.13	---	6.13
7	52-Forest	10.98	8.38	2.60
8	59-Irrigation and Flood Control	8.08	5.19	2.89
Total Revenue Section (Voted)		49.23	23.42	25.81
Capital Section (Voted)				
9	31-School Education	12.53	---	12.53
10	32-Higher and Technical Education	8.59	7.21	1.38
11	33-Youth Resources and Sports	3.30	---	3.30
12	35-Medical, Public Health and Family Welfare	4.52	---	4.52
13	38-Information and Public Relations	1.14	---	1.14
14	43-Social Security and Welfare	6.75	---	6.75
15	52-Forest	1.52	---	1.52
16	58-Road and Bridges	26.60	---	26.60
17	62-Civil Administration Works	7.74	4.50	3.24
Total Capital Section (voted)		72.69	11.71	60.98
Capital Section (Charged)				
18	76-Servicing of Debt	41.47	2.37	39.10
Total Capital Section (Charged)		41.47	2.37	39.10
Grand Total		163.39	37.50	125.89

APPENDIX - XI

Statement showing surrender of amounts in excess of savings

(Reference : Paragraph 2.3.8 ; Page 23)

(Rupees in lakh)

Sl. No.	Numbers and name of grant/appropriation	Amount of savings	Amount surrendered	Final excess
	Revenue Section (Voted)			
1.	12-Treasury and Accounts Administration	10.50	57.79	47.29
2.	14-Jails	2.61	65.00	62.39
3.	19-Soldiers, Sailor and Airmen's Board.	0.85	10.19	9.34
4.	29-stationary and Printing	0.28	6.85	6.57
5.	32-Higher and Technical Education	580.68	637.13	56.45
6.	36-Urban development	613.58	614.49	0.91
7.	45-Co-operation	32.63	32.73	0.10
8.	46-Statistics	16.45	18.94	2.49
9.	51-Fisheries	171.51	204.27	32.76
10.	54-Mineral development	147.21	147.37	0.16
11.	56-Roads Transport	18.80	41.05	22.25
12.	63-Science, Technology, Ecology and Environment	27.39	38.55	11.16
13	72-wasteland Development	1,573.28	1,607.91	34.63
	Total revenue Section (Voted)	3,195.77	3,482.27	286.50
	Capital Section (Voted)			
14.	4-Administartion and Justice	7.53	9.43	1.90
15.	22-Civil Supplies	25.31	56.38	31.07
16.	49-Soil, Land and Water Conservation	34.80	38.00	3.20
17.	53-Industries	1,331.74	1,480.61	148.87
18	55-Power Project	1,716.52	1,801.44	84.92
	Total Capital Section (Voted)	3,115.90	3,385.86	269.96
	Grand Total	6,311.67	6,868.13	556.46

APPENDIX - XII

Statement showing drawal of Abstract Contingent Bill by various Drawing and Disbursing Officers

(Reference:- Paragraph 2.4 ; Page 25)

Sl No.	Month	Voucher Number	Drawing and Disbursing Officer	Name of the Department	Amount of AC bill (Rs.)	DCC bill submitted to the Controlling Office (Rs.)	AC bills (Rs.)
1	2	3	4	5	6	7	8
1	4/2002	60	General Manager, Nagaland State Transport, Dimapur	Transport and Communication	18,50,000	15,74,386	2,75,614
2	12/2002	75	- do -	- do -	21,00,000	---	21,00,000
3	2/2003	55	- do -	- do -	20,00,000	14,23,580	5,76,420
4	3/2003	52	- do -	- do -	18,35,000	11,08,849	7,26,151
5	5/2002	70	Deputy General Manager, NST, Dimapur	- do -	18,50,000	14,44,186	4,05,814
6	6/2002	52	- do -	- do -	18,50,000	---	18,50,000
7	7/2002	47	- do -	- do -	20,00,000	18,73,708	1,26,292
8	8/2002	50	- do -	- do -	20,00,000	15,67,109	4,32,891
9	9/2002	52	- do -	- do -	20,00,000	---	20,00,000
10	10/2002	64	Joint General Manager, NST, Dimapur	- do -	20,00,000	---	20,00,000
11	11/2002	62	- do	- do -	21,00,000	16,15,405	4,84,595
12	1/2003	61	Additional General Manager, NST, Dimapur	- do -	21,00,000	14,99,728	6,00,272
13	12/2002	485	Principal Nagaland College Teacher Education, Kohima	Education	20,000	---	20,000
14	3/2003	573	Special Officer, Department of Higher and Technical Education, Kohima	- do -	22,00,000	---	22,00,000
15	3/2003	558	Sr. Academic Officer, SCERT, Kohima	- do -	5,00,000	---	5,00,000
16	3/2003	548	- do -	- do -	1,70,000	---	1,70,000
17	3/2003	549	- do -	- do -	1,42,50,000	---	1,42,50,000

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18	3/2003	555	- do -	- do -	10,00,000	---	10,00,000
19	3/2003	550	- do -	- do -	1,20,00,000	---	1,20,00,000
20	3/2003	493	- do -	- do -	1,90,000	---	1,90,000
21	12/2002	5	Deputy Commissioner, Wokha, Nagaland.	Home	1,00,000	---	1,00,000
22	3/2003	5	- do -	- do -	1,00,000	---	1,00,000
23	5/2002	28	Directorate, Tourism, Kohima	Tourism	94,000	---	94,000
24	8/2002	5	District Planning Officer, Dimapur	Planning and Co-ordination	14,700		14,700
25	9/2002	5	- do -	- do -	14,700		14,700
26	10/2002	5	- do -	- do -	14,700		14,700
27	11/2002	4	- do -	- do -	14,700		14,700
28	12/2002	5	- do -	- do -	14,700		14,700
29	1/2003	5	- do -	- do -	14,700		14,700
30	2/2003	5	- do -	- do -	14,700		14,700
31	3/2003	6	- do -	- do -	15,000		15,000
32	3/2003	5	- do -	- do -	14,700		14,700
33	11/2002	20	Chief Election Officer, Nagaland	Election	1,25,00,000		1,25,00,000
34	11/2002	27	- do -	- do -	100,00,000		100,00,000
35	11/2003	24	- do -	- do -	3,70,00,000		3,70,00,000
TOTAL					11,39,41,600	1,21,06,951	10,18,34,649

APPENDIX-XIII

Statement showing financial assistance extended to Persons with Disability during 1998-99 to 2002-03
(Social Security and Welfare Department)

(Reference : Paragraph 3.1.2, Page 27)

(Rupees in lakh)

Sl No.	Name of the scheme	1998-99			1999-00			2000-01			2001-02			2002-03		
		Budget allotment	Fund received	Expenditure	Budget allotment	Fund received	Expenditure	Budget allotment	Fund received	Expenditure	Budget allotment	Fund received	Expenditure	Budget allotment	Fund received	Expenditure
1	Totally Blind	1.41	1.41	1.41	1.41	1.41	1.41	1.41	2.37	2.37	---	1.41	1.41	1.41	1.41	1.41
2	Invalid Pension	7.00	7.87	7.87	7.00	3.30	3.30	6.70	---	---	7.00	7.00	7.00	10.00	7.00	7.00
3	Scholarship to Handicapped Student	2.00	1.19	1.19	2.00	---	---	1.50	---	---	1.50	0.20	0.20	1.50	1.50	1.50
Total :-		10.41	10.47	10.47	10.41	4.71	4.71	9.61	2.37	2.37	8.50	8.61	8.61	12.91	9.91	9.91

Source: Departmental figures.

APPENDIX – XIV

Statement showing financial assistance under Integrated Education for Disabled Children during 1998-99 to 2002-03
(School Education Department)

(Reference : Paragraph 3.1.2, Page 27)

(Rupees in lakh)

Sl No.	Year	Budget Provision	Fund Received	Expenditure
1	1998-99	18.00	5.74	5.74
2	1999-00	10.00	5.75	5.75
3	2000-01	24.00	13.52	13.52
4	2001-02	Nil	Nil	Nil
5	2002-03	Nil	Nil	Nil
Total :-		52.00	25.01	25.01

Source: Departmental figures.

APPENDIX-XV

Statement showing financial assistance under NPRPD during 1999-00 to 2002-03
(Commissioner, Disability Cell)

(Reference : Paragraph 3.1.2, Page 27)

(Rupees in lakh)

Sl No.	Year	Opening balance	Fund allocated	Fund received	Expenditure
1	1999-00	---	12.50	---	---
2	2000-01	---	136.40	148.90 ¹	148.90
3	2001-02	---	108.20	108.20	---
4	2002-03	108.20	---	---	108.20
Total :-		108.20	257.10	257.10	257.10

Source: Departmental figures.

¹ 1999-2000 : Rs.12.50 lakh
2000-2001 : Rs.136.40 lakh
Rs.148.90 lakh

APPENDIX-XVI

Statement showing the number of Person with Disability registered with the Employment Exchange

(Reference : Paragraph 3.1.8 ; Page 30)

Sl No.	District	Categories of P/H Applicants					Male
		Blind	Deaf & Dumb	Orthopaedic	Respiratory Dis-order	Negative Leprosy	
1	Kohima	62	70	464	7	2	423
2	Mokokchung	18	17	41	---	---	44
3	Tuensang	---	4	93	---	---	83
4	Zunheboto	16	86	183	---	---	189
5	Wokha	11	5	14	---	---	21
6	Phek	---	2	19	---	---	14
7	Mon	---	---	---	---	---	---
Total :-		107	184	814	7	2	774

Source: Departmental figures.

APPENDIX-XVII
Statement showing the Reserved Slots for PWDs in
Poverty Alleviation Scheme

(Reference : Paragraph 3.1.9 ; Page 31)

Sl. No.	Year	Name of the Poverty alleviation Scheme	Total No. of persons covered	Total No. of PWDs covered under the scheme
1	1998-99	IRDP	5,773	---
		IAY	4,842	10 (0.20)
2	1999-00	SGSY	2,648	---
		IAY	5,239	10 (0.19)
3	2000-01	SGSY	1,000	---
		IAY	6,545	28 (0.42)
4	2001-02	SGSY	2,569	9 (0.35)
		IAY	4,706	14 (0.29)
5	2002-03	SGSY	Not available	Not available
		IAY	2,823	6 (0.21)
Total			36,145	77 (0.21)

Source: Departmental figures

APPENDIX - XVIII

Statement showing excess expenditure on items over admissible limit during
2000-01 and 2001-02

(Reference :- Paragraph 3.1.12 ; Page 34)

(Rupees in lakh)

Sl No.	Amount sanctioned by Government of India	Name of the items	Budget allocation	Expenditure incurred	Excess expenditure over allocation (5-4)
(1)	(2)	(3)	(4)	(5)	(6)
1	136.40 (2000-01)	Training	4.25	23.90	19.65
2	- do -	Equipment	14.00	17.12	3.12
3	- do -	Awareness campaign	3.80	10.00	6.20
4	- do -	Honorarium to Consultants	5.00	7.50	2.50
5	108.20 (2001-02)	Training	4.25	15.00	10.75
6	- do -	Barrier free environment	2.50	24.00	21.50
7	- do -	Awareness campaign	3.80	30.85	27.05
8	- do -	Computerized Data Bank Management	1.00	3.00	2.00
	Total :-		38.60	131.37	92.77

APPENDIX - XIX

Statement showing the position of major repairs carried out in private garages

(Reference :- Paragraph 3.2 ; Page 39)

(Rupees in lakh)

Name of the Unit offices	1998-99		1999-00		2000-01		2001-02		2002-03		Total	
	No. of vehicle	Job charge/Total Expenditure	No. of vehicle	Job charge/Total Expenditure	No. of vehicle	Job charge/Total Expenditure	No. of vehicle	Job charge/Total Expenditure	No. of vehicle	Job charge/Total Expenditure	No. of vehicle	Job charge/Total Expenditure
Commandant Ist NAP	4	0.19 2.51	3	0.20 1.77	3	0.50 1.80	7	0.55 4.53	8	0.53 3.05	25	1.97 13.66
Commandant NAPTC	---	---	2	0.34 1.48	---	---	2	0.53 1.86	---	---	4	0.87 3.34
Comman-dant 7 th NAP	2	0.83 1.83	3	1.10 2.16	5	1.43 4.68	6	2.61 4.58	11	3.57 8.39	27	9.54 21.64
S.P. Dimapur	9	2.95 9.31	16	3.97 17.66	10	2.35 8.32	11	2.49 12.65	21	1.76 24.07	67	13.52 72.01
S.P. Kohima	4	0.80 2.53	3	0.77 1.32	13	0.61 6.59	12	1.09 5.84	14	2.79 6.23	46	6.06 22.51
D.G.P.(PHQ) Kohima	9	4.81 6.76	15	7.33 11.98	19	9.02 18.93	14	9.62 14.42	2	1.31 1.47	59	32.09 53.56
Grand total											228	64.05 186.72

APPENDIX – XX

Statement showing excess expenditure over permissible limit on repairs and maintenance of vehicle

(Reference :- Paragraph 3.2 ; Page 40)

(Rupees in lakh)

Sl No.	Name of Unit/ Office	1998-1999		1999-00		2000-01		2001-02		2002-03		Grand Total
		Nos. of vehicle	Expenditure	Nos. of vehicle	Expenditure	Nos. of vehicle	Expenditure	Nos. of vehicle	Expenditure	Nos. of vehicle	Expenditure	
1	Commandant 1 st NAPChumukedima	8	9.02	9	6.64	17	9.10	19	14.08	19	12.21	51.04
2	NAPTC Chumukedima	6	2.38	6	3.76	6	2.35	7	5.86	2	1.13	15.48
3	Commandant 7 th NAP Bhandari	13	9.54	16	4.76	22	9.01	23	10.71	32	22.71	56.73
4	Superintendent of Police, Dimapur	24	15.47	20	22.16	26	13.12	33	18.67	47	32.27	101.69
5	Superintendent of Poluice, Kohima	40	17.48	43	27.93	39	21.03	71	49.92	81	48.23	164.59
6	DGP(PHQ) Nagaland, Kohima	62	19.60	89	32.48	104	43.02	122	47.05	36	8.43	150.58
7	PCW Chumukedima	4	0.36	9	2.16	11	5.97	14	6.24	14	11.59	26.32
Grand Total		157 *	73.85	192*	99.89	225*	103.60	289*	152.53	231*	136.57	566.44*
	Less Permissible Limit @ Rs.10,000 per year	157	15.70	192	19.20	225	22.50	289	28.90	231	23.10	109.40
	Excess Over Permissible Limit		58.15		80.69		81.10		123.63		113.47	457.04

* Total number of vehicles =

1998-99 = 157

1999-00 = 192

2000-01 = 225

2001-02 = 289

2002-03 = 231

Total 1094

APPENDIX - XXI

Statement showing deployment of staff in excess of norms

(Reference: Paragraph 3.6 ; Page 43)

Particulars of excess staff	Total men-in-position	Authorised staffing pattern of Government of India	Number of excess staff	Pay and allowances paid to each staff during the period 4/98 to 9/02 (Rs.)	Total amount (Rs.)
i) Malaria Inspector	6	2	4	3,43,473	13,73,892
ii) Insect Collector	8	2	6	3,51,843	21,11,058
iii) SFW/FW/FWD	99	56	43	2,94,465	1,26,61,995
iv) Asstt. Biologist	1	Nil	1	4,06,087	4,06,087
v) Technician	3	Nil	3	4,05,228	12,15,687
Total	117	60	57	Grand total	Rs.1,77,68,719

APPENDIX - XXII

Statement showing year-wise position of outstanding Inspection Reports and Paras
(Reference: Paragraph 3.12 ; Page 49)

<i>Year</i>	<i>Number of IRs</i>	<i>Number of paras</i>
1985-86	3	13
1986-87	1	2
1987-88	1	8
1988-89	3	8
1989-90	2	10
1990-91	9	58
1991-92	6	29
1992-93	4	14
1993-94	9	34
1994-95	9	46
1995-96	9	73
1996-97	8	49
1997-98	6	56
1998-99	2	12
1999-00	7	68
2000-01	9	68
2001-02	5	37
2002-03	15	105
Total	108	690

APPENDIX - XXIII

Statement showing the status of implementation of various projects
(Reference:- Paragraph 4.1.11; Page 57)

Sl. No.	Name of the Scheme	Year	No. of projects undertaken	Estimated cost (Rupees in lakh)	No. of projects completed	No. of on-going projects	Total expenditure incurred (Rupees in lakh)	Target for creation of irrigation potential (Hectare)	Target achieved towards creation (Hectare)	Status of ongoing projects
1	2	3	4	5	6	7	8	9	10	11
Minor Irrigation Scheme										
1 (a)	Rural Infrastructure Development Fund (RIDF) of NABARD	1999-00 to 2002-03	29	1150.33	18	11	549.00	4760	3132	The ongoing projects were spilled over to 2003-04 and 2004-05.
(b)	Accelerated Irrigation Benefit Programme (AIBP)	1999-00 to 2002-03	542	3018.98	482	60	1648.00	17088	14166	The ongoing projects were spilled over to 2003-04
(c)	Non Lapsable Central Pool of Resources	2001-02	1	106.00	1	-	106.00	350	350	
2	Command Area Development Programme	1998-99 to 2002-03	2	743.00	1	1	208.49	5385	4790	91.30% achieved against the on-going projects
Total :-			574	5018.31	502	72	2511.49	27,583	22,438	
Other schemes										
1	Flood Control and Anti-Erosion work	2000-01 to 2002-03	4	1056.06	3	*Nil	555.00	Construction of embankment		*1 Project could not be undertaken due to non-release of fund by State Govt.
								1.36 Km.	1.28 Km.	
2	Rationalisation of Minor Irrigation Statistics (RMIS)	1998-99 to 2002-03								Received Rs.27.93 lakh and utilised towards the conducting of minor irrigation census in the state.
Grand Total:-			578	6074.37	505	*72	3066.49			

Source:- Departmental figures.

APPENDIX – XXIV

Statement showing the diversion of scheme funds

(Reference :- Paragraph 4.1.12; Page 57)

Name of Scheme	Bill No.	Date	Vehicle with Accessories		Computer & Accessories	Furniture	Stationery	Muster Roll	Xerox and Fax Machine
AIBP	230	30/3/00	6,40,804.00	2 Nos	10,500.00	-	-	-	2,500.00
	177	22/3/01	9,94,072.00	-do-	1,47,282.00	5,80,771.00	1,74,526.00	-	2,11,500.00
	199	31/3/01	10,07,758.00	-do-	1,44,072.00	10,212.00	17,829.00	-	-
	134	9/12/02	10,89,593.00	-do-	96,336.00	67,538.00	-	-	8,640.00
	Total			37,32,227.00		3,98,190.00	6,58,521.00	1,92,355.00	-
NABARD	204	10/3/00	7,55,285.00	-do-	-	-	-	4,36,710.00	-
	232	31/3/00	-		1,29,350.00	-	74,374.00	-	1,43,520.00
	125	22/3/02	-		71,316.00	-	-	-	2,39,665.00
	136	27/3/02	-		65,340.00	1,70,692.00	21,638.00	2,03,100.00	8,100.00
	176	16/3/01	-		31,158.00	-	-	29,850.00	-
	192	31/3/03	-		36,930.00	63,190.00	6,12,240.00	7,77,680.00	-
	197	30/3/01	-		-	-	12,504.00	-	-
Total			7,55,285.00		3,34,094.00	2,33,882.00	7,20,756.00	14,47,340.00	3,91,285.00
CADP	151	21/12/99	3,20,645.00	1 no	5,300.00	-	60,153.00	-	-
	186	28/3/01	-	-	-	-	-	90,000.00	-
	126	22/3/02	-	-	-	-	20,000.00	8,900.00	-
	128	22/3/02	4,12,059.00	1 no	4,27,896.00	-	3,62,995.00	2,70,060.00	-
	189	3/3/03	-	-	-	-	51,300.00	-	-
Total			7,32,704.00		4,33,196.00	-	4,94,448.00	3,68,960.00	-
SOWHI M.I. PROJECT FLOOD CONTROL	131	26/03/02	-		88,540.00	1,95,631.00	1,62,044.00	1,69,200.00	-
	95	8/10/02	10,88,065.00	2 Nos.	1,42,546.00	21,151.00	23,138.00	30,100.00	-
	194	31/3/03	8,07,491.00	1 No.	71,604.00	1,64,758.00	66,420.00	-	-
	Total			18,95,556.00		3,02,690.00	3,81,540.00	2,51,602.00	1,99,300.00
Grand Total			71,15,772.00		14,68,170.00	12,73,943.00	16,59,161.00	20,15,600.00	6,13,925.00

APPENDIX-XXV

Statement showing the number of workcharged employees appointed since June 1996 despite Government ban

(Reference: Paragraph 4.2; Page 64)

(A) Executive Engineer, Medical Engineering Division, Kohima

(Rupees in lakh)

Number of workcharged staff	Period of appointment	Period of payment	Amount of pay and allowances
9	8/96 - 4/99	8/96 - 5/01	Rs.9,32,685

(B) Executive Engineer, PWD (Housing) Construction Division, Kohima

Number of workcharged staff	Period of appointment	Period of payment	Amount of pay and allowances
i) SDO (I) - 34	1996-2001	7/96 to 1/2002	Rs.32,02,246
ii) SDO (II) - 37	- do -	7/96 to 1/2002	Rs.8,80,500
iii) SDO (III) - 19	- do -	7/96 to 1/2002	Rs.10,54,029
Total 90			Rs.51,36,775
Grand total (A) + (B) 99			Rs.60,69,460
		i.e.	Rs.60.70 lakh

APPENDIX - XXVI

Statement showing year-wise position of outstanding Inspection Reports and Paras

(Reference: Paragraph 4.9 ; Page 73)

<i>Year</i>	<i>Number of IRs</i>	<i>Number of paras</i>
1985-86	1	10
1988-89	2	10
1989-90	1	9
1990-91	1	12
1991-92	1	9
1993-94	1	12
1994-95	1	5
1996-97	2	19
1999-00	1	10
2001-02	3	25
2002-03	1	10
Total	15	131

APPENDIX - XXVII

Statement showing the loss of revenue due to non-availability of tenants for allotment of stalls/rooms of Naga Shopping Arcade

(Reference : Paragraph 7.5.10 ; Page 92)

Sl No.	Type of room	No. of vacant room	Area of room in sq.ft.	Rate per sq.ft upto 31.7.2002 (Rs.)	Revised rate per sq.ft. w.e.f. 1.8.2002 (Rs.)	Service charge @ 15 per cent (Rs.)	Vacant period	Total No. of months	Amount involved col (3x 4 x 5 x 7 x 9) or (3 x 4 x 6 x 7 x 9) (Rs.)
1	2	3	4	5	6	7	8	9	10
1	SA	48	288	1	---	0.15	5/01 to 7/02	15	2,38,464
				---	2	0.30	8/02 to 3/03	8	2,54,362
2	SB	16	512	1	---	0.15	5/02 to 7/02	3	28,262
				---	2	0.30	8/02 to 3/02	8	1,50,733
3	OB	11	512	1	---	0.15	5/01 to 7/02	15	97,152
				---	2	0.30	8/02 to 3/03	8	1,03,629
4	SC	1	832	1	---	0.15	5/01 to 7/02	15	14,352
				---	2	0.30	8/02 to 3/03	8	15,309
5	OC	5	832	1	---	0.15	6/99 to 7/02	38	1,81,792
				---	2	0.30	8/02 to 3/03	8	76,544
6	GA	20	288	1	1	No Service Charge	6/93 to 3/03	118	6,79,680
7	GB	4	512	1	1	-do-	6/93 to 3/03	118	2,41,664
8	GC	20	832	1	1	-do-	6/93 to 3/03	118	19,63,520
								Total:-	Rs.40,45,463

Source: Departmental figures.

APPENDIX – XXVIII

Statement showing year wise realisation of revenue from the tenants of the stalls/rooms/hire charge of road roller during the period from 1998-99 to 2002-03.

(Reference : Paragraph 7.5.12 ; Page 93)

Year	Room rent (Rs.)	Water charges (Rs.)	Application form (Rs.)	Daily market rent (Rs.)	Miscellaneous receipt (Rs.)	Hire charge of road roller (Rs.)	Total (Rs.)
1998-99	21,63,418	59,827	1,400	48,400	1,36,046	22,282	24,31,373
1999-00	22,10,257	1,47,361	1,800	1,000	1,47,434	55,614	25,63,466
2000-01	25,91,065	1,72,902	3,300	36,500	20,203	1,02,974	29,26,944
2001-02	27,65,468	1,34,221	3,700	74,490	13,855	86,615	30,78,349
2002-03	25,54,606	2,03,164	1,400	1,43,777	77,895	1,16,800	30,97,642
Total :-	1,22,84,814	7,17,475	11,600	3,04,167	3,95,433	3,84,285	1,40,97,774

(Source:- Cash book and receipt book)

APPENDIX – XXIX

Statement showing extra liability being compound interest due to non-payment of outstanding loan

(Reference : Paragraph 7.5.14 ; Page 94)

Due date of payment	Instalment of Principal amount (Rs.)	Simple Interest on instalment	Compound Interest @ 8½ per cent (Rs.)	Extra liability (Rs.)
1	2	3	4	5
1.5.94	11,00,000	1.5.94 Rs.46,750	93,500	
1.5.95	11,00,000	1.11.94 Rs.46,750	50,723	
1.5.96	11,00,000	1.5.95 Rs.46,750	99,629	
	33,00,000	1.11.95 Rs.46,750 1.5.96 Rs.46,750 Rs.2,33,750	1,03,863 155,027 Rs.5,02,742	(Rs.5,02,742 (-) 2,33,750) 2,68,992
1.11.96	33,00,000 (+) 5,02,742 = 38,02,742	---	1,61,616	1,61,616
1.5.97	39,64,358	---	1,68,485	1,68,485
1.11.97	41,32,843	---	1,75,645	1,75,645
1.5.98	43,08,488	---	1,83,110	1,83,110
1.11.98	44,91,398	---	1,90,892	1,90,892
1.5.99	46,82,490	---	1,99,005	1,99,005
1.11.99	48,81,495	---	2,07,463	2,07,463
1.11.99 to 6.3.2000	50,88,958	---	1,51,160	1,51,160
7.3.2000 to 1.5.2000	50,67,396	---	64,840	64,840
1.11.2000	51,32,236	---	2,18,120	2,18,120
1.5.2001	53,50,356	---	2,27,390	2,27,390
1.11.2001	55,77,746	---	2,37,054	2,37,054
1.5.2002	58,14,800	---	2,47,129	2,47,129
1.11.2002	60,61,929	---	2,57,631	2,57,631
			Total :-	Rs.29,58,532

APPENDIX - XXX

Statement showing the details of outstanding guarantee fee on loan of
Rs.1.44 crore obtained from LIC on Government security.

(Reference : Paragraph 7.5.14 ; Page 95)

Due date	Residual Principal	Percentage of guarantee fees	Amount of guarantee fee due
1.5.81	1,44,00,000	½	72,000
1.11.81	1,44,00,000	½	72,000
1.5.82	1,44,00,000	½	7,2000
1.11.82	1,44,00,000	½	72,000
1.5.83	1,44,00,000	½	72,000
1.11.83	1,44,00,000	½	72,000
1.5.84	1,32,00,000	½	66,000
1.11.84	1,32,00,000	½	66,000
1.5.85	1,21,00,000	½	60,500
1.11.85	1,21,00,000	½	60,500
1.5.86	1,10,00,000	½	55,000
1.11.86	1,10,00,000	½	55,000
1.5.87	99,00,000	½	49,500
1.11.87	99,00,000	½	49,500
1.5.88	88,00,000	½	44,000
1.11.88	88,00,000	½	44,000
1.5.89	77,00,000	½	38,500
1.11.89	77,00,000	½	38,500
1.5.90	66,00,000	½	33,000
1.11.90	66,00,000	½	33,000
1.5.91	55,00,000	½	27,500
1.11.91	55,00,000	½	27,500
1.5.92	44,00,000	½	22,000
1.11.92	44,00,000	½	22,000
1.5.93	33,00,000	½	16,500
1.11.93	33,00,000	½	16,500
1.5.94	33,00,000	½	16,500
1.11.94	33,00,000	½	16,500
1.5.95	33,00,000	½	16,500
1.11.95	33,00,000	½	16,500
1.5.96	33,00,000	½	16,500
1.11.96	33,00,000	½	16,500
1.5.97	33,00,000	½	16,500
1.11.97	33,00,000	½	16,500
1.5.98	33,00,000	½	16,500
1.11.98	33,00,000	½	16,500
1.5.99	33,00,000	½	16,500
1.11.99	33,00,000	½	16,500
1.5.2000	33,00,000	½	16,500
1.11.2000	33,00,000	½	16,500
1.5.2001	33,00,000	½	16,500
1.11.2001	33,00,000	½	16,500
1.5.02	33,00,000	½	16,500
1.11.02	33,00,000	½	16,500
		Total :-	15,54,000

APPENDIX—XXXI

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2003 in respect of Government companies (Figures in Col. 3 (a) to 4 (f) are Rupees in crore) [®]

(Reference: Paragraphs 8.2 and 8.3; Page 97)

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 2002-03		Other loans received during the year	Loans outstanding at the close of the year			Debt equity ratio for 2002-03 4 (f)/3 (e) (previous year)
		State Govt.	Central Govt.	Holding companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	4 (a)	4 (b)	4 (c)	4 (d)	4 (e)	4 (f)	5
(A)	Government companies sector												
	Industries and Commerce												
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	15.81	---	---	4.73	20.54	0.48	---	---	1.10	17.86	18.96	0.92:1 (0.99:1)
2.	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	4.67	1.22	---	---	5.89	0.15	---	---	0.73	---	0.73	0.12:1 (0.13:1)
3.	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	1.24	---	---	---	1.24	1.24	0.10	---	---	0.10	0.10	0.08:1 (0.08:1)
4.	Nagaland Hotels Ltd. Dimapur ¹	0.07	---	0.40	---	0.47	---	---	---	10.49	---	10.49	22.31:1 (22.31:1)
5.	Nagaland Sugar Mills Company Ltd., Dimapur	Closed down with effect from 30.9.2001 (Non working)											
Total of the sector		21.79	1.22	0.40	4.73	28.14	1.87	0.10	---	12.32	17.96	30.28	1.08:1 (1.14:1)
	Geology and Mining												
6.	Nagaland State Mineral Development Corporation Ltd., Kohima	1.60	---	---	---	1.60	---	---	---	0.54	---	0.54	0.34:1 (0.34:1)
Total of the sector		1.60	---	---	---	1.60	---	---	---	0.54	---	0.54	0.34:1
Grand total:-		23.39	1.22	0.40	4.73	29.74	1.87	0.10	---	12.86	17.96	30.82	1.04:1 (1.09:1)

[®] All figures are provisional as given by the companies.
^{*} Includes bonds, debentures, inter-corporate deposits etc.
^{**} Represents long term loans.

¹ Previous year's figures have been adopted as company has not furnished information in the current year.

APPENDIX—XXXII

Summarised financial results of Government companies for the latest year for which accounts were finalised
(Reference: Paragraphs 8.4 and 8.5; Pages 98-99)

(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 of which accounts finalised	Year in which accounts finalised	Net Profit(+)/ Loss(-)	Net impact of audit comments	Paid up capital	Accumulated Profit(+)/ Loss (-)	Capital employed	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the company/ corporation	Turnover	Manpower (No. of employees)	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
A. Government Companies Sector																	
1. Industries and Commerce																	
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26/03/70	1993-94	2002-03	(-) 1.00	Remedial measures taken against audit comments	11.25	(-)7.13	12.59	(-)1.89	---	9	Working	0.57	93	
(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	---	---	22	Working	1.68	32	
(iii)	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	- do -	27/02/79	1982-83	2000-01	(-)0.36	---	1.16	(-)0.87	---	(-)0.04	---	20	Working	(b)	(b)	
(iv)	Nagaland Sugar Mills Company Ltd., Dimapur	- do -	22/03/73	1977-78	Information not provided by the Director of Industries and Commerce Department								23	Non-working	---	---	
(v)	Nagaland Hotels Ltd. (subsidiary to NIDC)	- do -	17/03/82	1984-85	1999-00	Information not provided by the company								18	Working	(b)	(b)
Total of the Sector						(-)1.85		12.51	(-)8.49	12.85	(-)1.93				2.25	125	
2. Geology and Mining																	
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1988-89	2002-03	---	---	(a)	---	4.70	---	---	14	Working		51	
Total of the sector								(a)	---	4.70	---	---					
Grand total:						(-)1.85		12.51	(-)8.49	17.55	(-)1.93				2.25	176	

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

** Nagaland Sugar Mills Co. Ltd. Dimapur was closed down with effect from 30.9.2001.

APPENDIX—XXXIII

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 2003
(Figures in column 3(a) to 7 are in Rupees in crore)

(Reference: Paragraph 8.3; Page 97)

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
	Government companies Sector															
A.	Industries and Commerce															
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	---	3.02	---	3.02	---	---	---	---	---	---	---	---	---	---	---
(ii)	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	---	0.40	---	0.40	---	---	---	---	---	---	---	---	---	---	---
(iii)	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	---	1.30	---	1.30	---	---	---	---	---	---	---	---	---	---	---
	Total - A		4.72		4.72											
B.	Geology and Mining															
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	---	2.60	---	2.60	---	---	---	---	---	---	---	---	---	---	---
	Total - B		2.60		2.60											
	Grand total		7.32		7.32											

APPENDIX – XXXIV

Statement showing financial position and working results of the Company
for the last five years ended 31 March 2003

(Reference :- Paragraph 8.9.7 ; Page 107)

1. Financial position

The table below summarized the financial position of the Company under broad headings for the last five years.

	(Rupees in lakh)				
Liabilities	1998-99	1999-00	2000-01	2001-02	2002-03
a) Paid up capital including share application money contributed by State Government	102.40	107.64	113.07	123.07	123.07
b) Borrowings					
(i) Interest accrued to NIDC Ltd on loan upto 1981-82	4.49	4.49	4.49	4.49	4.49
(ii) Others	3.01	---	---	---	---
c) Current liabilities including provision.	164.62	163.09	167.28	167.58	195.42
Total	274.52	275.22	284.84	295.14	322.98
Assets					
d) Gross Block	48.31	48.31	48.31	48.31	48.31
less depreciation	19.58	21.40	23.05	24.55	25.90
e) Net Block	28.73	26.91	25.26	23.76	22.41
f) Current Assets, loan and advances	153.21	150.93	151.36	157.00	196.81
g) Accumulated loss	92.58	97.38	108.22	114.38	103.76
Total	274.52	275.22	284.84	295.14	322.98
h) working capital (f-c)	(-) 11.41	(-) 12.16	(-) 15.92	(-) 10.58	(+) 1.39
i) Capital employed (e+h)	17.32	14.76	9.34	13.18	23.80
j) Net worth (a-g)	9.82	10.26	4.85	8.69	19.31
Liquidity ratio current assets/current liabilities	0.93:1	0.93:1	0.90:1	0.94:1	1.01:1

2. The working results of the Company for the last five years ending 31 March 2003.

(Rupees in lakh)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
i) Sales	34.56	10.56	---	19.83	186.46
ii) Other income	0.03	0.17	---	1.13	5.41
iii) Grants-in-aid	---	33.00	31.84	31.21	47.80
Total	34.59	43.73	31.84	52.17	239.67
Less					
iv) Purchases	33.52	10.58	---	19.81	186.46
v) Salaries	31.15	31.55	30.91	35.62	39.18
vi) Administrative expenses	4.85	4.59	10.13	1.40	2.06
vii) Depreciation	1.97	1.80	1.65	1.50	1.35
Total:-	71.49	48.52	42.69	58.33	229.05
Profit (+) Loss (-) for the year.	(-) 36.90	(-) 4.79	(-) 10.85	(-) 6.16	(+) 10.62

These figures are provisional and as per the Report of the Internal Auditors.

APPENDIX – XXXV

Statement showing excess/savings over budget provision

(Reference: Paragraph 9.1.5; Page 117)

(Rupees in crore)

SL No.	Name of the department	Grant number	Year	Budget provision		Actual expenditure		Excess (+)/Savings (-)	
				Revenue	Capital	Revenue	Capital	Revenue	Capital
1	Agriculture	48	1999-00	23.36	---	21.21	---	(-) 2.15	---
		48	2000-01	30.41	---	29.66	---	(-) 0.75	---
		48	2001-02	---	8.81	---	8.20	---	(-) 0.61
2	Veterinary & Animal Husbandry	50	1999-00	19.13	---	15.19	---	(-) 3.94	---
		50	2000-01	25.08	*89.85	17.43	*89.95	(-) 7.65	* (+) 0.10
3	Tourism	39	1999-00	3.65	---	2.55	---	(-) 1.10	---
4	Soil & Water conservation	49	2000-01	12.67	---	12.93	---	(+) 0.26	---
		49	2001-02	12.27	---	12.32	---	(+) 0.05	---
5	Irrigation & Flood Control	59	1999-00	12.90	---	10.90	---	(-) 2.00	---
		59	2000-01	12.80	---	12.83	---	(+) 0.03	---
		59	2001-02	15.57	---	13.47	---	(-) 2.10	---

* In lakh of rupees.

Figures for 2002-03 could not be shown as the accounts has not yet been finalised.



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