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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2002

GOVERNMENT OF NAGALAND

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GOVERNMENT OF NAGALAND

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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 2002.

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 2001-02 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 2001-02 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Report includes two chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2001-02 and six other chapters with 6 audit reviews and 16 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 and liabilities

Assets of the State Government increased by 10 *per cent* from Rs.2079.08 crore in 2000-2001 to Rs.2287.82 crore in 2001-2002, while liabilities increased by 16 *per cent* from Rs.1944.79 crore in 2000-2001 to Rs.2256.11 crore in 2001-2002 indicating deterioration in the financial condition of the Government.

Revenue receipts

Revenue receipts of the State Government increased from Rs.1254.10 crore in 2000-2001 to Rs.1324.53 crore in 2001-2002 registering an increase of 6 *per cent.* The increase was mainly on account of increase in grants-in-aid from the Central Government (Rs.123.37 crore), in addition to the increase of Rs.16.14 crore under State tax revenue, in relation to the year 2000-2001. The total receipts from the Central Government (Rs.1218.73 crore) during the year represented 92 *per cent* of the total revenue receipts (Rs.1324.53 crore), and 85 *per cent* of the revenue expenditure (Rs.1427.11 crore), Non-tax revenue raised by the State, increased by 11 *per cent* from Rs.39.23 crore in 2000-2001 to Rs.43.41 crore in 2001-2002.

Revenue expenditure

Revenue expenditure of the State grew by 11 *per cent* from Rs.1290.23 crore in 2000-2001 to Rs.1427.11 crore in 2001-2002 and constituted 86 *per cent* of total expenditure in 2001-2002. This consisted of non-Plan expenditure (84 *per cent*) and Plan component (16 *per cent).*

Capital expenditure

Capital expenditure increased by 79 *per cent* from Rs.133.69 crore in 1997-98 to Rs.238.73 crore during 2001-02, and constituted 14 *per cent* of the total expenditure during the year. Capital expenditure of the State decreased by 1 *per cent* from Rs.224.40 crore in 2000-01 to Rs.238.73 crore in 2001-02 and constituted only 14 *per cent* of total expenditure. The capital expenditure was mainly under Plan and on Economic and Social Services.

During 2001-2002, the State Government paid interest of Rs.200.47 crore on debt and other obligations and constituted 14 *per cent* of the Revenue expenditure. The interest burden also increased by 13 *per cent* over the previous year.

Investments and returns

The State Government invested Rs.2.83 crore during 2001-02. Of this, Rs.0.93 crore was invested in Government Companies, and Rs.1.90 crore in Co-operative institutions. With these fresh investments, the total investment of the Government as of March 2002 stood at Rs.53.87 crore. No dividend/interest was received by the Government on such investments.

Fiscal deficit

Fiscal deficit is the excess of revenue and capital expenditure (including net loans given), over revenue receipts (including grants-in-aid received). During 2001-02, fiscal deficit was Rs.336.96 crore, and recorded an increase of 27 *per cent* from Rs.264.70 crore in 1997-98 to Rs.336.96 crore in 2001-02.

Public debt and other liabilities

During the five years ending 2001-02, there was 111 *per cent* growth in internal debt, 67 *per cent* growth in loans and advances from Central Government and 48 *per cent* growth in other liabilities.

Ways and means Advances/Overdrafts

The Ways and Means Advances obtained from Reserve Bank of India had increased (182 *per cent*) from Rs.108.03 crore in 1997-98 to Rs.304.61 crore in 2001-02. Similarly, overdraft availed by Government had increased by 42 *per cent* over a period of 5 years ending March 2002. As of March 2002, Rs.40 crore on account of Ways and Means Advances and Rs.177.63 crore towards overdrafts were to be repaid by the Government.

Analysis of financial performance with indicators

Some of the major findings that emerged from analysis of financial performance of the State Government with various indicators were: - (i) the interest burden on the Government was substantial and showed a rise up trend; (ii) there was negative BCR in all the five years ending 2001-02, suggesting that Government had been depending heavily on borrowings for meeting its Plan and non-Plan expenditure, and (iii) the Government had not been earning any dividend/interest on investments.

(Paragraphs 1.1 to 1.11)

2. Appropriation Audit and Control over expenditure

Excess expenditure over grants/appropriations not regularised for the past several years

Though it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1061.61 crore pertaining to the years from 1991-92 to 2000-01 except 1992-93 was yet to be regularised.

Overall savings/excess

Against gross provision of Rs.2714.72 crore, gross expenditure during the year, was Rs.2363.15 crore. The overall saving of Rs.351.57 crore was the net effect of excess of Rs.27.98 crore in 16 cases of grants and saving of Rs.323.59 crore in 59 cases of grants and 5 cases of appropriations.

Supplementary grants

Supplementary grants of Rs.505.31 crore obtained in 28 cases proved unnecessary in view of aggregate saving of Rs.181.81 crore. In other 6 cases, supplementary provision of Rs.22.30 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.24.20 crore.

In 25 cases, against additional requirement of Rs.308.21 crore, supplementary provision of Rs.467.11 crore was obtained resulting in saving exceeding Rs.10 lakh in each case, aggregating Rs.158.90 crore

Surrender of savings

Against the total excess of Rs.27.98 crore available under 16 grants during the year, savings aggregating Rs.143.16 crore available under 34 cases of grants/appropriation (savings exceeded Rs.1 crore in each case) were not surrendered, though as per financial rules, spending departments were required to surrender grants/appropriations to the Finance Department, as and when any saving was initiated. In 26 grants against the available savings of Rs.49.98 crore, the amount surrendered was Rs.70.06 indicating injudicious surrender of Rs.20.08 crore in excess of available savings.

Reconciliation of departmental expenditure

Controlling officers were required to reconcile the departmental figure of expenditure, with those booked by the Sr. Deputy Accountant General (A&E) before closure of accounts for the year. But, such reconciliation in respect of Rs.116.13 crore had not been carried out by eight controlling officers.

(Paragraphs 2.2 and 2.3)

3. Audit Reviews on development and welfare activities

3.1. Working of Agriculture Department

A review of the working of Agriculture Department for the period 1997-2002 revealed that the functioning of the department was marked by lack of budgetary procedures and control. Expenditure control mechanism was non-functional. Poor programme management and financial mismanagement obstructed any significant increase in the productivity of major agricultural crops. Manpower management in the department was also inadequate. The following important points were noticed during the course of review.

Poor budgetary control resulted in persistent savings under Plan grants ranging from 3 *per cent* (2000-2001) to 73 *per cent* (1997-98). Heavy cash balance at the end of year ranged from Rs.5.03 crore to Rs.17.13 crore during 1998-99 to 2001-02 indicating poor implementation of the programme.

Seeds distributed by the department during 1997-98 to 2001-02 ranged from 576 MT to 931 MT against the requirement of 2305 MT to 2578 MT per year.

The department incurred nugatory expenditure of Rs.1.34 crore towards payment of salary of the staff deployed in a defunct seed farm.

(Paragraph 3.1)

3.2 Transport Subsidy

The Transport Subsidy Scheme was launched in the state in 1975-76 with a view to promoting industrialisation in remote and hilly areas. The objective of the scheme was largely frustrated due to failure in exercising required checks before release of transport subsidy to the industrial unit. This resulted in unauthorised excess, irregular and inadmissible payments.

Audit review revealed that:-

Against the claim of Rs.1093.20 lakh, the department paid Rs.297.06 lakh though no raw materials/finished goods were imported/exported.

Though the industrial units which had completed 5 years of production would cease to be eligible for benefit under the scheme, the State Government paid Rs.111.64 lakh to ineligible units.

Rupees 66.40 lakh was paid to tyre retreding units and cattle feed unit though they do not come under the purview of manufacturing activity.

(Paragraph 3.2)

3.3 Rural Housing (Indra Awaas Yojana)

The Scheme of Rural Housing aims to provide assistance for construction of houses to the shelter less rural people living below poverty line and belonging primarily to the scheduled caste, scheduled tribes and freed bonded labour. The poor achievement was mainly for improper Planning procurement of roofing materials at high cost, non-utilisation of central fund, short release of the states matching share, providing benefit to non-BPL group of people, deviation from guidelines.

These are highlighted below:-

The department lost central assistance of Rs.140.73 lakh due to excess carry over of balance as well as short release of states matching share.

The department incurred extra expenditure of Rs.620.46 lakh on procurement of roofing materials at high cost.

Benefit involving expenditure of Rs.392.69 lakh extended to non-BPL group of people depriving targeted beneficiaries.

(Paragraph 3.3)

3.4 Swarnjayanti Gram Swarozgar Yojana (SGSY)

The scheme aims to provide sustainable income to the rural people living Below Poverty Line (BPL) by establishing large number of micro-enterprises in the rural area generating self employment opportunities to bring the assisted families above the poverty line. The poor achievement was attributable to the fact that Annual Plan was not formulated, no target was set, incorrect reporting, inadequate involvement of banks and line departments, delay in release of subsidy by the bank and absence of monitoring and evaluation.

The progress of BPL families identified and assisted in 15 blocks selected for test check was not monitored and evaluated by the department only 0.08 *per cent* BPL family was brought above poverty line.

Lack of active participation of banks and line departments and less release of assistance/funds by the banks adversely affected the implementation of the programme.

(Paragraph 3.4)

3.5 Management of Stores and Stock

The Stores and Stock Management in Public Health Engineering Department was flawed as procurements were not based on actual requirement leading to idle inventories and locking up of public funds.

Materials worth Rs.682.11 lakh procured by the department out of Plan fund were utilised for running and maintenance (RM) works, under non-Plan.

Injudicious payment of advance of Rs.191.15 lakh to the suppliers by the department resulted in undue financial aid and loss of interest of Rs.50.80 lakh on the unadjusted advance of Rs.109.82 lakh.

Stores worth Rs.1049.28 lakh and unserviceable stores worth Rs.502.57 lakh were lying in 4 divisions.

(Paragraph 5.5)

3.6 Working of Nagaland Handloom and Handicrafts Development Corporation Limited.

The company was incorporated for the development of handloom and handicrafts industries in the state. The activities of the company were reviewed in audit and some of the main findings are as follows:

The company had been incurring losses continuously and its accumulated losses of Rs.7.92 crore at the end of 2001-2002 completely eroded the paid up capital of Rs.5.66 crore despite receipt of Rs.14.69 crore from state Government for payment of salaries of the staff.

The company had drawn Rs.0.98 crore from Government of India by furnishing false and fictitious certificates and reports.

The company incurred a loss of Rs.6.19 crore due to adoption of unremunerative pricing policy and dismal performance of sales emporia.

Excess staffing which resulted in extra expenditure of Rs.3.88 crore.

The company incurred liability of Rs.35.29 lakh due to concealment of taxable turnover.

(Paragraph 8.9)

4. Paragaraphs

(a) Avoidable/infructuous/extra/excess expenditure

(i) Due to award of work to the highest bidder, the Executive Engineer, Likimro Electrical Construction Division, Likimro incurred an extra expenditure of Rs.8.66 crore.

(Paragraph 4.1)

(ii) The Executive Engineer, Electrical Construction Division, Likimro incurred an avoidable expenditure of Rs.23.57 lakh on repair of the rotor of the generator due to carriage of the same without insurance cover.

(Paragraph 4.2)

(iii) Due to non procurement of equipment directly from authorised firm the Executive Engineer, Likimro Electrical Construction Division, Likimro incurred an excess expenditure of Rs.8.48 lakh.

(Paragraph 4.3)

(iv) The Executive Engineer, PWD (Roads and Bridges) division, National Highway Division No.1, Kohima incurred an excess expenditure of Rs.27.08 lakh due to deployment of work charged employees in excess of prescribed norms.

(Paragraph 4.5)

(b) Other points of interest

(i) The Executive Engineer, Likimro Electrical Construction Division, Likimro utilised Plan funds of Rs.33.70 lakh to meet non-Plan expenditure.

(Paragraph 2.4)

(ii) The Medical Superintendent, Naga Hospital, Kohima made inadmissible payment of Rs.33.75 lakh towards messing allowance to nursing staff not provided with hostel facilities.

(Paragraph 3.5)

(iii) Injudicious decision of the Director of Tourism, Kohima to take up project work without proper survey and examining legal implication there was retention of Government money of Rs.22.92 lakh and unfruitful expenditure of Rs.4.08 lakh.

(Paragraph 3.6)

5. Revenue

(a) Unauthroised/irregular utilisation of departmental receipts and unauthorised credit sale

Sales proceeds of cement were irregularly utilised by the Nagaland State Mineral Development Corporation Limited, Kohima towards departmental receipts (Rs.13.49 lakh), there was short deposit (Rs.0.87 lakh) of receipts and unauthorised credit sale (Rs.14.15 lakh).

(Paragraph 6.5)

(b) Loss of revenue

Government suffered a loss of revenue amounting to Rs.9.88 lakh due to non-deposit of sale proceeds by the Director, Information and Public Relations, Kohima.

(Paragraph 6.6)

Due to non-remittance of sales tax by the Executive Engineer, Likimro Electrical Construction Division, Likimro the Government suffered a loss of revenue to the extent of Rs.2.44 crore.

(Paragraph 6.7)

Government suffered a loss of revenue of Rs.1.60 crore and Rs.33.60 lakh due to non-deduction of works tax at source by the by the Executive Engineer, Likimro Electrical Construction Division and Director, Medical Services, Kohima respectively.

(Paragraph 6.8)

6. Commercial

General

(i) There were six working Government companies and nine departmentally managed Government commercial and quasi-commercial undertakings in the state as on 31 March 2002. The total investment in six working Government companies (including one subsidiary) was Rs.61.46 crore (equity:Rs.19.17 crore, long term loans: Rs.32.09 crore and share application money:Rs.10.20 crore)

(Paragraph 8.2.1)

(ii) None of the working Government companies had finalised their accounts for the year 2001-02. The extent of arrears ranged from nine to twenty four years. Proforma account of all departmentally - managed Government commercial and quasi-commercial undertakings were in arrears ranging from three to thirty one years.

(Paragraphs 8.4.2 and 8.7.3)

(iii) The Nagaland State Mineral Development Corporation Ltd., Kohima suffered a loss of interest amounting to Rs.27.20 lakh due to premature withdrawal of Fixed Deposit Receipts.

(Paragraph 8.10)

(iv) The Nagaland Handloom and Handicrafts Development Corporation Limited, Dimapur incurred sales tax liability of Rs.1.55 crore including penalty of Rs.16.73 lakh due to non-submission of 'C' form.

(Paragraph 8.11)

(v) The Nagaland Handloom and Handicrafts Development Corporation Limited, Dimapur incurred a loss of Rs.10.98 lakh due to failure of the management to recover outstanding advances and property.

(Paragraph 8.12)

CHAPTER I
AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

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

1.2 Financial position of the State

1.2.1 In the Government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government, accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. An abstract of such liabilities and the assets as on 31 March 2002, compared with the corresponding position as on 31 March 2001 is given in the table below:-

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF NAGALAND AS ON 31 MARCH 2002

Table No.1.1

(Rupees in crore)

As on 31.03.2001	LIABILITIES		As on 31.03.2002
871.58	Internal Debt		1037.15
	Market loans bearing interest	733.86	
	Market loans not bearing interest	0.11	
	Loans from LIC	29.32	
	Loans from other institutions	233.86	
	Ways and Means Advances	40.00	
99.30	Overdrafts from Reserve Bank of India		177.63
459.06	Loans and Advances from Central Government		481.15
	Pre-1984-85 loans	22.97	
	Non-Plan Loans	65.02	
	Loans for State Plan Schemes	313.78	
	Loans for Central Plan Schemes	2.87	
	Loans for Centrally Sponsored Plan Schemes	13.57	
	Ways & Means Advances	57.15	
	Loans for Special Schemes	5.79	
0.35	Contingency Fund		0.35
405.46	Small Savings, Provident Funds, etc.		437.48
91.25	Deposits		78.63
3.49	Reserve Funds		1.97
-	Suspense and Miscellaneous balance		40.08
14.30	Remittance Balances		1.67

134.29	Surplus on Government Account-		31.71
	Accumulated surplus upto 31 March 2001	134.29	
	Less deficit of current year	(-)102.58	
2079.08			**2287.82**
	ASSETS		
1989.83	Gross Capital outlay on Fixed Assets-		2228.56
	Investments in shares of Companies, Corporations, etc.	53.87	
	Other capital outlay	2174.69	
52.40	Loans and Advances		48.04
	Other Development Loans	43.00	
	Loans to Government servants' etc.	5.04	
1.93	Advances		1.98
71.54	Suspense and Miscellaneous Balances		-
(-) 36.62	Cash Balance		9.24
	Cash in Treasuries and Local Remittances	0.17	
	Deposits with Reserve Bank	(-)30.34	
	Departmental Cash Balance including Permanent Advances	31.20	
	Investment of earmarked funds	8.21	
	Cash Balance Investments	---	
2079.08			**2287.82**

Source: Finance Accounts

1.2.2 While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 16 *per cent* from Rs.1944.79 crore in 2000-01 to Rs.2256.11 crore during 2001-02, the assets grew by only 10 *per cent* from Rs.2079.08 crore in 2000-01 to Rs.2287.82 crore during 2001-02, mainly as a result of revenue deficit of Rs.102.58 crore.

1.3 Sources and applications of funds

1.3.1 The table no.1.2 below gives the position of sources and applications of funds during the current and the preceding year.

SOURCES AND APPLICATIONS OF FUNDS

Table No.1.2

(Rupees in crore)

	Sources			
2000-01				2001-02
1254.10	1. Revenue receipts			1324.53
6.45	2. Recoveries of Loans and Advances			7.78
219.17	3. Increase in Public debt other than overdraft			187.67
11.17	4. Net receipts from Public Account			116.82
	32.42	Increase in Small Savings	32.02	
	5.52	Increase in Deposits and Advances	(-)12.67	
	0.66	Decrease in Reserve Funds	(-)1.52	
	(-)15.42	Net effect of Suspense and Miscellaneous transactions	111.62	
	(-)12.01	Net effect of Remittance transactions	(-)12.63	
64.80	5. Overdrafts from Reserve Bank of India (Net)			78.33
1555.69	**Total**			**1715.13**

		Applications	
1290.23	1.	Revenue expenditure	1427.11
17.35	2.	Lending for development and other purposes	3.43
224.40	3.	Capital expenditure	238.73
23.71	4.	Increase in closing cash balance	45.86
---	5.	Reduction of overdraft payable to Reserve Bank of India	---
1555.69		**Total:-**	**1715.13**

Source:- Finance Accounts

1.3.2 The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and for development and other purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. While their relative share went down from 80.61 *per cent* in 2000-01 to 77.23 *per cent* during 2001-02, the share of recoveries of loans and advances went up to 0.45 *per cent* during 2001-02 from 0.41 *per cent* in 2000-01, and the net receipts from the Public Account went up from 0.72 *per cent* in 2000-01 to 6.81 *per cent* in 2001-02. This was mainly due to increase of 723.87 *per cent* in net effect of suspense and miscellaneous transactions. The share of receipts from Public Debt went down from 14 *per cent* to 11 *per cent.*

1.3.3 The funds were mainly applied for revenue expenditure, whose share went up from 82.94 *per cent* to 83.21 *per cent*, but remained considerably higher than the share of revenue receipts (77.23 *per cent*) in the total receipts of the State Government. This led to the revenue deficit of Rs.102.58 crore. The percentage of capital expenditure went down from 14.42 *per cent* to 13.92 *per cent*, lending for development purposes both in absolute terms as also in percentage basis, down drastically from 1.12 *per cent* to 0.20 *per cent.* Balance funds were utilised in repayment of overdrafts from RBI (4.57 *per cent*) and increase in closing balance (2.67 *per cent*).

1.4 Financial operations of the State Government

1.4.1 Table no.1.16 at the end of this chapter gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1427.11 crore) during the year exceeded the revenue receipts (Rs.1324.53 crore) resulting in a revenue deficit of Rs.102.58 crore. The revenue receipts comprised tax revenue (Rs.62.39 crore), non-tax revenue (Rs.43.41 crore), State's share of Union taxes and duties (Rs.23.22 crore) and grants-in-aid from the Central Government (Rs. 1195.51 crore). The main sources of tax revenue were sales tax (55 *per cent*), state excise (3 *per cent*), taxes on vehicles (9 *per cent*) and stamps and registration fees (1 *per cent*). Non-tax revenue came mainly from interest receipts (4 *per cent*), other administrative services (7 *per cent*), housing (5 *per cent),* forestry and wildlife (5 *per cent*), power (53 *per cent*) and road transport (12 *per cent*).

1.4.2 The capital receipts comprised Rs.7.78 crore from recoveries of loans and advances and Rs.335.28 crore from public debt. Against this, the expenditure was Rs.238.73 crore on capital outlay, Rs.3.43 crore on disbursement of loans and advances and Rs.69.28 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.646.31 crore, against which the disbursements made were Rs.529.49 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs.45.86 crore in the cash balance bringing the negative balance of Rs.36.62 crore at the beginning of the year to plus balance of Rs.9.24 crore at the year end.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in table no.1.16 and the time series data for the five year's period from 1997-98 to 2001-02 presented in the table given below:

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

Table No.1.3

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Part A. Receipts					
I. Revenue Receipts	**860.99**	**989.38**	**1131.46**	**1254.10**	**1324.53**
(i) Tax Revenue	**31.57 (4)**	**30.56 (3)**	**39.50 (3)**	**46.25(4)**	**62.39 (5)**
Sales Tax	16.52(52)	16.10 (53)	23.04 (58)	27.30(59)	34.42(55)
State Excise	2.10(7)	1.89 (6)	1.73 (4)	1.77(4)	1.87(3)
Taxes on vehicles	3.86(12)	4.37 (14)	4.59 (12)	5.28(11)	5.35(9)
Stamps and Registration fees	3.66(12)	1.94 (6)	1.85 (5)	1.77(4)	0.91(1)
Land Revenue	0.08(*)	0.12 (*)	0.26 (*)	0.35(1)	0.62(1)
Other Taxes	5.35(17)	6.14 (20)	8.03 (20)	9.78(21)	19.22(31)
(ii) Non Tax Revenue	**27.52(3)**	**44.15 (5)**	**38.86 (3)**	**39.23(3)**	**43.41(3)**
(iii) State's share in Union taxes and duties	**380.81(44)**	**437.19 (44)**	**526.04 (47)**	**96.48(8)**	**23.22(2)**
(iv) Grants in aid from GOI	**421.09(49)**	**477.48 (48)**	**527.06 (47)**	**1072.14(85)**	**1195.51(90)**
2. Misc. Capital Receipts	---	---	---	---	---
3. Total revenue and Non-debt capital receipt (1+2)	**860.99**	**989.38**	**1131.46**	**1254.10**	**1324.53**
4. Recoveries of Loans and Advances	4.45	13.18	15.98	6.45	7.78
5. Public Debt Receipts	242.57	394.17	344.23	335.97	335.28
Internal Debt (excluding Ways & Means Advances and Overdrafts)	83.84	104.65	167.24	163.05	224.23
Net transactions under Ways and Means Advances and Overdraft	122.14	72.69	---	123.34	49.04
Loans and Advances from Government of India[1]	36.59	216.83	176.99	49.58	62.01
6. Total receipts in the Consolidated Fund (3+4+5)	1108.01	1396.73	1491.67	1596.52	1667.59
7. Contingency Fund Receipts	---	---	---	---	---
8. Public Account receipts	343.25	427.00	538.71	601.87	646.31
9. Total receipts of the State (6+7+8)	1451.26	1823.73	2030.38	2198.39	2313.90
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	**988.18**	**1,012.40**	**1140.80**	**1290.23**	**1427.11**
Plan	199.68(20)	205.94 (20)	229.38 (20)	231.00(18)	232.65(16)
Non-Plan	788.50(80)	806.46 (80)	911.42 (80)	1059.23(82)	1194.46(84)
General Services (including interest payments)	417.96(42)	460.41 (45)	544.60 (48)	623.33(48)	723.88(51)
Social Services	262.81(27)	293.78 (29)	330.39 (29)	351.15(27)	377.18(26)
Economic Services	307.41(31)	258.21 (26)	265.81 (23)	315.75(25)	326.05(23)
Grants-in-aid contribution	---	---	---	---	---
11. Capital Expenditure	**133.69**	**155.78**	**179.34**	**224.40**	**238.73**
Plan	132.99(99)	151.83 (97)	179.21 (100)	215.85(96)	238.65(100)
Non-Plan	0.70(1)	3.95 (3)	0.13 (*)	8.55(4)	0.08(*)
General Services	9.88(8)	10.63 (7)	11.80 (7)	28.51(13)	14.25(6)
Social Services	49.94(37)	55.19 (35)	77.11 (43)	81.02(36)	98.87(41)
Economic Services	73.87(55)	89.96 (58)	90.43 (50)	114.87(51)	125.60(53)
12. Disbursement of Loans and Advances	**8.27**	**19.11**	**10.21**	**17.35**	**3.43**

[1] Includes Ways & Means Advances from Government of India.

* Indicates negligible percentage

					(Rupees in crore)
	1997-98	1998-99	1999-2000	2000-01	2001-02
13. Total (10+11+12)	**1130.14**	**1187.29**	**1330.35**	**1531.98**	**1669.27**
14. Repayments of Public Debt	**31.12**	**207.26**	**247.45**	**52.00**	**69.28**
Internal Debt (excluding Ways & Means Advances and Overdrafts)	17.46	22.53	31.19	31.47	29.37
Net transactions under Ways and Means Advances and Overdraft	---	13.66	149.58	---	---
Loans and Advances from Government of India[1]	13.66	184.73	66.68	20.53	39.91
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	**1161.26**	**1394.55**	**1577.80**	**1583.98**	**1738.55**
17. Contingency Fund disbursements	---	---	---	---	---
18. Public Account disbursements	**291.90**	**396.22**	**443.39**	**590.70**	**529.49**
19. Total disbursement by the State (16+17+18)	**1453.16**	**1790.77**	**2021.19**	**2174.68**	**2268.04**
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13	(-)102.58
21. Fiscal Deficit (3+4-13)	**264.70**	**184.73**	**182.91**	**271.43**	**336.96**
22. Primary Deficit (21-23)	**152.08**	**49.90**	**30.63**	**94.34**	**136.49**
Part D. Other data					
23. Interest payments (included in revenue expenditure)	**112.62**	**134.83**	**152.28**	**177.09**	**200.47**
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	**12.38 (21)**	**26.22 (35)**	@	@	@
25. Financial assistance to local bodies etc.	**23.99**	**18.30**	**31.94**	**19.12**	**15.76**
26. Ways and Means Advances/Overdrafts availed (days)	**364.94 (96)**	**402.49 (40)**	**195.29 (74)**	**454.04(192)**	**668.43 (261)**
27. Interest on WMA/Overdraft	**0.90**	**0.94**	**1.22**	**21.14**	**1.45**
28. Gross State Domestic Product (GSDP)	**2324.10**	**2385.23**	**NA**	**NA**	**NA**
29. Outstanding Debt (year end)	**862.28**	**1,049.18**	**1145.96**	**1429.93**	**1695.93**
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	@	@	@	@	@

Source: Finance Accounts.

1.4.4 Expenditure (Rs.1665.84 crore) during the year 2001-02 registered an increase of 10 *per cent* (Rs.151.21 crore) over that of 2000-2001 (Rs.1514.63 crore). The increase in expenditure was met from funds (Rs.224.23 crore) borrowed from markets and loans and advances from Government of India (Rs.62.01 crore).

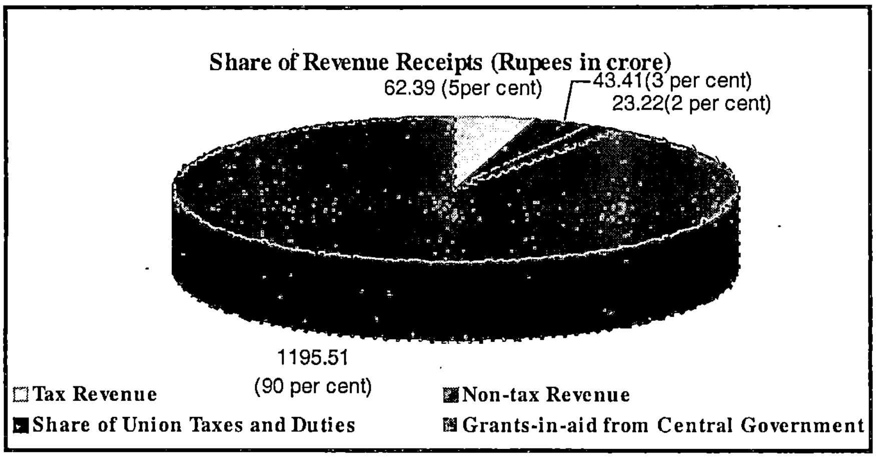
1.5 Revenue receipts

1.5.1 The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in *chart no.1.1*. The revenue receipts grew at an average annual rate of 10.77 *per cent* during 1997-98 to 2001-02, and grew by 5.62 *per cent* during 2001-02 with reference to the year 2000-01.

@ Information awaited from the Government (February 2003).

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

Chart No.1.1



Tax revenue

1.5.2 Tax revenue constituted 5 *per cent* of the revenue receipts during 2001-02. Table number 1.3 shows that the relative contribution of sales tax went up from 52 *per cent* in 1997-98 to 55 *per cent* in 2001-02 while that of state excise duty declined from 7 *per cent* in 1997-98 to 3 *per cent* in 2001-02 and stamps and registration fees declined from 12 *per cent* in 1997-98 to 1 *per cent* in 2001-02. During 1997-2002, the contribution of land revenue was negligible and the share of taxes on vehicles declined from 12 *per cent* in 1997-98 to 9 *per cent* in 2001-02.

Non-tax revenue

1.5.3 The share of non-tax revenue of revenue receipts remained static at 3 *per cent* in 1997-98 and 2001-02. Non-tax revenue mainly came from power (53 *per cent*), road transport (12 *per cent*), other administrative services- (7 *per cent*) and housing (5 *per cent*). The share of interest receipts (Rs.1.62 crore) was 4 *per cent* of the non-tax revenue (Rs.43.41 crore) and was only 0.12 *per cent* of the total revenue receipts (Rs.1324.53 crore) as compared to share of interest payments (Rs.200.47 crore) at 14 *per cent* in the total revenue expenditure of the State (Rs.1427.11 crore).

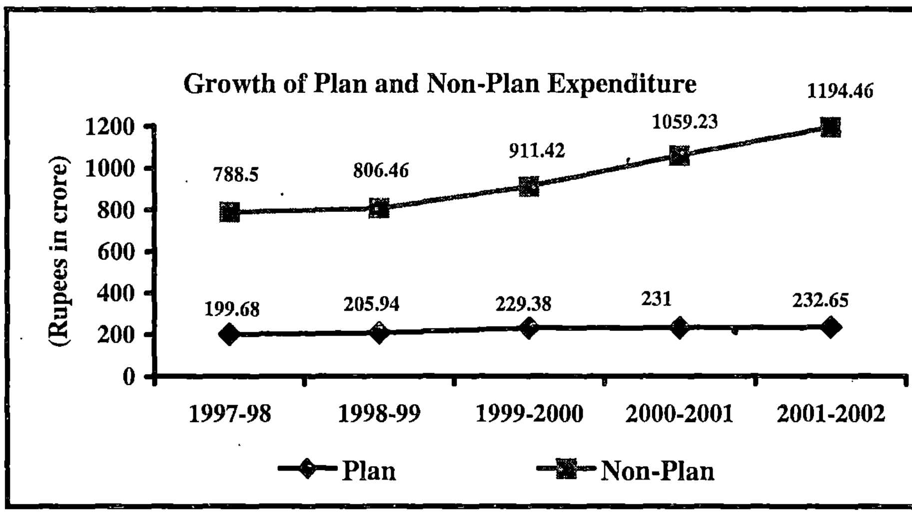
State's share of Union taxes and duties, and grants-in-aid from the Central Government

1.5.4 The State's share of Union taxes (excise duties, income and corporation taxes) decreased by 76 *per cent* during the year, while the grants-in-aid from the Central Government increased by 11 *per cent* as compared to the preceding year. However, as a percentage of revenue receipts they (both taken together) decreased from 93 *per cent* in 1997-98 to 92 *per cent* during 2001-02; this was mainly due to decrease (from 44 *per cent* to 2 *per cent*) in the State share of union taxes from Government of India.

1.6 Revenue expenditure

1.6.1 The revenue expenditure accounted for most of the expenditure of the State Government and increased by 11 *per cent* during 2001-02. Nearly 84 *per cent* of total revenue expenditure consisted of non-Plan expenditure and 86 *per cent* of total expenditure during the year. Non-Plan component of revenue expenditure also recorded a higher average of annual growth of 10.30 *per cent* during 1997-2002, compared to an annual growth of 3.30 *per cent* in the Plan expenditure. Growth of Plan and non-Plan revenue expenditure can be seen in *chart no.1.2*.

Chart No.1.2



1.6.2 Sector-wise analysis shows that while the expenditure on General Services* increased by 71 *per cent* from Rs.305.34 crore in 1997-98 to Rs.523.41 crore in 2001-02, the corresponding increases in expenditure on Social Services and Economic Services from Rs.262.81 crore to Rs.377.18 crore and Rs.307.41 crore to Rs.326.05 crore were only 44 and 6 *per cent* respectively. As a proportion of total expenditure, the share of General Services increased from 42 *per cent* in 1997-98 to 51 *per cent* in 2001-02, whereas the share of Social Services and Economic Services decreased from 27 and 31 *per cent* in 1997-98 to 26 and 23 *per cent* in 2001-02 respectively.

Interest payments

1.6.3 Interest payments increased steadily by 78 *per cent* from Rs.112.62 crore in 1997-98 to Rs.200.47 crore in 2001-02. This is further discussed in the section on Financial indicators.

Financial assistance to local bodies and other institutions

1.6.4 The quantum of assistance provided to different local bodies etc., during the five years ending 2000-01 was as follows:

* Excluding interest payments

Table No.1.4 **(Rupees in crore)**

		1997-98		1998-99		1999-2000		2000-01		2001-02	
		Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans
(A)	Universities and Educational Institutions	0.24	---	0.42	---	0.42	---	0.94	---	0.65	---
(B)	Municipal Corporations	---	---	---	---	---	---	---	---	---	---
(C)	Zila Parishad	---	---	---	---	---	---	---	---	---	---
(D)	Development Agencies	12.53	---	12.77	---	13.57	---	13.01	---	2.67	---
(E)	Hospitals and other Charitable Institutions	0.03	---	2.02	---	0.02	---	---	---	---	---
(F)	Other Institutions	11.19	2.59	3.09	2.74	17.93	8.42	5.17	---	12.44	3.28
Total		**23.99**	**2.59**	**18.30**	**2.74**	**31.94**	**8.42**	**19.12**	---	**15.76**	**3.28**
Percentage of growth over previous year		7	(-) 64	(-) 24	6	75	207	(-)40	---	(-)18	---
Assistance as percentage of Revenue expenditure		2	0.26	2	0.27	3	0.74	1	---	1	---

Source: Detailed Appropriation Accounts

1.6.5 The assistance to the local bodies and other institutions went down during 2001-02. The financial assistance to universities and educational institutions went up by 171 *per cent* from Rs.0.24 crore in 1997-98 to Rs.0.65 crore in 2001-02. Other institutions witnessed increase of 11 *per cent* from Rs.11.19 crore in 1997-98 to Rs.12.44 crore in 2001-02 and the loans also increased by 27 *per cent* from Rs.2.59 crore in 1997-98 to Rs.3.28 crore in 2001-02.

Loans and Advances by the State Government

1.6.6 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that, there was an increase in repayment of loans and advances by 75 *per cent* from Rs.4.45 crore in 1997-98 to Rs.7.78 crore in 2001-02.

Table No.1.5

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Opening balance	37.52	41.34	47.26	41.49	52.39
Amount advanced during the year	8.27	19.10	10.21	17.35	3.43
Amount repaid during the year	4.45	13.18	15.98	6.45	7.78
Closing balance	41.34	47.26	41.49	52.39	48.04
Net addition	3.82	5.92	(-) 5.77	10.90	(-)4.35
Interest received	0.49	0.54	0.65	0.73	0.93

Source: Finance Accounts

1.6.7 Though the departmental authorities and controlling officers were required to furnish information about the arrears in recovery (principal as well as interest) of loans as on 31 March 2002 to the Sr. Deputy Accountant General (Accounts and Entitlements) by June, the information is awaited (February 2003) despite reminders.

1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government *i.e.*, Public Sector Undertakings (PSUs), Corporations, etc., and loans and advances. Capital expenditure increased by 79 *per cent* from Rs.133.69 crore in 1997-98 to Rs.238.73 crore during 2001-02 and constituted 14 *per cent* of the total expenditure during the year. The share of capital expenditure (Rs.238.73 crore) to the total expenditure (Rs.1665.84 crore) decreased by 1 *per cent* in 2001-02 over that of 2000-2001. Capital expenditure was mainly on Plan works under Social Services (41 *per cent*), Economic Services (53 *per cent*) and General Services (6 *per cent*).

1.8 Quality of expenditure

1.8.1 Government spends money for different activities, ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and non-Plan and revenue and capital. While the Plan and capital expenditure are usually associated with asset creation, the non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services. By definition, therefore, in general, the Plan and capital expenditure can be viewed as contributing to the quality of expenditure.

1.8.2 Wastage in public expenditure, diversions of funds, and funds blocked in incomplete projects would also impinge negatively on the quality of expenditure. Similarly, funds transferred to Deposit heads in the Public Account after booking them as expenditure, can also be considered as a negative factor in judging the quality of expenditure. As the expenditure is not actually incurred in the concerned year it should be excluded from the figures of expenditure for that year. Another possible indicator is the increase in the expenditure on General Services to the detriment of Economic and Social Services.

1.8.3 The following table no.1.6 lists out the trend in these indicators:

Table No.1.6

		1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Plan expenditure as a percentage of:-					
	Revenue expenditure	20	20	20	18	16
	Capital expenditure	99	97	100	96	100
2.	Capital expenditure (*per cent*)	12	13	14	15	14
3.	Expenditure on General Services (*per cent*)					
	Revenue	31	32	35	48	51
	Capital	8	7	7	13	6
4.	Amount of wastage and diversion of funds detected during test audit (Rupees in crore)	0.65	18.99	257.43	46.33	117.55

Source: Finance Accounts and Audit Report

1.8.4 It would be seen that, the share of Plan expenditure on the revenue side has remained static (20 *per cent*) from 1997-98 to 1999-2000 and thereafter decreased by 2 *per cent* in 2000-01 and 2001-02 while the share of the capital sector has been decreasing in 1998-99 and 2000-01 but increased in 1999-

2000 and 2001-2002 compared to previous year. However, from 1997-98 on wards, the share of expenditure on General Services has increased on the revenue side, and declined on the capital side upto 2001-02 except 2000-2001. The substantial amounts of wastage and diversion of funds detected during test audit negatively impinged on the quality of expenditure as brought out in the succeeding paragraphs and reviews.

1.9 Financial management

1.9.1 The issue of financial management in the Government should relate to efficiency, economy and effectiveness of its revenue and expenditure operations. Subsequent chapters of this report deal extensively with these issues, especially as they relate to the expenditure management in the Government based on the findings of test audit. Some other parameters, which can be segregated from the accounts and other related financial information of the Government, are discussed in this section.

Fiscal Reforms Programme

1.9.2 To improve the financial position of the State a Memorandum of Agreement (MOA) between the Government of India, Ministry of Finance (GOI) and Government of Nagaland (GON) was signed (17 April 1999) to implement a mutually agreed reform programme as per fixed time schedule. Under this fiscal measures were to be adopted by the Government of Nagaland to reduce revenue expenditure and shore up revenue in accordance with an Action Plan. With a view to achieve the fiscal sustainability a Memorandum of Understanding (MOU) was signed (19 November 2001) between Government of India and Government of Nagaland on Medium Term Fiscal Reforms Programme (2000-01 to 2004-05) (MTFRP).

1.9.3 The main objectives of the MOU are to achieve the fiscal sustainability over the medium term, to augment tax and non tax revenue as a percentage of GSDP, improve the expenditure management and efficiency of public resource allocation, privatisation of the Public Sector Units to reduce future drafts on the Nagaland budgets and to reduce transmission and distribution loss of power.

1.9.4 An analysis of the implementation of the MOU is summarised below:-

Revenue measures

1.9.5 As per MOA signed (April 1999) revenue deficit was to be reduced @ 5 *per cent* every year, but instead of reducing, it has been increased as shown below:

Table No. 1.7 ***(Rupees in crore)***

	1999-2000	2000-2001	2001-2002
Revenue deficit	9.34	36.13	102.58
Increase (+)/Decrease(-) (%)	(-) 59.43	(+)286.83	(+) 183.92

1.9.6 The overdraft limit of overdraft was to be reduced to zero, but the Government of Nagaland had resorted to overdraft (OD) as shown below.

Table No. 1.8 ***(Rupees in crore)***

	1999-2000	2000-2001	2001-2002
Opening Balance	168.83	34.50	99.30
Received during the year	140.28	208.57	363.82
Total	***309.11***	***243.07***	***463.12***
Repaid during the year	274.61	143.77	285.49
Balance at the end of year	**34.50**	**99.30**	**177.63**

1.9.7 As per MOU community participation in rural water supply scheme was to be introduced during 2001-02. Though rules for community participation in Rural Water Supply have been framed, the process of examining the rules by the Government was under way (September 2002).

1.9.8 Introduction of metering system of collection of water charges though planned to be completed by 2002-03 had been installed in only one district (Zunheboto) so far. Installation was in progress in three districts (September 2002).

Expenditure measures

1.9.9 High Powered Committee's recommendations to right size the Government and State Transport Department were to be implemented by 31 March 2002. However, the reports of recommendations were awaited (February 2003).

1.9.10 Surplus teachers were to be identified and re-deployed to schools having shortage of teachers by 31 March 2002. The department replied that identification was completed in two districts out of 8 districts and identification in remaining districts was in progress (February 2003).

1.9.11 It was also contemplated in MOU to implement the recommendation of the commission set up to determine the right size of work charged establishments under various departments. Although the commission was set up (April 2001) its final reports were awaited (September 2002).

Power sector reforms

1.9.12 To reduce the transmission and distribution (T&D) losses by 5 *per cent* year and to bring down to the level of 40 *per cent* in five years it was proposed to hand over the village electricity revenue management to Village Councils to check pilferage and theft of energy by implementing the single point metering of villages by April 2001. Though the scheme was approved (February 2003) by the Cabinet, its implementation was awaited (December 2002).

1.9.13 About 20,000 defective meters were replaced during 2001-02, but due to meter tampering by the consumer, the exercise of replacement of meters became fruitless.

1.9.14 The programme for up-gradation of transmission lines, sub-stations, L.T. lines etc. was under review by the Government for which a Memorandum of Agreement (MOA) between the Government of India and Government of Nagaland was signed on 13 September 2002.

1.9.15 Though metering up to 11 KV sub-station level for 100 *per cent* metering during 2000-01 was planned its implementation was underway (September 2002). Thus efforts to reduce the T&D losses by 5 *per cent* year has not been achieved yet.

1.9.16 The fiscal reform programme was not implemented properly which is evident from the fact that the Government resorted to overdraft and Ways and Means Advances. The Government also failed to achieve the targets under revenue and expenditure measures as well as power sector reforms. As such revenue deficit could not be arrested as contemplated.

Investments and returns

1.9.17 Investments are made out of the capital outlay by the Government to promote developmental, manufacturing, marketing and social activities. The sector-wise details of investments made and the number of concerns involved were as under:

Table No.1.9

(Rupees in crore)

	Sector	Number of concerns	Amount invested	
			As on 31.3.2002	During 2001-02
(1)	Statutory Corporations	1	0.04	---
(2)	Government Companies	5[2]	27.08[3]	0.93
(3)	Joint Stock Companies	2	6.91	---
(4)	Co-operative Institutions	@	19.84	1.90
	Total:-		**53.87**	**2.83**

Source: Finance Accounts

1.9.18 The details of investments and the returns realised during the last five years by way of dividend and interest were as follows:

Table No.1.10

(Rupees in crore)

Year	Investment at the beginning of the year	Return	Total interest liability	Rate of interest on Government borrowing (%)
1997-98	35.61	*	4.67	13.05 (May 1997)
1998-99	41.59	NIL	5.13	12.15 (April 1998) 12.50 (October 1998)
1999-2000	46.70	NIL	5.63	12.25 (April 1999) 11.85 (September 1999)
2000-01	48.05	**	5.13	10.52 (April 2000) 10.82 (January 2001)
2001-02	51.04	**	4.61	10.35 (May 2001) 9.45 (October 2001) 8.30 (January 2002) 8.00 (March 2002)
Total:-			**25.17**	

Source: Finance Accounts

2 Excludes one subsidiary company, *i.e.* Nagaland Hotels Ltd.
3 Investment shown here is as per Finance Accounts 2001-02.
@ Information is awaited from Government (February2003).
* Rs.2000 received as dividend.
** Information regarding dividend is awaiting from Government.

1.9.19 Thus, even while the Government was raising high cost borrowings from the market, it had been increasing the investments in the above institutions by borrowing from the open market year after year without getting any return therefrom. During the last five years alone, interest liability on the investments made out of borrowed funds at the prevailing market borrowing rates worked out to Rs.25.17 crore which represents 47 *per cent* of the total investments of Rs.53.87 crore made as on March 2002. As on 31 March 2002, five of the Government companies in which Government had invested Rs.53.87 crore had accumulated losses of Rs.7.49 crore.

Arrears of revenue

1.9.20 The arrears of revenue pending collection as of March 1999 increased by 112 *per cent*. The outstanding arrears registered a secular increase during the preceding four years (table under paragraph 1.4.3) and their percentage increased from 4 *per cent* of the revenue raised during 1994-95 to 35 *per cent* during 1998-99. Of the arrears of Rs.26.22 crore as of March 1999, Rs.4.47 crore (17 *per cent*) were pending for more than five years, and pertained mainly to sales tax (Rs.3.74 crore) and central sales tax (Rs.0.71 crore) and professional tax (Rs.0.02 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue collection efforts of the State Government. Information regarding arrears of revenue for the year 1999-2000 to 2001-2002 was not furnished by the department (February 2003) despite repeated reminders.

Ways and Means Advances and Overdrafts

1.9.21 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.0.25 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking ways and means advances (WMA)/overdrafts (OD) from the Bank. In addition, special WMA are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management of the Government. During the year 2001-02, Government obtained Rs.304.61 crore as ways and means advances on 188 days in addition to the outstanding balance of Rs.69.29 crore from the preceding year. Against this, only Rs.333.90 crore together with interest of Rs.0.93 crore were repaid, leaving an outstanding balance of Rs.40 crore on 31 March 2002.

1.9.22 The ways and means advances obtained had increased from Rs.108.03 crore in 1997-98 to Rs.304.61 crore in 2001-02 indicating an increase of 182 *per cent*. Similarly, overdraft availed by the Government during 2001-02 was Rs.363.82 crore was also available during the year on 73 days in addition to the opening balance of Rs.99.30 crore at the beginning of the year. Of this, Rs.285.49 crore was repaid with interest of Rs.0.52 crore leaving an outstanding balance of Rs.177.63 crore at the end of the year. The overdrafts obtained (gross) had increased by Rs.106.90 crore in 2001-02 (Rs.363.82 crore) with reference to 1997-98 (Rs.256.92 crore) constituting an increase of 42 *per cent*. The Government was increasingly depending on overdrafts/ways and means advances for meeting its financial requirements.

Deficit

1.9.23 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of financial management of the Government. Further, the ways of financing the deficit, and the application of the funds raised in this manner, are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit *viz.*, revenue deficit, fiscal deficit and primary deficit.

1.9.24 Revenue deficit is the excess of revenue expenditure over revenue receipts. Fiscal deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received and certain non-debt capital receipts). Primary deficit is fiscal deficit less interest payments. The following table No.1.11 gives a break-up of the deficits in Government account:

OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT

Table No.1.11

				(Rupees in crore)
		CONSOLIDATED FUND		
RECEIPT	**Amount**		**DISBURSEMENT**	**Amount**
Revenue	1324.53	**Revenue deficit: 102.58**	Revenue	1427.11
Misc. capital receipts	---		Capital	238.73
Recovery of loans & advances	7.78		Loans & advances disbursement	3.43
Sub-total:	**1332.31**	**Gross fiscal deficit: 336.96**	**Sub-total:**	**1669.27**
Public debt receipts	335.28		Public debt repayment	69.28
Total:	**1667.59**	**A: Deficit in Consolidated Fund: 70.96**	**Total:**	**1738.55**
		PUBLIC ACCOUNT		
Small savings, PF etc.	100.99		Small savings, PF etc.	68.97
Deposits & advances	51.35		Deposits & advances	64.02
Reserve funds	0.51		Reserve funds	2.03
Suspense & Misc.	124.84		Suspense & Misc.	13.22
Remittances	368.62		Remittances	381.25
Total: Public Account	**646.31**	**B-Surplus in Public Account:116.82 Deficit in Consolidated Fund: 70.96 and surplus in Public Account (116.82) led to increase in closing cash balance of the State Government by :45.86**	**Total: Public Account**	**529.49**

Source: Finance Accounts

1.9.25 The above table shows that gross fiscal deficit of Rs.336.96 crore was financed by net proceeds of Public Debt. The deficit of Rs.70.96 crore (Rs.266 crore – Rs.336.96 crore) in the Public Debt and Surplus of Rs.116.82 crore in the Public Account led to increase in the closing cash balance and bringing down the negative cash balance of Rs.36.62 crore at the beginning of the current year to Rs.9.24 crore at the end of the year.

1.9.26 Table no.1.3 under paragraph 1.4.3 shows that from 1997-98, the State had a revenue deficit every year upto 2001-02. The fiscal deficit had increased from Rs.264.70 crore in 1997-98 to Rs.336.96 crore in 2001-02 registering a increase of 27 *per cent* during the five years ending March 2002, and was highest during the year 2001-02 (Rs.336.96 crore).

Application of the borrowed funds (Fiscal Deficit)

1.9.27 Fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the revenue deficit (RD), for meeting capital expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position for the last five years:-

Table No.1.12

(Rupees in lakh)

Ratio of	1997-98	1998-99	1999-2000	2000-01	2001-02
RD/FD	0.48	0.13	0.05	0.13	0.29
CE/FD	0.51	0.84	0.98	0.83	0.70
Net loans/FD	0.01	0.03	(-) 0.03	0.04	0.01
Total	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

Source: Finance Accounts

Guarantees given by the State Government

1.9.28 Guarantees are given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and co-operative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As indicated in the table number 1.3, the maximum amount guaranteed as of March 2002 was Rs.7.24 crore. The information regarding the outstanding amount of principal as well as interest thereon, and the guarantee fee payable by these institutions was not furnished by the Government.

1.10 Public debt

1.10.1 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table no.1.13.

Table No.1.13

(Rupees in crore)

Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities[4]	Total liabilities	Ratio of debt to GSDP
1997-98	574.68	287.60	862.28	349.43	1211.71	0.52
1998-99	729.49	319.69	1049.18	369.73	1418.91	0.59
1999-2000	715.95	430.01	1145.96	461.55	1607.51	#
2000-01	970.88	459.05	1429.93	500.20	1930.13	#
2001-02	1214.78	481.15	1695.93	518.08	2214.01	#

Source: Finance Accounts

1.10.2 During the five year period, the total liabilities of the Government had grown by 83 *per cent.* This was on account of 111 *per cent* growth in internal debt, 67 *per cent* growth in loans and advances from Central Government and 48 *per cent* growth in other liabilities. During 2001-02, Government borrowed Rs.155.82 crore in the open market at interest rates of 10.35, 9.45, 8.30 and 8 *per cent* per annum.

1.10.3 The amount of funds raised through Public Debt, the amount of repayment and net funds available are given in the following table:

Table No.1.14

(Rupees in crore)

	1997-98	1998-99	1999-2000	2000-01	2001-02
Internal Debt (excluding Ways and Means Advances and Overdrafts from RBI)					
Receipt during the year	83.84	104.65	167.24	163.05	224.23
Repayment-principal	17.47	22.53	31.19	31.47	29.37
Interest	59.12	64.30	83.67	95.87	238.42
Sub-total:-	76.59	86.83	114.86	127.34	267.79
Net funds available (*per cent*)	7.25 (9)	17.82 (17)	52.38 (31)	35.71 (22)	(-)43.56 (-19)
Loans and advances from GOI					
Receipt during the year	36.59	46.83	51.99	49.58	62.01
Repayment-Principal	13.66	14.73	16.68	20.53	39.91
Interest	30.77	33.92	38.27	43.13	46.82
Sub-total:-	44.43	48.65	54.95	63.66	86.73
Net funds available (*per cent*)	(-) 7.84 (-21)	(-)1.82 (-0.04)	(-) 2.96 (-0.06)	(-)14.08 (-28)	(-)24.72 (-40)
Other liabilities					
Receipt during the year	96.76	91.23	159.36	192.03	143.31
Repayment-Principal	51.44	70.93	67.54	151.38	125.42
Interest	22.73	24.89	27.03	38.09	34.35
Sub-total:-	74.17	95.82	94.57	189.47	159.77
Net funds available (*per cent*)	22.59 (23)	(-)4.59 (-5)	64.79 (41)	2.56 (1)	(-)16.46 (-11)

Source: Finance Accounts

1.10.4 It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. The increase of 97 *per cent* in outstanding debt from Rs.862.28 crore in 1997-98 to Rs.1695.93 crore in 2001-02 with its resultant repayment and interest obligations had affected the net availability of funds.

[4] Other liabilities include small savings, provident funds, reserve funds and deposits.

\# Information regarding Gross State Domestic Product (GSDP) is not available.

1.11 Indicators of the financial performance

1.11.1 A Government may wish to either maintain its existing level of activity or increase its level of activity. For maintaining its current level of activity it would be necessary to know how far the means of financing are sustainable. Similarly, if Government wishes to increase its level of activity it would be pertinent to examine the flexibility of the means of financing. Finally, Government's vulnerability increases in the process. State Governments increase the level of their activity principally through Five Year Plans which translate to annual development plans provided for in the State Budget. Broadly, it can be stated that non-Plan expenditure represents Government maintaining the existing level of activity, while Plan expenditure entails expansion of activity. Both these activities require resource mobilization increasing Government's vulnerability. In short, financial health of a Government can be described in terms of sustainability, flexibility and vulnerability. These terms are defined as follows:

(i) Sustainability

Sustainability is the degree to which a Government can maintain existing programmes and meet existing creditor requirements without increasing the debt burden.

(ii) Flexibility

Flexibility is the degree to which a Government can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt burden.

(iii) Vulnerability

Vulnerability is the degree to which a Government becomes dependent on and therefore vulnerable to sources of funding outside its control or influence, both domestic and international.

(iv) Transparency

There is also the issue of financial information provided by the Government. This consists of annual Financial Statement (Budget) and the Accounts. As regards the budget, the important parameters are, timely presentation, indicating the efficiency of budgetary process, and the accuracy of the estimates. As regards accounts, timeliness in submission, for which milestones exist, and completeness of accounts would be the principal criteria.

1.11.2 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix*—I and how the ratios for the current year were worked out shown in *Appendix-II*. Table no.1.17 indicates the behavior of these indices/ratios over the period from 1997-98 to 2001-02. The implications of these indices/ratios on the State of the financial health of the State Government are discussed in the following paragraphs.

1.11.3 The behaviour of the indices/ratios is discussed below

(i) Balance from current revenues (BCR)

BCR is defined as revenue receipts minus Plan assistance grants minus non-Plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting Plan expenditure. The table no.1.17 shows that the State Government had negative BCRs during all the five years suggesting that Government had to depend entirely on borrowings for meeting its Plan expenditure.

(ii) Interest ratio

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In Nagaland, the ratio has moved in a narrow range of 0.13 to 0.15. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

(iii) Capital outlay vs capital receipts

This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In Nagaland, the ratio has all along been less than one indicating that a part of the capital receipts is being used for unproductive revenue expenditure.

(iv) Tax receipts vs Gross State Domestic Product (GSDP)

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would imply that the Government can tax more, and hence its flexibility. A high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in Nagaland the States' own tax receipts to GSDP ratio sharply declined from 0.14 in 1997-98 to 0.01 in 1998-99. This suggests that while the State Government had the option to mobilise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits. The GSDP data for the year 1999-2000 to 2001-02 was not made available by the Government. Hence no analysis could be made for these years.

(v) Return on Investment (ROI)

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and co-operative institutions. It shows that the ROI in Nagaland has been nil and suggests that the investments in the Public Sector

Undertakings (PSUs) were used to finance their loss, rather than generate revenue.

(vi) Capital repayments vs Capital borrowings

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In Nagaland, this ratio has shown mixed trends and ranged between 0.18 and 0.64 during 1997-2002. Decrease in the ratio to 0.18 in 1999-2000 from 0.64 in 1998-99 suggests that there was sufficient capital available for investment during the year.

(vii) Debt vs Gross State Domestic Product (GSDP)

The GSDP is the total internal resource base of the State Government which can be used to service debt. An increasing ratio of Debt *vs* GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In Nagaland, this ratio had moved in the range between 0.52 to 0.59 during 1997-98 to 1998-99. The GSDP data for 1999-2000 to 2001-02 was not made available by the State Government. Hence, the ratio has not been worked out.

(viii) Revenue deficit vs Fiscal deficit

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the State because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio has gone down from 0.48 in 1997-98 to 0.30 in 2001-02.

(ix) Primary deficit vs Fiscal deficit

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In Nagaland, this ratio moved from 0.57 in 1997-98 to 0.41 during 2001-02, suggesting less funds for investment during 2001-02, relative to the position in 1997-98.

(x) Guarantees vs Revenue receipts

Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of the State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In Nagaland, this ratio could not be worked out as the State Government had not furnished data for the period from 1997-98 to 2001-02.

(xi) Assets vs Liabilities

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In Nagaland this ratio, though positive, has declined sharply from 1.17 in 1997-98 to 1.01 in 2001-02 indicating that the liabilities have grown at a faster rate than the assets and a contra indicator to solvency.

(xii) Budget

There was no delay in submission of the budget and their approval. The details are given below:

Table No.1.13

Preparation	Month of submission	Month of approval
Vote on Account	NIL	NIL
Budget	March 2001	March 2001
Supplementary	March 2002	March 2002

Source: Assembly Secretariat

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary procedure and control over expenditure. The analysis reveals defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year, vis-à-vis the final modified grant. Significant variations (excess/savings) between the final modified grant and actual expenditure were also persistent.

(xiii) Accounts

There are 89 divisions in the State, responsible for maintaining and rendering the accounts to the Sr. Deputy Accountant General (A&E), Nagaland in respect of public works department (44 divisions), public health engineering department (10 divisions), power department (16 divisions) and forest department (19 divisions). All the 89 divisions had delayed submission of their monthly accounts. The delay ranged between 1 and 391 days resulting in exclusion of the transactions of the department concerned from the monthly accounts. However, since all the transactions had to be incorporated in the annual Finance and Appropriation Accounts, the final closure of these accounts also got delayed.

Conclusion

1.11.4 State Government had a negative BCR during all the five years ending March 2002 suggesting that Government had been depending heavily on borrowings for meeting its Plan and non-Plan expenditure. Dependence on Government of India grant is high at about 72 *per cent* of total expenditure. Interest ratio of the Government increased to 0.15 during 2001-02 as compared to 0.13 in 1997-98 indicating adverse implications on the sustainability of the State on account of increased interest burden. The capital outlay versus capital receipts ratio has all along being less than one indicating that a part of the capital receipts is being used for unproductive revenue expenditure. Decline of assets/liabilities ratio from 1.17 in 1997-98 to 1.01 in

2001-02 indicates adversely on the solvency of the Government. Major portion of the incremental expenditure was utilised on clearance of RBI overdraft.

1.11.5 The matter had been reported to Government in December 2002; reply had not been received (February 2003).

Table No.1.16

(Reference: Paragraph 1.4)

ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2001-2002

(Rupees in crore)

RECEIPTS				DISBURSEMENTS					
2000-01		**2001-02**		**2000-01**		**Non-Plan**	**Plan**	**Total**	**2001-02**
	SECTION A: REVENUE								
1254.10	**I. Revenue Receipts**		**1324.53**	**1290.23**	**I. Revenue Expenditure**				**1427.11**
46.25	Tax Revenue	62.39		**623.33**	**General Services**	**716.40**	**7.48**	**723.88**	
39.23	Non-tax Revenue	43.41		**351.15**	**Social Services**	**285.39**	**91.79**	**377.18**	
96.48	State's share of Union Excise Duties	23.22		181.84	Education, Sports, Art and Culture	175.74	33.92	209.66	
581.07	Non-Plan grants	90.81		76.44	Health and Family Welfare	69.76	8.71	78.47	
384.55	Grants of State Plan Scheme	988.28		40.03	Water Supply, Sanitation, Housing and Urban Development	19.29	9.37	28.66	
19.00	Grants for Central Plan Scheme	21.67		7.18	Information and Broadcasting	8.39	0.85	9.24	
76.79	Grants for Centrally Sponsored Plan Schemes	78.45		7.98	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	7.51	7.51	
10.73	Grant for Special Plan Scheme	16.30		4.40	Labour and Labour Welfare	2.82	1.55	4.37	
				28.15	Social Welfare and Nutrition	4.86	29.81	34.67	
				5.13	Others	4.53	0.07	4.60	
				315.75	**Economic Services**	**192.67**	**133.38**	**326.05**	
				105.02	Agriculture and Allied Activities	64.00	56.25	120.25	
				23.95	Rural Development	6.85	6.03	12.88	
				9.92	Special Areas Programme	1.82	9.23	11.05	
				12.83	Irrigation and Flood Control	4.55	8.92	13.47	
				58.33	Energy	58.96	0.10	59.06	

									(Rupees in crore)
	RECEIPTS				**DISBURSEMENTS**				
2000-01			**2001-02**	**2000-01**		**Non-Plan**	**Plan**	**Total**	**2001-02**
				28.45	Industry and Minerals	34.12	9.52	43.64	
				30.41	Transport	12.32	4.68	17.00	
				0.48	Science, Technology and Environment	0.09	1.73	1.82	
				46.36	General Economic Services	9.96	36.92	46.88	
36.13	**II. Revenue Deficit carried over to Section-B**		**102.58**	--	**II. Revenue Surplus carried over to Section-B**				---
1290.23	**Total: Section A-Revenue**		**1427.11**	**1290.23**	**Total: Section A-Revenue**				**1427.11**
	SECTION-B								
(-)60.33	**III. Opening cash balance including Permanent Advances and Cash Balance Investment**		(-)36.62	---	**III. Opening Overdraft from RBI**				---
—	**IV. Miscellaneous Capital Receipts**		---	**224.40**	**IV. Capital Outlay**	**0.08**	**238.65**	**238.73**	**238.73**
				28.51	**General Services**	—	**14.25**	**14.25**	
				81.02	**Social Services**	—	**98.88**	**98.88**	
				10.06	Education, Sports, Art and Culture	---	11.23	11.23	
				12.93	Health and Family Welfare	---	2.25	2.25	
				55.84	Water Supply, Sanitation, Housing and Urban Development	---	85.11	85.11	
				---	Information and Broadcasting	---	0.05	0.05	
				0.68	Social Welfare and Nutrition	---	0.04	0.04	
				1.51	Others	—	0.19	0.19	
				114.87	**Economic Services**	**0.08**	**125.53**	**125.61**	
				20.28	Agriculture and Allied Activities	0.08	13.50	13.58	
				0.13	Rural Development	---	0.10	0.10	
				13.66	Special Areas Programme	---	13.24	13.24	
				50.80	Energy	---	54.35	54.35	
				9.15	Industry and Minerals	---	8.31	8.31	
				18.82	Transport	---	35.95	35.95	
				0.03	General Economic Services	---	0.08	0.08	
6.45	**V. Recoveries of Loans and Advances**		**7.78**	**17.35**	**V. Loans and Advance disbursed**				3.43
0.88	From Government Servants	1.44		2.48	To Government Servants			2.00	
5.57	From Others	6.34		14.87	To Others			1.43	
—	**VI. Revenue Surplus brought down**		---	**36.13**	**VI. Revenue deficit brought down**				**102.58**

(Rupees in crore)

Receipts				Disbursements			
2000-01			2001-02	2000-01			2001-02
335.97	**VII. Public Debt receipts-**		**335.28**	**52.00**	**VII. Repayment of Public Debt-**		**69.28**
163.05	Internal debt other than Ways and Means Advances and Overdrafts	224.23		31.48	Internal debt other than Ways and Means Advances and Overdrafts	29.37	
123.34*	Net transactions under:- Ways and Means Advances including overdrafts	49.04*		---	Net transactions under:- Ways and Means Advances including overdrafts	---	
49.58	Loans and Advances from Central Government	62.01		20.53	Repayment of Loans and Advances to Central Government	39.91	
---	**VIII. Appropriation to Contingency Fund**	---		---	**VIII. Appropriation to Contingency Fund**	---	
---	**IX. Amount transferred to Contingency Fund**	---		---	**IX. Expenditure from Contingency Fund**	---	
601.87	**X. Public Account receipts-**		**646.31**	**590.70**	**X. Public Account disbursements-**		**529.49**
98.83	Small Savings and Provident Funds	100.99		66.41	Small Savings and Provident Funds	68.97	
0.84	Reserve Funds	0.51		0.18	Reserve Funds	2.03	
46.85	Suspense and Miscellaneous	124.84		62.27	Suspense and Miscellaneous	13.22	
355.25	Remittances	368.62		367.26	Remittances	381.25	
100.10	Deposits and Advances	51.35		94.58	Deposits and Advances	64.02	
	XI. Closing Overdraft from Reserve bank of India			**(-)36.62**	**XI. Cash Balance at end-**		**9.24**
				0.17	Cash in Treasuries and Local Remittances	0.17	
				(-)127.56	Deposits with Reserve Bank	(-)30.34	
				21.73	Departmental Cash balance including Permanent Advances	31.20	
				59.30	Cash Balance Investment	8.21	
				9.74	Investment in earmarked funds	---	
883.96	**Total:-**		**952.75**	**883.96**	**Total:-**		**952.75**

Source: Finance Accounts

* Represents receipts: Rs.668.43 crore and Rs.454.04 crore and disbursements: Rs.619.39 crore and Rs.330.70 crore for the years 2000-01 and 2001-02 respectively.

Table No.1.17

Financial Indicators for Government of Nagaland

	1997-98	1998-99	1999-2000	2000-01	2001-02
(1)	(2)	(3)	(4)	(5)	(6)
SUSTAINABILITY					
BCR (Rupees in crore)	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20	(-)974.63
Primary Deficit (PD) (Rupees in crore)	152.08	49.90	30.63	94.34	136.49
Interest Ratio	0.13	0.14	0.13	0.14	0.15
Capital outlay/Capital receipts	0.93	0.88	0.69	0.96	0.74
Total tax receipts/GSDP	0.18	0.20	NA	NA	NA
State Tax Receipts/GSDP	0.14	0.01	NA	NA	NA
Return on Investment ratio	NIL	NIL	NIL	NIL	NIL
FLEXIBILITY					
BCR (Rupees In crore)	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20	(-)974.63
Capital repayments/Capital borrowings	0.26	0.64	0.22	0.24	0.18
State Tax receipts/GSDP	0.14	0.01	NA	NA	NA
Debt/GSDP	0.52	0.59	NA	NA	NA
	1997-98	**1998-99**	**1999-2000**	**2000-01**	**2001-02**
(1)	(2)	(3)	(4)	(5)	(6)
VULNERABILITY					
Revenue Surplus (+)/Revenue Deficit(-) (Rupees in crore)	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13	(-)102.58
Fiscal Deficit (FD) (Rupees In crore)	264.70	184.73	182.91	271.43	336.96
Primary Deficit (PD) (Rupees In crore)	152.08	49.90	30.63	94.34	136.49
PD/FD	0.57	0.27	0.17	0.35	0.41
RD/FD	0.48	0.13	0.05	0.13	0.30
Outstanding Guarantees/revenue receipts	@	@	@	@	@
Assets/Liabilities	1.17	1.13	1.10	1.08	1.01

EXPLANATORY NOTES

1. The summarised financial Statements are based on the Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and exPlanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus or deficit 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. Although a part of revenue expenditure (grants) and the loans are used by the recipients for capital formation, its classification in the Government accounts remains unaffected by end use.

5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account, with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 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

@ Information awaited from the Government (February 2003).

Note :

1. RD—Revenue Deficit.
2. RS—Revenue Surplus.
3. Fiscal deficit has been calculated as : Revenue expenditure + Capital expenditure + Net loans and advances –Revenue receipts- Non-loan capital receipts.
4. In the ratio Capital outlay vs. capital receipts, the denominator has been taken as net additions under internal loans & Loans and Advances from Government of India *plus* Net receipts from small savings, PF etc. *plus* Repayments received from loans advanced by the State Government *minus* Loans advanced by State Government *minus* Ways & Means Advances and Overdrafts under 6003 and 6004.

as on 31 March 2002 was Rs.31.71 crore after accounting for the revenue deficit of Rs.102.58 crore during 2001-02.

6. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements.

7. The closing cash balance as reported by the Reserve Bank of India was Rs.163.49 crore (debit) against the general cash balance of Rs.30.34 crore (debit) shown in the accounts. The difference of Rs.133.15 crore (debit) as on 31 March 2002 is under reconciliation (February 2003).

CHAPTER II
APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1 Introduction

2.1.1 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.

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

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

2.2 Summary of Appropriation Accounts

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

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

Table No.2.1 *(Rupees in crore)*

Provision	Amount	Expenditure	Amount
Original Supplementary	2185.95 528.77	Revenue Capital[1]	1432.32 930.83
Total gross provision	**2714.72**	**Total gross expenditure**	**2363.15**
Deduct estimated recoveries in reduction of expenditure	16.19	Deduct actual recoveries in reduction of expenditure	5.22
Total net provision	**2698.53**	**Total net expenditure**	**2357.93**

1 Capital includes Loans and Advances and Public Debt.

Voted and Charged Provision and Expenditure

Table No.2.2 *(Rupees in crore)*

	Provision		Expenditure	
	Voted	*Charged*	*Voted*	*Charged*
Revenue	1353.02	229.47	1227.41	204.91
Capital	435.86	696.37	242.16	688.67
Total Gross	**1788.88**	**925.84**	**1469.57**	**893.58**
Deduct recoveries in reduction of expenditure	16.19	---	5.22	---
Total : Net	**1772.69**	**925.84**	**1464.35**	**893.58**

2.2.2 The summarised position of actual expenditure, excess and savings during 2001-2002 against grants/appropriation was as follows:-

Table No.2.3 *(Rupees in crore)*

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure[2]	Saving (-) Excess (+)
Voted	I Revenue II Capital III Loans and Advances	1521.02 275.87 26.73	57.73 133.26 ---	1578.75 409.13 26.73	1227.41 236.76 5.40	(-) 351.34 (-) 172.37 (-) 21.33
Total Voted		**1823.62**	**190.99**	**2014.61**	**1469.57**	**(-) 545.04**
Charged	IV Revenue V Capital VI Public Debt.	3.74 --- 358.59	--- --- 337.78	3.74 --- 696.37	204.91 --- 688.67	(+) 201.17 --- (-) 7.70
Total Charged		**362.33**	**337.78**	**700.11**	**893.58**	**(+) 193.47**
	Appropriation to Contingency Fund	---	---	---	---	
Grand Total		**2185.95**	**528.77**	**2714.72**	**2363.15**	**(-) 351.57**

Source: Appropriation Accounts

2.2.3 The overall saving of Rs.351.57 crore was the net result of excess of Rs.27.98 crore in 16 cases of grants and saving of Rs.323.59 crore in 59 cases of grants and 5 cases of appropriations.

2.3 Result of Appropriation Audit

Saving or excess over provisions

2.3.1 The excess of Rs.24.15 crore under Revenue Section and Rs.3.83 crore under Capital Section as detailed in Appendix-III requires regularisation under Article 205 of the Constitution.

Excess over grants in previous years not regularised

2.3.2 Cases of excess expenditure over the budget provision reported in the Report of the Comptroller and Auditor General of India (Civil), Government of Nagaland are required to be regularised under Article 205 of the Constitution of India. However, it was noticed that excess expenditure of Rs.1061.61 crore reported during 1991-92 to 2000-2001 except 1992-93 had not been regularised. No action had been taken by the Government (Finance

[2] These are gross figures inclusive of recoveries adjusted in reduction of expenditure viz. Revenue expenditure Rs.5.22 crore and Capital expenditure NIL.

Department) for regularisation of the excess as of December 2002. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

Table No.2.4 ***(Rupees in crore)***

Serial No.	Year of Audit Report	Total number of Grants/ Appropriations	Grant Number	Amount involved
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63, 65,69,70,35,36,72	152.27
2.	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31, 35,43,53,62,72	32.86
3.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
4.	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
5.	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
6.	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
7.	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
8.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42, 45,46,51,58,60,64,67,68,69,74,75,76	167.14
9.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
		Total:-		**1061.61**

Source: Appropriation Accounts

2.3.3 Supplementary provision made during the year constituted 24 *per cent* of the original provision as against 28 *per cent* in the previous year.

Unnecessary/excessive/insufficient supplementary grants

2.3.4 Supplementary provision of Rs.505.31 crore made in 28 cases of grants/appropriations during the year proved unnecessary in view of aggregate savings of Rs.181.81 crore as detailed in Appendix—IV.

2.3.5 In 25 cases of grants/appropriations, against additional requirement of Rs.308.21 crore, supplementary grants and appropriation of Rs.467.11 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.158.90 crore. Details of these cases are given in Appendix-V.

2.3.6 In 6 cases of grants supplementary provisions of Rs.22.30 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.24.20 crore as per details given in *Appendix*—VI.

Persistent savings

2.3.7 In 6 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*—VII.

Significant excess/savings

2.3.8 In 7 grants, 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—VIII. In 2 out of above 7 grants, the expenditure exceeded the approved provision by 57 *per cent* and 300 *per cent.*

2.3.9 In 66 cases of grants, expenditure fell short by more than 50 lakh in each case, and also by more than 10 *per cent* of the total provision as detailed in Appendix—IX.

Anticipated savings not surrendered

2.3.10 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 34 cases of grants/appropriation, the amount of available savings of Rs.1 crore and above in each grants/appropriation not surrendered aggregated Rs.143.16 crore. Details are given in *Appendix*—X.

Surrender in excess of savings

2.3.11 In 26 grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.49.98 crore, the amount surrendered was Rs.70.06 crore resulting in excess surrender of Rs.20.08 crore. Details are given in *Appendix*—XI.

Trend of Recoveries and Credits

2.3.12 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.

2.3.13 During 2001-2002, the actual recoveries (Rs.5.22 crore) were less than the estimated recoveries (Rs.16.19 crore) by Rs.10.97 crore. This was the net result of less recoveries of Rs.11.42 crore in 10 grants, and excess recovery of Rs.0.45 crore in one grant. Details are given in *Appendix* to the Appropriation Accounts.

Non-reconciliation of departmental figures of expenditure

2.3.14 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 and defalcation etc. Out of 76 controlling officers, in the case of 8 controlling officers, expenditure of Rs.116.13 crore remained unreconciled till December 2002.

2.3.15 The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 10 *per cent* to 5 *per cent* of the total expenditure in the last three accounting years (1999-2000 to 2001-02), as shown below:-

Table No.2.5 ***(Rupees in crore)***

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved
1999-2000	76	06	10	174.00
2000-2001	76	02	5	88.56
2001-02	76	8	5	116.13

Source: Appropriation Accounts

SECTION-B-AUDIT PARAGRAPHS

POWER DEPARTMENT

2.4 Diversion of State Plan Funds

State Plan funds of Rs.33.70 lakh was unauthorisedly diverted to meet non-Plan expenditure

2.4.1 The following amounts were provided by the Finance Department to the Executive Engineer, Likimro Electrical Construction Division, for payment of salary to regular staff, works expenditure etc. under State Plan with an instruction that the amount should not be diverted for any other purpose

			Rupees in lakh
Salary for regular staff from 3/96 to 10/96	Establishment charges	Works	Total
16.94	4.50	235.50	256.94

2.4.2 During the course of scrutiny (November-December 2001) of records of the Executive Engineer, Likimro Electrical Construction Division, Likimro for the period from May 1992 to November 2001, it was noticed that contrary to Finance Department's instruction, the division diverted funds of Rs.33.70 lakh from State Plan funds towards the cost of printing of forms etc. for use in the division with the approval of the Chief Engineer. But the expenditure was debited to the head 4801-Capital outlay in Power Projects-01-Hydel Generation-800 (2)-Likimro Hydel Electric Project (Plan) instead of 2801-Power-01-Hydel Generation 001-Direction and Administration (Non-Plan).

2.4.3 The payment was made to the supplier/printer through bankers cheques on November 1996.

2.4.4 Thus, utilisation of Plan funds for non-Plan purposes was irregular and un-authorised affecting the development works adversely.

2.4.5 The matter was reported to the Government in May 2002. Government admitted the fact (September 2002).

CHAPTER-III
CIVIL DEPARTMENTS

SECTION –A - REVIEWS

AGRICULTURE DEPARTMENT

3.1 Working of Agriculture Department

Highlights

The functioning of the Agriculture Department was marred by deficient budgetary and financial management. Expenditure control mechanism was not functional and there was considerable savings under Plan grants. Programme management was inadequate and achievement was over-reported. Man power management was inefficient as indicated by large number of vacancies in technical cadre. The department failed to achieve any significant increase in the productivity of major agricultural crops.

Poor budgetary control resulted in persistent savings under Plan grants ranging from 3 *per cent* (2000-2001) to 73 *per cent* (1997-98). Heavy cash balance at the end of each year ranged from Rs.5.03 crore to Rs.17.13 crore during 1998-99 to 2001-02 indicating poor implementation of the programme.

(Paragraphs 3.1.6 & 3.1.7)

Against the requirement of seeds ranging from 2305 MT to 2578 MT per year to be distributed, seeds actually distributed ranged from 576 MT to 931 MT during the period from 1997-98 to 2001-02 resulting in shortfall in distribution of seeds ranging from 62 *per cent* to 75 *per cent.*

(Paragraph 3.1.19)

The department incurred nugatory expenditure of Rs.1.34 crore during 1990-2000 towards payment of idle salary of the staff deployed in a defunct seed farm.

(Paragraph 3.1.27)

Due to poor functioning of State Seed Farm, Merapani, the department sustained a loss of Rs.1.44 crore, in production of certified and quality seeds during 1997-02.

(Paragraphs 3.1.28 & 3.1.29)

Against the target of 2875 MT seeds required to be distributed during 1997-2002 under National Pulses Development Programme, the department reported achievement of 2352 MT seeds while actual distribution of seeds was 664.70 MT. Thus achivement reported was inflated by 59 *per cent.*

(Paragraph 3.1.34)

Receipt and disbursement of funds of Rs.5.82 crore under National Watershed Development Project in Rainfed Area were not recorded by the DDOs of 8 implementing agencies, test checked, in their cash book, indicating gross failure in maintaining cash books and was fraught with risk of misappropriation.

(Paragraphs 3.1.43 & 3.1.44)

The Government incurred an additional liability of payment of interest of Rs.77.07 lakh calculated @ 12 *per cent* per annum during the period from April 2001 to June 2002 due to non utilisation and delay in utilisation of borrowed funds.

(Paragraph 3.1.47)

Introduction

3.1.1 Nagaland is basically a rice growing state. About 70 *per cent* of the population depends on agriculture and rice constitutes around 75 *per cent* of the total production of food grains. Besides, wheat, maize and pulses are also grown. To increase production and also productivity in the State, Agriculture Department provides high yield variety seeds to selected farmers free of cost, fertilizers and farm machinery at subsidised rates and training in modern technology of farming system. It was estimated that with the existing growth rate, the population of the State would be 18.99 lakh by the end of the 9th Plan period. Keeping in view the national goal to make each state self sufficient in production of food grains, a target of 4.5 lakh MT food grains per year to be achieved by the end of 2001-02 was fixed by the State Government increasing cultivable area from 1,90,000 hectares to 2,70,135 hectares.

Organisational set up

3.1.2 The Secretary, Agriculture Department was responsible for implementation of various agricultural schemes. In implementation, he is assisted by 5 Joint Directors and 15 Deputy Directors including 3 Subject Matter Specialists of the rank of Deputy Director. In the districts the schemes were implemented by District Agricultural Officers (DAOs) and at sub-divisional level by Sub-Divisional Agriculture Officers (SDAOs). Works related to Agriculture were looked after by Senior Agricultural Engineer of Engineering Section.

Audit coverage

3.1.3 A review of the working of Agriculture Department for the period 1997-2002 was conducted between April and June 2002 by Audit through test check of records of the Directorate Office, 4 DAOs[1] (out of 8), 4 SDAOs[2] (out of 22), SDO (Store), Dimapur, and one State Seeds Farm, Merapani (out of 2), covering an expenditure of Rs.53.56 crore (40 *per cent*). The results of audit are discussed in the succeeding paragraphs.

Budgetary control

3.1.4 The budget manual prescribed that budget proposal should be based on estimates received from the field units. It was noticed that Plan and non-Plan budget proposals of the department were prepared at the Directorate office without any estimates from the field units. However, the proposals were drastically reduced by the Finance Department ranging from 30 *per cent* (1997-98) to 44 *per cent* (2001-02) without allowing any lump-sum provisions for increased DA and posts to be filled up.

3.1.5 Plan budgets were prepared by the department on adhoc basis in anticipation of grants to be received from GOI and loans from other financial institutions without receiving any information of allocation of funds by GOI for implementation of various schemes. The department stated (October 2002) that Plan budgets were prepared after obtaining administrative approval from GOI. As no detailed estimates of Plan budgets were made available to audit, the basis of proposals could not be verified. It was noticed that provisions were made in the budget each year for setting up crop demonstration farm at Sukruzu without its implementation due to financial constraints. It was, further, noticed that though Potato Seed Farm, Helipong became defunct since 1990, provisions were made in the budget each year against the farm. This indicated that little control was exercised by the controlling officer of the department leading to mismanagement in budgetary process.

Financial management

3.1.6 The department is operating one grant and 5 major heads of accounts. The budgetary provisions made and the expenditure incurred by the department between 1997-98 and 2001-02 are shown below:

Table No.3.1 *(Rupees in crore)*

Year	Original provision	Supplementary provision(includes re-appropriation)	Total provision	Total expenditure	Savings (-) Excess(+)
A - Non-Plan grants.					
(Rupees in crore)					
1997-98	8.33	---	8.33	15.99	(+)7.66 (92)
1998-99	8.86	0.13	8.99	9.26	(+)0.27 (3)
1999-2000	10.11	---	10.11	10.46	(+)0.35 (3)
2000-01	11.57	2.50	14.07	13.79	(-)0.28 (2)
2001-02	12.67	(-)3.39	9.28	13.48	(+)4.20 (45)
Total	***51.54***	***(-)0.76***	***50.78***	***62.98***	***(+)12.20***
B - Plan grants.					
1997-98	7.48	0.02	7.50	1.99	(-)5.51 (73)
1998-99	7.50	12.13	19.63	11.02	(-)8.61 (44)
1999-2000	7.37	6.67	14.04	11.39	(-)2.65 (19)

1 Dimapur, Mokokchung, Phek and Zunheboto.
2 Nuiland, Tuli, Akuluto and Pfutsero.

2000-01	13.91	10.77	24.68	23.95	(-)0.73 (3)
2001-02	20.61	(-)0.42	20.19	15.77	(-)4.42 (22)
Total	***56.87***	***29.17***	***86.04***	***64.12***	***(-)21.92***

Source: Budgets and Appropriation Accounts.
Figures in bracket represent percentage.

3.1.7 It would be seen that there were persistent savings under Plan grants ranging from 3 *per cent* (2000-2001) to 73 *per cent* (1997-98). The savings were mainly due to poor implementation of schemes, excess supplementary provision and excess provisioning at the estimate stage, as analysed by audit. The department stated (June 2002) that savings were due to restrictions imposed by Government on drawal of funds. Under non-Plan, there was excess expenditure (92 *per cent*) in 1997-98. The Director of Agriculture attributed (June 2002) the reasons of excess to implementation of Revision of Pay (ROP) Rules (1993) without any provision in the budget. This reply is not acceptable as the department was well aware that these Rules were effective from 1 April 1994, and should have provided for their impact including arrears during the year 1997-98.

3.1.8 Of the total reported Plan expenditure of Rs.64.12 crore during 1997-98 to 2001-02, actual expenditure was only Rs.53.77 crore. It was noticed that there were heavy cash balances at the end of each year ranging from Rs.5.03 crore (1998-99) to Rs.17.13 crore (2001-02) due to release of funds by GOI as well as by State Government in the last quarter of the financial year and mostly in March and keeping of funds in Civil Deposit as analysed by audit. This indicated financial mismanagement.

Funds kept in Civil Deposit

3.1.9 Records of the Directorate indicated that funds amounting to Rs.15.86 crore were drawn, for implementation of various schemes, in March but deposited to Civil Deposit during 2000-2002 without any implementation of the schemes as stated below-

Table No.3.2

Date of drawal	Amount (Rupees in crore)	Name of the Schemes
31/3/2001	2.10	NWDPRA
- do -	2.89	Agricultural Link Roads
- do -	0.35	Agricultural Marketing
- do -	0.13	ICDP-Rice
28/3/2002	7.85	Agricultural Link Roads
- do -	1.80	NWDPRA
- do -	0.46	Agricultural Marketing
- do -	0.14	ICDP-Rice
- do -	0.12	State Seeds Farms
- do -	0.02	Sugarcane Development
Total	**15.86**	

3.1.10 It was noticed that the above deposits were made as per Finance Department's order reportedly due to financial constraints. While the funds were obtained as grants from Government of India and from other financial institutions as negotiated loan (Agricultural Link Roads Scheme), keeping the funds in Civil Deposit on the grounds of financial constraints was not justified. This not only affected programme implementation but also increased the interest payment liability on unutilised borrowed funds. While these funds from Central Government and Central agencies were used to augment cash balance of the State Government, the purpose for which these were drawn was not served.

Manpower management

3.1.11 Manpower management involves planning and placement of the services of an individual worker at a right place and at right time to optimally utilise his services in functioning of an establishment, a project or a programme.

3.1.12 Data furnished by the department showed that against the total sanctioned strength of 1621 posts of officers and subordinate staff, 232 posts were not filled up as on June 2002. Out of 12 agriculture sub-divisions created during 7th Plan period (1987-92), the post of subordinate staff of 4 sub-divisions only were created and filled up during the last 10 years. It was noticed that the posts of key functionaries like Agriculture Officer (111 posts : 52 *per cent*), Agriculture Inspector (75 posts : 87 *per cent*) and Village Extension Worker (35 posts : 8 *per cent*) were not filled up. The department stated (October 2002) that the posts could not be created due to ban on creation of new posts and acute shortage of man power was due to bifurcation of Horticulture Department from Agriculture Department.

3.1.13 Further, it was noticed that the deployment of manpower was not based on any norm, as some offices had no key persons posted while other had large number of them. This resulted in irrational distribution of officers and staff in different offices. While 5 SDAO offices did not have a single Agriculture Officer, 19 offices (6 DAOs and 13 SDAOs) did not have any Agriculture Inspectors. 4 SDAOs had only one Village Extension Worker (VEW), while 10 SDAOs had these workers ranging from 10 to 16. This distribution of staff had aggravated the problem caused by acute shortage in some cadres mentioned above.

3.1.14 The Director stated (June 2002) that deployment of staff in field units was made as per sanctioned posts. However, as no details of sanctioned strength office wise were furnished, this contention cannot be accepted. Offices running without any key persons could not carryout their functions. This urgently calls for a serious review of manpower policy.

Production of food grains

3.1.15 The department is implementing Integrated Cereal Development Programme (ICDP), Accelarated Maize Development Programme (AMDP), National Pulses Development Programme (NPDP), Improved Seeds and Minikits Programme for production of food grains in the State. The table below shows the targets fixed by the department based on population vis-à-vis requirement of food grains and of production thereon during 1997-2002.

Table No.3.3

Year	Projected population (in lakh)	Requirement of food grains (in thousand MT)	Production targeted (in thousand MT)	Achievement reported by department (in thousand MT)
1997-98	15.84	347	250	214
1998-99	16.58	363	301	283
1999-2000	17.34	380	331	300
2000-01	18.15	397	366	311
2001-02	18.99	416	450	355
Total		**1903**	**1698**	**1463 (86 *per cent*)**

Source:- Departmental records

3.1.16 Though the projected achievement was 86 *per cent* the basis of assessment was not made available. The Director stated in June 2002 that assessment was made through crop cutting survey done throughout the year. Records of test checked units, however, revealed that production reports had been prepared by the units without any basic record and feed back.

3.1.17 The Planning and Co-ordination Department stated that none of the programme under the agricultural sector could achieve 9th Plan target due to inadequate allocation of funds. This contention of the Planning and Co-ordination Department about the lack of funds is not tenable as there were overall savings under Plan grants each year during 1997-98 to 2001-02. Excepting 2000-01 when the utilisation of Plan funds was 97 *per cent*, in other years it ranged between 27 and 81 *per cent* as shown in the table below:

Table No. 3.4

(Rupees in crore)

Year	Funds (Plan grants available)	Expenditure	Savings
1997-98	7.50	1.99	5.51 (73)*
1998-99	19.63	11.02	8.61 (44)
1999-2000	14.04	11.39	2.65 (19)
2000-01	24.68	23.95	0.73 (3)
2001-02	20.19	15.77	4.42 (22)
Total	**86.04**	**64.12**	**21.92 (25)**

Source: Budget and Appropriation Accounts

3.1.18 To extend the benefit of these programmes all farmers were to be covered over a period of time. The field units, test checked, failed to furnish total number of farmers under their jurisdiction except DAO, Phek making it difficult to ascertain the number yet to be covered. Records of the DAO, Phek showed that against 15,450 farmers, the coverage of farmers ranged from 776 to 2750 per year. For production of rice, maize and pulses, seeds at an average of 45 kg, 25 Kg and 20 kg respectively per hectare are required and 31 *per cent to 47 per cent* of requirement of seeds as stated by the department (October 2002) were supplied to the farmers. Calculated at these rates, an analysis of requirement of seeds for distribution was done by audit and actual

* Figure in bracket represents percentage.

distribution thereagainst as per records of SDO (Store), are shown in the table below:

Table No.3.5

Year	Area covered (in hectare)	Requirement of seeds* (in MT)	Requirement of seeds @ 31 *per cent* * (in MT)	Seeds actually distributed (in MT)	Percentage of shortfall in distribution
1997-98	183	7435	2305	576	75
1998-999	190	7660	2375	713	70
1999-2000	199	7955	2466	637	74
2000-01	199.50	7925	2457	931	62
2001-02	212	8315	2578	858	67

** In this calculation, crop-wise break-up of cultivated area (Cl.2) was considered and requirement was separately calculated for the three crops.*

3.1.19 The above table indicates that against the requirement of seeds for distribution ranging from 2305 MT to 2578 MT, seeds actually distributed ranged from 576 MT to 931 MT indicating a shortfall ranging between 62 *per cent* to 75 *per cent*. This shortfall had naturally affected both production and productivity.

Stores and stock management

3.1.20 Proper store management consists of timely procurement and issue of stores economically, efficiently and effectively after assessment of actual requirement. It was, however, noticed that agricultural inputs were procured without assessment of yearly requirement and also during the sowing seasons. and distributed to the farmers at the end of the seasons. Table below shows the year wise procurement and requirement of agricultural inputs.

Table No.3.6

Year	Requirement of seeds (in MT)	Procurement of seeds (in MT)	Less procured (in MT)
1997-98	7435	576	6859
1998-99	7660	713	6947
1999-2000	7955	637	7318
2000-2001	7925	931	6994
2001-2002	8315	858	7457
Total	**39290**	**3715**	**35575**

Source : Departmental figures

3.1.21 This indicated laxity in planning and management of stores.

3.1.22 The SDO (Store), Dimapur, was vested with the responsibility of receipt and issue of stock procured centrally and issuing stock certificate on the body of the suppliers bills before payment. Records of the Directorate office showed that payments were released after recording stock certificate by the officials of the Directorate office. Test check of suppliers bills with reference to records maintained by SDO (Store) disclosed short receipt of stores and stock of 332.9 MT fertilisers, 21.4 MT pulses, 7.1 MT paddy seeds and pesticides (quantity not mentioned) valued at Rs.59.50 lakh in respect of 5 bills drawn between March 2000 and December 2001.

Procurement of stock at higher rates

3.1.23 Records of the Directorate showed that various agricultural inputs were procured through the local suppliers and not from the manufacturing company or firms without obtaining any rates. It was noticed that during 1999-2000, the department procured 566.5 MT oil seeds, 180.7 MT pulses and 231.3 MT wheat and maize seeds through local suppliers and payments were made at the maximum retail price of the National Seeds Corporation in addition to taxes, instead of issue price. This resulted in excess payment of Rs.44.11 lakh.

Programme Management

State Seeds Farms

3.1.24 Merapani (400 hectare) and Tizit (70 hectare) seeds farms were established during 3rd and 4th Plan periods with the objective of attaining self sufficiency in producing quality seeds. It was, however, noticed that land measuring 200 hectares (out of 400 hectare) and 20 hectares (out of 70 hectare) respectively of the farms could only be developed and brought under cultivation till June 2002. The department stated (October 2002) that the remaining area could not be brought under cultivation due to funds constraint, lack of proper infrastracture and irrigation facilities. The farms contributed quality seeds ranging from 24 *per cent* (2000-01) to 41 *per cent* (1997-98) only, with reference to actual distribution of seeds, the remaining seed being procured from outside the state. Thus, it was noticed that the objectives of the farms were not fulfilled despite incurring expenditure of Rs.40 lakh each year on maintenance of these farms.

3.1.25 The contention of financial constraints is not tenable as adequate provisions for infrastructure development of the farms were made in the budgets each year, but the department failed to carry out any development work. The department also stated that despite adequate budget provision, there was drastic reduction of funds upto 50 *per cent* which resulted in failure to achieve the target.

Nugatory expenditure on defunct farm

3.1.26 The Potato Seeds Farm, Helipong (400 hectare) was established in 1976 under NEC programme with the objective of producing disease free potato seeds. Records showed that out of the 400 hectares of land, only 5 hectares was developed and brought under farming till 1990 when the farm was handed over to the State Government for its maintenance under State Plan. Neither was any development work implemented nor was there was any production since its handing over to the State. The department stated (April 2002) that the farm became defunct since 1990 due to law and order problem in the State.

3.1.27 However, it was noticed that pay and allowances of 8 subordinate staff and wages of 10 permanent labourers amounting to Rs.1.34 crore were borne by the department during 1990-2000 without any production in the farm and without utilising the services of the staff, till the transfer and attachment of the staff including its establishment to DAO, Tuensang in June 2000. This indicated that lack of proper planning resulted in payment of salary and wages to idle employees and workers.

Working of Merapani Seed Farm

3.1.28 The farm was established in 1968 with an area of 400 hectare. Records of the farm indicated that out of 400 hectares of cultivable land, land measuring 165 hectares for paddy and 35 hectares for mustard seeds were developed and brought under cultivation during 1997-2002. In the State, the average yield per hectare is 1.5 MT for paddy and 1.0 MT for mustard seeds. Calculated at this rate, it appeared that against 1240 MT paddy and 175 MT mustard seeds required to be produced in the farm during 1997-2002, 990 MT paddy and 31 MT mustard seeds were actually produced. While the shortfall in production of paddy was 20 *per cent*, the shortfall of mustard seeds was 82 *per cent*. It was, further, noticed that the production of mustard seeds was drastically reduced from 17 MT in 1996-97 to 0.5 MT in 2001-02, due to aphid infestation. No initiative was taken by the farm during the period for pest control.

3.1.29 Records indicated that against the total value of seeds of Rs.43.47 lakh produced in the farm during 1997-2002, the cost of production including salary of the staff was Rs.187.51 lakh, which resulted in loss of Rs.144.04 lakh. The department stated (October 2002) that the actual total cost of production was Rs.51.62 lakh. The reply is not tenable as the salary of the staff was not taken into account while calculating loss in maintenance of the farm. The high cost of production was due to engagement of labourers rainging from 80 to 150 through out the year in ploughing and cultivating manually despite availability of 3 tractors, 2 powertillers and 2 pumpsets. The farm machinery remained idle ever since its procurement in 1994-95 as no funds for its fuel was provided to the farm. Thus, there was an idle investment of Rs.12.04 lakh on farm machinery and also payment of idle salary to 3 tractor drivers, 2 helpers and one mechanic amounting to Rs.23.71 lakh.

Setting up of Seed testing laboratory facility not implemented

3.1.30 In order to supply quality and certified seeds to the farmers, the department decided to set up one seed testing laboratory at Dimapur during 8^{th} Plan period with the installed capacity to analyse 5000 samples in a year. Accordingly, construction of an air-conditioned building was completed, laboratory equipments and furniture for the laboratory were procured at the end of 1996-97 at a total cost of Rs.10.60 lakh. Further, though an amount of Rs.14.69 lakh was drawn (March 2001) for procurement of laboratory chemicals etc. it remained unutilised till the end of 2001-02 and the seed testing laboratory could not be made operational. This was stated to be due to occupation of the building by army personnel. This resulted in idle investment of Rs.10.60 lakh without fulfilling the objective of setting up seed testing facility.

Demonstration farm - Pfutsero

3.1.31 This demonstration farm with an area of 10 hectares was established in 1989 at Pfutsero with the idea of providing crop demonstration to the rural farmers on various pulses and vegitables. It was noticed that no records of demonstration to the farmers were maintained by the office. It was stated (June 2002) by the SDAO that no funds were provided for organising demonstration, and for development and maintenance of the farm. As such, no demonstration was organised.

3.1.32 However, the farm started producing potato, pea and other vegetables after developing an area of 4 hectares from 1997-98. It was noticed that against the total cost of production including wages of labourers and salary of watch and ward staff of Rs.13.27 lakh during 1997-2002, only Rs.1.31 lakh (10 *per cent*) was realised as sale proceeds of potato and vegetables produced in the farm. This indicated inefficient functioning of the farm besides deviation from its main objective of providing demonstration to local farmers.

National Pulses Development Programme (NPDP)

3.1.33 This is a Centrally sponsored scheme being shared between Central and State Governments at the ratio 75:25. Of the total funds of Rs.432.62 lakh (Central share Rs.357 lakh; state share Rs.75.62 lakh) released by Governments during 1997-2002, Rs.328.76 lakh was spent in implementation indicating 76 *per cent* utilisation of funds. The following are the targets and achievements reported by the department under the programme during 1997-2002.

Table No.3.7

Components of the programme	Target	Achievement reported	Actual achievement
Distribution of seeds(MT)	2875 MT	2352 MT	664.70 MT
Seed village programme	1684 MT	1520 MT	---
Farmers training	280 Nos.	255 Nos.	---

3.1.34 The above table indicates that against the target of 2875 MT seeds to be distributed to the farmers, the department reported achievement of 2352 MT seeds while the actual distribution of seeds was 664.70 MT as per records of SDO (Store), Dimapur, test checked. Thus, the performance of the department was over reported by 59 *per cent.* In respect of the other 2 components, the department spent Rs.44.30 lakh, but the cash books of 8 field units, test checked, did not indicate receipt of scheme funds for these components. The field units also failed to produce any records regarding implementation of seed village programme and farmer's training.

3.1.35 Further, as per scheme, seeds were required to be distributed well in time and before the start of sowing seasons so as to increase the production and productivity. But the records of SDO (Store), Dimapur, indicated distribution of seeds at the end or after the sowing seasons as shown in the table below :

Table No.3.8

Name of the pulses	Month in which seeds to be distributed	Sowing Seasons	Seeds distributed (in MT)	Date of distribution of seeds
Field pea	September	October-November	325.70	November
Gram	September	- do -	42.00	- do -
Lentil	September	- do -	52.80	- do -
Arhar	March	April-May	74.50	May-June
Rajmah	February	March	34.50	- do -
Cow pea	February	March-April	71.60	- do -
Green gram	March	April-May	34.00	- do -
Black gram	March	- do -	29.60	- do -
Total			**664.70**	

3.1.36 The above table indicates that the department failed to follow the time schedules in distribution of seeds to the farmers. This late distribution of seeds was mainly due to delayed procurement of seeds which affected both production and productivity.

Integrated Cereal Development Programme in Rice based Cropping Areas (ICDP-Rice)

3.1.37 This is a Centrally sponsored scheme funded at the ratio 75:25 beween the Central and State Governments. The programme aimed at improving the productivity in the State through field demonstration, farmer's training on modern technology. Besides, paddy and wheat seeds are to be distributed to the farmers free of cost.

3.1.38 Out of the total funds of Rs.276.98 lakh (Central share Rs.232.53 lakh) received by the department during 1997-2002, Rs.235.48 lakh (85 *per cent*) was spent in implementing the programme. Against the 100 *per cent* reported achievement in distribution of seeds (2281.50 MT) by the department during the period 1997-2002, actual distribution of seeds was 1230.70 MT as per records of SDO (Store), and seeds procured locally. The details of funds received, seeds procurred and distributed are shown in the table below:-

Table No. 3.9

Period	Total funds available	Expenditure incurred	Achievement in distribution of seeds reported	Actual distribution (percentage)
1997-2002	Rs.276.98 lakh	Rs.235.48 lakh	2281.50 M.T	1230.70 M.T (54)

3.1.39 Thus, the short distribution of seeds by 46 *per cent* adversely affected production and productivity.

3.1.40 The department spent Rs.28 lakh on 2 components of field demonstration and farmer's training but the expenditure could not be vouchsafed through test check of records of the 8 field units implementing the programme. Records of the field unit test checked also did not indicate receipt of funds for field demonstration and farmers training.

National Watershed Development Project for Rainfed Area (NWDPRA)

3.1.41 This is a cent *per cent* Centrally assisted scheme aimed to conserve moisture in arable and non arable lands through contour vegetative measures, agroforestry, dry land horticulture, organic farming and house hold production system. Under NWDPRA, the department is implementing 81 projects covering all the districts in the State.

3.1.42 Records showed that out of the total funds of Rs.22.55 crore released by Government during 1997-98 to 2001-02, Rs.17.50 (78 *per cent*) crore were spent as of March 2002, while utilisation certificate was furnished to Government of India for Rs.22.35 lakh. Of the unspent balance, Rs.1.80 crore were still lying in Civil Deposit (June 2002).

3.1.43 Though Rs.5.82 crore was disbursed by the Directorate during 1997-2001, to 8 implementing agencies test checked, for implemention of 21 projects under their control the cash books of the implementing agencies did not indicate receipt of any funds and disbursement under NWDPRA.

3.1.44 All the DDOs of implementing agencies, test checked, stated that vouchers for the funds received from Directorate office were sent to the Directorate and no other separate records were maintained. As such, the expenditure of Rs.5.82 crore could not be vouchsafed in audit. Failure to maintain the cash book was fraught with the risk of misappropriation or loss of Government money. The disbursing officers also failed to maintain individual project registers showing year wise receipt of funds, various components implemented, component wise expenditure and the beneficiaries covered under the programme. This indicated that the controlling officer of the department failed to enforce financial discipline as well as internal control in the department.

Agricultural link roads

3.1.45 The objective of this programme was to establish linkage with the agricultural potential areas for better communication and transport of agricultural products to the market with a view to uplifting the socio-economic status of the rural masses. Till the 8th Plan period the department could not complete construction of 212 km roads (out of 450 km) in respect of 81 link roads due to financial constraints.

3.1.46 In the 9th Plan period, the department decided to take up construction of 92 link roads (303 km) including 81 incomplete link roads to be financed by National Agricultural Bank for Rural Development (NABARD) as negotiated loan under Rural Infrastructure Development Fund (RIDF V&VI). Under RIDF, 90 *per cent* of the project cost would be met from loan (carrying 12 *per cent* interest) and the balance from State share. Of the total project cost of Rs.27.83 crore, it was noticed that Rs.16.09 crore was released by NABARD between March 2000 and February 2002. But the matching State share of Rs.1.61 crore was not released by Government due to financial constraints.

3.1.47 Test check of the records of the Engineering Wing revealed that the department spent Rs.5.91 crore and constructed 146.5 km of roads (out of 559 km) in case of 92 linkroads indicating utilisation of funds by 37 *per cent* only. It was, however, noticed that not a single link road out of 81 roads taken up prior to 8th Plan period could be completed, and the objective of uplifting the socio-economic status of rural masses remained unfulfilled. The department stated (October 2002) that the project was likely to be completed by 2003.

3.1.48 Further, out of unspent balance of Rs.10.18 crore, Rs.7.85 crore was kept unproductively in Civil Deposit, Rs.1.98 crore remained in chest and Rs.0.35 crore were not released by Government. Delay in utilisation of the funds created liabilities of interest payment of Rs.77.07[3] lakh on unutilised borrowed funds for the period from April 2001 to June 2002 calculated at the rate of 12 *per cent* per annum.

[3] ***Calculation of Interest:-***

820 lakh X 12 *per cent* X 5m = / 12	Rs.41.00 lakh	(From 2/2002 to 6/2002)
289 lakh X 12 *Per cent* X 7m = / 12	Rs.20.23 lakh	(4/2001 to 10/2001
198 lakh X 12 *Per cent* X 8m = / 12	Rs.15.84 lakh	(11/2001 to 6/2002
	Rs.77.07 lakh	

Monitoring and Evaluation

3.1.49 The department stated (June 2002) that a monitoring committee including the members from ICAR and Nagaland University was constituted to physically survey the implementation of various schemes. But the number of its members and dates of constitution and meeting and record of physical verification were not made available.

Recommendations

3.1.50 Optimum utilisation of allocated funds needs to be stressed with proper budgeting, and flow of funds to the implementing agencies.

Efficient procurement of agricultural inputs.

Timely schedule in distribution of inputs especially seeds.

Proper evaluation and monitoring of programme.

INDUSTRIES AND COMMERCE DEPARTMENT

3.2 Transport Subsidy

Highlights

The Transport Subsidy Scheme was launched in the State in 1975-76 with a view to promoting industrialisation in remote and hilly areas. A review of the implementation of the scheme revealed that the Department of Industries and Commerce had failed in exercising required statutory checks before release of transport subsidy to the industrial units. This resulted in unauthorised, excess, irregular and inadmissible payments. The State Government never assessed the impact of subsidy disbursed to industrial units on industrial growth.

Against the claim of Rs. 1093.20 lakh, Rs. 297.06 lakh was paid between December 1997 and June 2001 though no raw materials/finished goods were imported or exported.

(Paragraph 3.2.8)

The scheme was applicable for a period of five years from the date of commencement of commercial production. However, reimbursement of transport subsidy of Rs. 111.64 lakh was made even beyond the period of 5 years.

(Paragraphs 3.2.10 & 3.2.11)

Payment of transport subsidy of Rs. 66.40 lakh to 9 tyre retreading units and 1 cattle feed unit was made during December 1997 to June 2001 though they do not come under the purview of manufacturing activity.

(Paragraph 3.2.13)

The scheme envisages the disbursement of the transport subsidy to industrial units first by the State Government and reimbursement thereafter from the Central Government. However, payment of transport subsidy of Rs. 890.28 lakh was made between May 1997 and August 1998 after getting reimbursement from the Central Government by furnishing incorrect statement of facts.

(Paragraph 3.2.18)

Introduction

3.2.1 To promote industrialisation in certain hilly and remote areas of the country, including the seven states of the North Eastern Region (NER), Government of India introduced "Transport Subsidy Scheme" in July 1971. Under the scheme, industrial units (IU) in the North East engaged in manufacturing activities (barring plantation, refineries and power generating units) both in private and public sectors are eligible for subsidy (at rates fixed from time to time by Government of India) on transportation cost of raw materials and finished goods to and from the designated rail head (Siliguri) to the railway stations nearest to the industrial units and thereafter by road to the industrial unit. The scheme has been extended upto 31 March 2007.

Organisational set up

3.2.2 In Nagaland, the Transport Subsidy Scheme has been in operation since 1975-76. The Secretary, Industries and Commerce Department, Government of Nagaland is the nodal authority to oversee the implementation of the programme. The programme is implemented by the Director of Industries and Commerce who is assisted by General Managers of 8 District Industries Centres (DICs) at the district level. The competent authority in the state is the State Level Committee (SLC) for final settlement and recommendation. The SLC consists of the Secretary (Industries & Commerce) as Chairman, the Director (Industries & Commerce) as Member Secretary and Additional Secretary (Finance), Managing Director, North Eastern Development Financial Institution (NEDFI) and Managing Director, Nagaland Industrial Development Corporation (NIDC) as member.

Audit Coverage

3.2.3 Implementation of the scheme in the State during the period 1997-98 to 2001-2002 was reviewed in audit during March 2002 to June 2002 through test check of records of the Director of Industries and Commerce, Kohima, 2 District Industries Centres (out of 8) at Kohima and Dimapur and Managing Director, NIDC. The implementation of the scheme was also cross verified with the records of Sales Tax, Power and Central Excise Department. Important points noticed during audit are discussed in the succeeding paragraphs.

Financial Outlay and Expenditure

3.2.4 According to the scheme, the State Government is required to disburse the transport subsidy on the recommendation of the SLC and thereafter claim reimbursement from the Central Government. From 2000-2001 onward the claim for subsidy along with the recommendation of the SLC were to be sent to the NEDFI for direct payment to the industrial units. The detailed provisions made in budget for transport subsidy and expenditure thereagainst are shown in the table below :-

Table No.3.10 *(Rupees in crore)*

Budget provision				Expenditure			
Year	**Budget estimate**	**Revised estimate**	**Final grant**	**Expenditure as per Appropriation Accounts.**	**Actual expenditure**	**Excess (+) Savings (-)**	**Percentage of savings/excess**
1997-98	0.10	0.10	7.10	6.65	9.03	(+) 1.93	27
1998-99	0.10	0.10	2.29	2.29	11.86	(+) 9.57	418
1999-2000	0.10	7.39	4.70	4.70	4.30	(-) 0.40	-
2000-01	7.39	1.79	1.79	1.79	1.79	-	-
2001-02	1.97	7.37	5.60	NIL	5.60	(-) 1.77	32
Total	**9.66**	**16.75**	**21.48**	**15.43**	**32.58**		

(Source - Appropriation Accounts, Budget and departmental records)

3.2.5 The above table indicates that the department incurred expenditure of Rs. 9.03 crore and Rs. 11.86 crore towards payment of transport subsidy during 1997-98 and 1998-99 against the actual provisions of Rs. 7.10 crore and Rs. 2.29 crore respectively, resulting in excess expenditure by 27 *per cent* and 418 *per cent.*

3.2.6 It was stated that Rs.5.60 crore was sanctioned by the State Government during 2000-2001 but payment was made in 2001-2002. Out of Rs. 5.60 crore, Rs. 2.29 crore was disbursed by the Director of Industries and the balance of Rs. 3.31 crore by NEDFI direct to the industrial units.

Implementation of the programme

Payment of transport subsidy claim in doubtful cases

3.2.7 As per guidelines, the claimant should be asked to provide proof of raw materials imported into and finished products out of State. The claims for reimbursement of transport subsidy were to be reimbursed by the Director of Industries and Commerce (DOIC) and SLC before final settlement. The DOIC, Nagaland, while accepting claims insisted on Sales Tax Clearance Certificate in addition to other requisite documents viz. certificate by Chartered Accountant, road challan, cash memo etc.

3.2.8 Test check of records of DOIC with reference to the records of Commissioner of Taxes, Nagaland revealed that between December 1997 and June 2001, Rs.297.06 lakh against the claim of Rs.1093.20 lakh was paid to 40 industrial units though as per records of Commissioner of Taxes no material was either imported or exported by these units. Thus, payment of Rs.297.06 lakh as detailed in *Appendix – XII* was questionable. Further out of 325 cases referred to the Commissioner of Taxes, Nagaland, details of only 40 cases were furnished. Hence, eligibility of the remaining 285 cases needs to be investigated.

3.2.9 The Government stated (September 2002) that since all claims were certified by Chartered Accountants and supported by registration details, road challans etc. these cannot be termed as doubtful. The reply is not tenable as the fact remains that as per records of the Commissioner of Taxes, no materials were either brought in or out by these units.

Inadmissible payment of transport subsidy

3.2.10 As per amendment made in the scheme (July 1993) effective from 1 April 1995 the scheme was applicable for a period of 5 years reckoned from the date of commencement of commercial production *i.e.*, industrial units which had completed 5 years of production as on 31 March 1995 would cease to be eligible for further benefits under the scheme. Further, the units which had commenced commercial production within a period of 5 years prior to or after 1 April 1995 would cease to be eligible once the five years period was over or expiry of the scheme whichever was earlier. Thus it was evident that as on 31 March 1995 no subsidy beyond the period of 5 years reckoned from the date of commercial production would be admissible to an industrial unit.

3.2.11 Scrutiny of records revealed that subsidy amounting to Rs.111.64 lakh had been reimbursed and paid by the State Government between December 1997 and September 2000 in respect of 10 ineligible units as detailed in the *Appendix-XIII*. This resulted in inadmissible payment of transport subsidy of Rs.111.64 lakh. The Government stated (September 2002) that the facts pointed out were not correct as date of issue of provisional registration were taken as the date of commercial production. The contention of the Government is not acceptable as actual dates of commercial production by the Industrial units as indicated in *Appendix – XIII* were considered by Audit as provided in the scheme.

3.2.12 According to provisions of transport subsidy scheme an industrial unit means the unit which carries on manufacturing activities. Repairing and reconditioning of an article do not fall within the definition of manufacturing activities as no new finished goods come out of this process. It is so even if in the process of remaking defective article/equipment gets upgraded or takes a different shape. Accordingly, tyre retreading works and production of cattle/poultry feed do not come under the purview of manufacturing activity as no new finished goods come out of the process.

3.2.13 Test check of records of the Directorate office revealed that against the claim of Rs.138.95 lakh for transportation of raw materials from Siliguri to Dimapur by 9 tyre retreading units and Rs.29.52 lakh by one unit engaged in production of cattle feed (1993-94 to 1998-99), Rs.62.40 lakh and Rs.4 lakh respectively were paid as transport subsidy on the recommendation of SLC between December 1997 and June 2001. Details of payment made to the tyre retreading units are shown in the *Appendix-XIV.* The reimbursement and payment of transport subsidy of Rs.66.40 lakh was, thus, inadmissible and irregular.

3.2.14 The Government stated (September 2002) that neither the guidelines nor any subsequent instructions had disqualified tyre retreading units from claiming subsidy. The reply is not acceptable as repairing and reconditioning of an article cannot be termed as manufacturing activity even within Central Excise law. The reimbursement was to be made only to units engaged in manufacturing activity.

3.2.15 The Department of Industrial Policy and Promotion (DIPP) in a circular issued in May 1993 advised all the State Government/Union Territories (UT) not to accept the claims of transport subsidy preferred after one year from the date of incurring the expenditure. Despite further reiteration in May 1994, the DOIC disbursed an amount of Rs.78.50 lakh between September 1998 and June 2001 to 3 Industrial units who submitted their claims after stipulated period of one year as detailed in *Appendix-XV.*

3.2.16 The Government stated (September 2002) that the time barred claim were accepted considering the various bottlenecks faced by the entrepreneurs of Nagaland. Thus, reimbursement of time barred claims amounting to Rs.78.50 lakh violating the instruction of Government of India was irregular.

Reimbursement of subsidy claimed by mis-statement of fact

3.2.17 Under the transport subsidy scheme, the State Government is required to disburse the subsidy to the industrial units on the basis of SLC recommendation and thereafter claim reimbursement from the Government of India.

3.2.18 Test check of records of the Directorate and the disbursing agency, NIDC revealed that the NIDC claimed reimbursement for Rs.890.28 lakh in 3 batches from Government of India through the State Government during 1996-98 stating that the amounts had already been disbursed by cheques in respect of 25 units by furnishing false cheque numbers and dates. The Government of India, accordingly reimbursed Rs.890.28 lakh in 4 batches between May 1997 and August 1998. But cross verification, with the records of NIDC, revealed that the disbursements were actually made after getting reimbursement from the Government of India. The reason for this misstatement of fact as analysed by audit was only to get reimbursement from Government of India.

3.2.19 The Government stated (June 2002 and September 2002) that the payments were made after getting reimbursement due to financial constraints and funds received from Government of India were duly disbursed. The reply is not tenable as claiming of reimbursement by furnishing false statement was a clear violation of the principle of reimbursement under the scheme.

3.2.20 As per scheme there is no provision for cash payment of transport subsidy. It was also clarified (February 1995) by the Ministry (Department of Industrial Development) that claims of subsidy for reimbursement should not be entertained unless the same was paid by cheque/bank draft. The Directorate while claiming reimbursement of subsidy for Rs.198.92 lakh in January 1998 from the Government of India, stated that the amount was disbursed to 28 industrial units in December 1997 by cheques though the payments were actually made by cash between December 1997 and January 1998. The DIPP sanctioned the reimbursement in August 1998. The claim for reimbursement of subsidy of Rs.198.92 lakh by the Director on the basis of fake report was, thus, irregular. The Government admitted the fact (September 2002).

Unauthorised payment of transport subsidy

3.2.21 DIPP sanctioned reimbursement of Rs. 373.80 lakh for 14 industrial units between 1997-98 and 1998-99 on recommendations of SLC but it was noticed that the disbursing agency, NIDC disbursed Rs.253.68 lakh to 14 eligible industrial units during 1997-98 to 1998-99. The balance amount of Rs.120.12 lakh was diverted and utilised for payment of transport subsidy to other 21 industrial units between June 1998 and December 1998 (detail shown in *Appendix – XVI)* which was neither sanctioned nor approved by SLC for this purpose, The Secretary Industries and Commerce Department stated (September 2002) that disbursement of reimbursement claims were made as per direction of State Government. The reply is not acceptable as State Government is not competent to allow such payment. Hence, payment of transport subsidy of Rs.120.12 lakh to such units was unauthorised and irregular.

Excess payment of transport subsidy

3.2.22 The scheme provides that in the case of movement of raw materials/finished goods entirely by road or other mode of transport inside/outside the North Eastern Region, the transport subsidy will be limited to 90 *per cent* of the amount which the unit might have paid, had the same been moved from location of the industrial units to the nearest Railway Station by road and thereafter by rail to Siliguri and vice versa subject to further deduction of 6 *per cent* railway concession for movement of raw materials/finished goods.

3.2.23 Test check of the records maintained in the Directorate revealed that, Rs.12.53 lakh was paid in excess of the amount payable on the basis of approved railway rates between March 1998 and June 2001 to 6 industrial units their claims from 1992-93 to 1996-97 as detailed in the *Appendix-XVII.* Such omissions clearly indicated that the scrutiny of claims at the Directorate/SLC level was glaringly deficient in many respects.

3.2.24 Admitting the fact the Government stated (September 2002) that efforts are being made to recover the excess payment.

Monitoring and evaluation

3.2.25 The guidelines provides that to oversee the efficient and successful implementation of the Scheme a representative from Ministry of Industries Development, Government of India is to be nominated in the SLC. It was, however, observed that the meetings of the SLC for finalising the claims of industrial units were never attended by the representative of the Government of India during the period covered by review.

3.2.26 Though the Government of India emphasised the need for systematic and result oriented monitoring system, the State Government did not evolve any monitoring system to watch the functioning of the industrial units to ensure effective implementation of the Scheme. The Directorate and NIDC continued to send reimbursement claims containing wrong figures of disbursements of transport subsidy. Lack of effective monitoring of implementation of the Scheme and post disbursement inspection led to mis-utilisation of subsidy by the beneficiaries.

3.2.27 Regretting the lapses the Government stated (September 2002) that instructions would be issued to the department to strictly comply with the guidelines.

3.2.28 The Transport Subsidy Scheme has never been evaluated by the Government of India to assess the impact of implementation and how far the objectives of the scheme to promote industrial growth have been achieved.

Recommendations

3.2.29 On the basis of the shortcomings and deficiencies pointed out in the foregoing paragraphs, the following recommendations are made.

The procedure and guidelines prescribed by the Government of India from time to time to ensure payment of transport subsidy only against genuine claims should be followed strictly.

The procedure for quick disposal of the claims as well as prompt payment of the claims for transport subsidy as envisaged in the scheme should be adopted.

To ensure proper implementation of the scheme, monitoring and co-ordination among different departments particularly Sales Tax and Power Departments of the State Government should be strengthened.

Immediate action is required to prevent payment of any residual amount yet to be paid for the fake claims approved by SLC.

The functioning of SLC for proper monitoring the programme should be strengthened and Government of India representative should participate it's meeting.

Evaluation of the programme to assess impact of its implementation should be stressed upon.

3.2.30 The matter was reported to Government in August 2002. Government replies (September 2002) were incorporated in the relevant paragraphs.

RURAL DEVELOPMENT DEPARTMENT

3.3 Rural Housing (Indira Awaas Yojana)

Highlights

A review of implementation of the scheme revealed that the department embarked upon the scheme without collecting any information about the shortage of houses in the State. The scheme (IAY) was launched with effect from 1985-86 in the State but a survey of the population living below the poverty line (BPL) was conducted only during 1997-98. The coverage of non-BPL group still continues. The department provides 5 bundles of corrugated galvanised iron sheet (CGI), roofing material only, to each beneficiary without considering other required elements for construction of house as per guidelines which amounts to denial of full benefit of the housing scheme to the poor people. The implementation of the scheme suffered due to procurement of roofing materials at high cost from local suppliers instead of from manufacturers. While the objective of enlargement of coverage by utilising the savings in cost per house could be achieved, there was extra expenditure. The performance reported by the department was not based on facts. The achievement figures were inflated.

The department lost Central assistance of Rs.140.73 lakh due to excess carry over of balance of fund by the DRDAs as well as short release of the State's matching share.

(Paragraph 3.3.9)

The department embarked upon the scheme without collecting information on housing shortage in the BPL population as well as number of katcha houses requiring upgradation.

(Paragraph 3.3.13)

The prescribed reports and returns submitted monthly/six monthly to State and Central Government were not based on any feed back from the implementing officers. The progress reports contained hypothetical figures of achievement.

(Paragraph 3.3.22)

Basic amenities like sanitary latrine, smokeless chullah as envisaged in the guidelines of the scheme had not been provided.

(Paragraph 3.3.23)

The department incurred an extra expenditure of Rs.620.46 lakh in two and half years on procurement of CGI sheet from local suppliers without making any contract with Steel Authority of India.

(Paragraph 3.3.24)

Benefit involving expenditure of Rs.392.69 lakh were extended to non-BPL group of people depriving targeted beneficiaries.

(Paragraphs 3.3.32 & 3.3.33)

Introduction

3.3.1 Four Centrally sponsored rural housing scheme were being implemented by the State. These are (i) Indira Awaas Yojana, (ii) Innovative stream for Rural Housing and Habitat Development, (iii) Pradhan Mantri Gramodaya Yojana (Gramin Awaas) and (iv) Credit-cum Subsidy Scheme.

Organisational set up

3.3.2 The Director, Rural Development Department is the nodal agency responsible for planning, implementation, co-ordination and monitoring of the schemes and he is assisted by a Joint Director at HQ. The Commissioner and Secretary is the administative head of the nodal agency. The scheme is implemented through 8 District Rural Development Agencies (DRDAs) at district level and 52 Block Development Officers (BDOs) at block level. The Village Development Boards (VDBs) were involved in the selection of beneficiaries among the BPL population. A State Level Co-ordination Committee (SLCC) was required to be constituted to oversee and monitor the programme.

Audit coverage

3.3.3 Implementation of the scheme in the State during 1997-98 to 2001-02 was reviewed in audit between March 2002 and May 2002 by a test check of records of Directorate, RD Department, 4 DRDAs [1] out of 8, and 22 BDOs[2] out of 52 in the State. An expenditure of Rs.3652.55 lakh representing 78 *per cent* of the total expenditure was test checked.

(A) Indira Awaas Yojana

3.3.4 Indira Awaas Yojana (IAY) was launched in the State as a Centrally sponsored scheme in 1985-86, with the objective of providing assistance for construction of houses to shelterless rural people living below the poverty line (BPL) and belonging primarily to the Scheduled Castes (SCs), Scheduled Tribes (STs) and freed bonded labour. From 1993-94, the scope of IAY was extended to cover rural BPL, non SC and ST poor subject to the condition that non SC/ST beneficiaries should not exceed 4 *per cent* of the total JRY allocation. IAY has been delinked from JRY and has been made an independent scheme with effect from 1 January 1996.

1 DRDA Kohima, Mon, Phek and Dimapur.

2 BDO Kohima, Jakhama, Jaluki, Peren, Tseminyu, Chiephobozou, Mon, Wakching, Tizit, Chen, Tobu, Phomching, Phek, Meluri, Kikruma, Pfutsero, Sekruzu, Medziphema, Dhansiripar, Kuhuboto and Nuiland.

The ceiling on construction assistance under the IAY was Rs.22,000 per house in the State. The ceiling on assistance for upgradation of katcha house to semi pucca/pucca house was Rs.10,000.

Funding Pattern

3.3.5 The sharing pattern of expenditure between Central and State Government was 80:20 upto March 1999 and since then in the ratio of 75:25 in case of IAY. The first instalment of Central assistance was to be released at the begining of the financial year provided the second instalment of the previous year was claimed and released. The second instalment was to be released on receipt of proposals from the DRDAs subject to the condition that 60 *per cent* of the funds available (opening balance and the funds received including the State share) had been utilised, the opening balance had not exceeded 15 *per cent* of the total allocation of the previous year and corresponding State share had been fully released before submission of proposal. In the event of excess carry over of opening balance, short and delayed release State share, corresponding amount of Central assistance was to be deducted.

Financial outlay and expenditure

3.3.6 The allocation and release of fund by the Central and State Government and expenditure there against are shown as below:

Table No.3.11 *(Rupees in lakh)*

Year	Allocation of fund		Opening balance	Release of fund		Fund received back being transferred from 'IAY' account to any other scheme account	Interest	Total fund available	Total expenditure	Closing Balance	Percentage of utilisation
	Central	State		Central	State						
1997-98	129.14	220.00	6.32	[3]637.55	200.34	Nil	1.80	846.01	779.99	66.02	92
1998-99	246.36	220.00	66.02	[4]231.24	239.66	Nil	2.69	539.61	352.64	186.97	65
1999-2000	653.01	145.00	186.97	[5]810.98	145.00	Nil	4.31	1147.26	1036.55	110.71	90
2000-01	743.31	50.00	110.71	[6]566.37	46.16	0.65	4.62	728.51	682.56	45.95	93
2001-02	567.62	70.00	45.95	646.96	[7]73.84	8.30	10.69	785.74	648.82	136.92	83
Total[8]	***2339.44***	***705.00***		***2893.10***	***705.00***	***8.95***	***24.11***	***3953.64***	***3500.56***		

Source:- Audited Accounts of DRDA's

3.3.7 The year-wise details of expenditure is shown in *Appendix – XVIII*.

Release of fund at the end of the year

3.3.8 The Central Government released second instalment of fund in between 15 and 31 March almost every year due to late submission of utilisation certificate and proposal for second instalment by the department and as a result funds for the current year were accounted for in subsequent years. The State Government also released their share in last month of the year resulting in accumulation of unspent balance. During 2000-01 and 2001-02, State

[3] Rs.211.29 lakh related to 1996-97 received & accounted for in 1997-98.
[4] Rs.9.52 lakh related to 1997-98 received & accounted for in 1998-99.
[5] Rs.234.49 lakh related to 1998-99 received & accounted for in 1999-2000.
[6] Rs.194.71 lakh related to 1999-2000 received & accounted for in 2000-01.
[7] Rs.288.65 lakh related to 2000-01 received & accounted for in 2001-02.
[8] In column total availability of fund includes opening balance+interest earned during the year.

Government released funds not matching with the Central share. The second instalment of Central share for the 2001-02 was not released as of March 2002.

Non-receipt of Central assistance

3.3.9 The department failed to obtain an amount of Rs.140.73 lakh during 1997-98, 1999-2000 & 2000-01 because of excess carry over of balance beyond the ceiling limit and late submission of proposal by the DRDAs as well short release of State share.

Maintenance of Accounts

3.3.10 In violation of guidelines of the scheme each DRDA on the basis of decision taken by the State Government remits fund to RD Department for centralised procurement of CGI sheets. The RD Department was to maintain a separate account for each DRDA but inspite of repeated persuasion the RD Department failed to produce to audit the required accounts maintained by them and as such it was difficult to ascertain the acutal position of funds. However, from the audit reports of the concerned DRDAs the following position of remittances made by them to the RD Department and the expenditure involved for procurement of CGI sheets emerges: -

3.3.11. Remittance made by the DRDA, quantity of CGI sheet procured and expenditure involved yearwise were as under:-

Table No.3.12 *(Rupees in lakh)*

Year	Remittance made by the DRDA	Quantity procured (in bundles)	Value of materials*
1997-98	726.40	30460	774.40
1998-99	336.45	24525	662.13
1999-2000	1008.89	26165	706.41
2000-01	647.77	32725	883.52

Note-From 2001-02, cost of CGI sheets are paid by the DRDAs to the supplier

3.3.12 Out of Rs.883.52 lakh being cost of CGI sheet during 2000-01 only payment for 22725 bundles for Rs.613.53 lakh was made by the department. DRDAs were asked to clear the payment for remaining cost of 10,000 bundles. The RD Department also utilised the local sales tax deducted from the suppliers' bills to meet the excess expenditure.

Planning

Scheme implemented without survey of house shortage

3.3.13 The target group of beneficiaries were BPL families as well as homeless people of the State. The department embarked on the scheme without any survey till 1996-97. In 1997-98, a house hold survey of BPL families was conducted but no attempt was made to ascertain the actual house shortage and number of katcha houses required to be upgraded.

3.3.14 The census conducted by the department during 1997-98 showed a total number of 91555 BPL household exists in the State but the department failed

* Including local tax

to prepare any prospective plan to provide houses to the homeless people of the State. Thus, the whole process of planning was faulty.

Identification of beneficiaries

3.3.15 As per guidelines of the scheme each Gram Sabha (in Nagaland, VDB) was to select the beneficiaries from the list of eligible group of people, but interference of MLAs/high officials in selection process in violation of the guidelines resulted in extending the benefit to non-entitled groups. Audit scrutiny also corroborated the involvement of MLAs and departmental officers in selection process. The Government issued an order (in September 1997) fixing a 10 *per cent* quota in selection of beneficiaries for departmental officers. This further worsened the situation. The department has also failed to consider other categories of beneficiaries such as physically handicapped and families of military/paramilitary forces who died in action. Thus, the beneficiary identification process was faulty and it did not conform to the guidelines of the scheme. Number of BPL and non-BPL beneficiaries selected by VIPs in Phek and Kohima districts were as under:-

Table No.3.13 **(Rupees in lakh)**

Year	District	Beneficiaries selected			Expenditure (on average cost of 5 bundles CGI sheet @ Rs.13700)			Remarks
		BPL (Nos.)	Non-BPL (Nos.)	Total (Nos.)	BPL	Non-BPL	Total	
1998-99	Kohima	20	10	30	2.74	1.37	4.11	Under VIP quota
	Phek	7	56	63	0.96	7.81	8.77	
	Total	**27**	**66**	**93**	**3.70**	**9.18**	**12.88**	
1999-2000	Kohima	10	Nil	10	1.37	Nil	1.37	Under VIP quota
	Phek	16	62	78	2.08	6.74	8.82	
	Total	**26**	**62**	**88**	**3.45**	**6.74**	**10.19**	
2000-01	Kohima	20	30	50	2.74	4.11	6.85	Under VIP quota
	Phek	1	45	46	0.14	4.74	4.88	
	Total	**21**	**75**	**96**	**2.88**	**8.85**	**11.73**	
Total:-		**74**	**203**	**277**	**10.03**	**24.77**	**34.80**	

Physical performance

3.3.16 The department's decision to provide 5 bundles of CGI sheets to the beneficiaries without any other assistance resulted in denial of full housing benefit to the rural people as they were forced to arrange other materials required to complete the construction of their houses. The department, however, stated (August 2002) that other materials viz, timber, bally post and bamboo etc. were provided free of cost by Village Council/Village Development Board from community forest.

3.3.17 As per the information furnished by the department the following number of beneficiaries were provided with the CGI sheets for construction of their houses during 1997-98 to 2001-02.

Table No.3.14

Year	Total fund [9] available for providing assistance to beneficiaries (Rupees in lakh)		Target fixed (Nos.)		Target that ought to have been fixed (Nos.)		Achievement (Nos.)		Percentage of achievement		Expenditure (Rupees in lakh)	
	New construction	Up-gradation	New construction	Up-gradation	new construction	Up-gradation	New construction	Up-gradation	New construction	Up-gradation	New construction	Up-gradation
1997-98	829.25	---	8988	---	6053	---	5763	--	64%	---	779.99	---
1998-99	529.60	---	9718	---	3866	---	2290	---	24%	---	352.65	---
1999-2000	1023.16	124.10	9718	1500	7468	906	6175	1531	64%	102%	883.55	1553.01
2000-01	573.88	154.63	9718	1500	4189	1129	3899	1006	40%	67%	582.11	100.56
2001-02	555.73	136.52	3027	1517	4056	996	3116	1325	103%	87%	452.31	123.99
Total	***3511.62***	***415.25***	***41169***	***4517***	***25632***	***3031***	***21243***	***3862***	***52%***	***85%***	***3050.61***	***377.56***

Source:- Departmental figures
(Target should have been calculated on average cost per unit @ Rs.13700 i.e. cost of 5 bundle CGI sheet @ Rs.2596+Rs.4 *per cent* local tax + Rs.200 transportation and incidental charge.)

3.3.18 The achievement as projected by the department during 1997-98 to 2001-02 varied between 24 *per cent* to 103 *per cent* in respect of new houses and 67 *per cent* to 102 *per cent* in respect of upgradation (at an average 52 *per cent* and 85 *per cent* for new houses and upgradation respectively). It was noticed that during 2001-02, CGI Sheet was not issued to the beneficiaries and achievement shown during the year actually pertains to the year 2000-01. Further, the department had procured 113875 bundles of CGI Sheets during 1997-98 to 2000-01. With that quantity only 22775 units could have been covered as 5 bundles of CGI Sheets were issued to each unit irrespective of the type of house construction whereas the department projected coverage of 25103 units which is not possible with reference to norms adopted for coverage. Thus, coverage projected by the department was inflated.

Mis-reporting of performance

3.3.19 There was a difference between the achievement reported by the department and actual achievement made in terms of CGI Sheets received by the test checked blocks under respective DRDAs.

[9] Note:- Funds available for providing assistance to beneficiaries has been worked out deducting the amount transferred to project administrative expense account from total available funds (Reference: table below para 3.3.6) up to the year 1998-99.

3.3.20 Achivement of houses including upgradation reported by the department.

Table No.3.15

Name of the DRDAs	*1997-98*	*1998-99*	*1999-2000*	*2000-01*	*2001-02*	*Total*
Kohima & Dimapur[10]	1142	152	1605	1127	608	4634
Mokokchung	844	403	925	704	585	3461
Tuensang	1189	349	1985	733	1003	5259
Mon	795	502	1106	887	830	4120
Wokha	539	228	594	639	474	2474
Zunheboto	647	236	769	450	475	2577
Phek	607	420	722	365	466	2580
Total	**5763**	**2290**	**7706**	**4905**	**4441**	**25105**

3.3.21 Achievement found in test checked block under the DRDAs.

Table No.3.16

Name of the DRDAs	1997-98	1998-99	1999-2000	2000-01	2001-02	Total	Total reported achievement (as in table above DRDA wise)	Short fall against reported achievement
Kohima & Dimapur	1040	1082	675	739	Nil	3536	4634	1098
Mon	504	550	1019	1209	Nil	3282	4120	838
Phek	412	462	676	522	Nil	2072	2580	508
Total :-	**1956**	**2094**	**2370**	**2470**	Nil	**8890**	**11334**	**2444**

3.3.22 The above table shows that there was lack of factual reporting of performance by the department. The performance was overstated to the extent of 30 *per cent* in test checked blocks. Thus, an amount of Rs.356.94 lakh representing the cost against 2644 number houses (@ Rs.13,500) as included in programme expenditure was mis-reported. Besides, the achievement shown during 2001-02 was not based on facts because no CGI sheet procured for the year have been issued from the Central Store, Dimapur to the respective BDOs till March 2002. On being pointed out by audit, the department clarified that the achievement shown in the year 2001-02 was actually spillover works pertaining to earlier year and materials procured for the year 2000-01 issued in the year 2001-02. As regards upgradation of katcha house to pucca/semi pucca house, the cost ceiling was upto Rs.10000 but the department issued only 5 bundles of CGI sheets to each beneficiary value of which is Rs.13500 irrespective of category of house. The BDOs also did not show any performance in respect of upgradation as well as achievement in 2001-02. Thus, it is clear that the reports/returns submitted monthly/six monthly to the Central and State Government were not based on any feed back from the implementing agencies. They are based on hypothetical figures having no relation with the actual performance and reports from DRDAs. DRDAs did not maintain details of monthly progress made by the blocks under their control as appearing in the proforma containing monthly achievement furnished to audit.

10 The achievement in respect of Kohima & Dimapur shown together as the DRDA Dimapur was created during 1999-2000 but the Ministry released the fund together in the name of DRDA Kohima and progress report was also sent together.

Denial of basic amenities

3.3.23 As envisaged in the guideline of the scheme each house was to be provided with basic amenities like sanitary, latrine, smokeless chullah but the department failed to provide these ameneties thus denying the beneficiaries the benefit of a clean and hygeinic environment.

Material Management

3.3.24 As per decision taken by the department to procure CGI sheets centrally, the rate of the CGI sheet was fixed @ Rs.2596 per bundle (approximate 50 kg) + Rs.4 *per cent* local sales tax after calling of tender from the local suppliers. The rate was given effect from October 1997 and prior to that the rate was fixed at Rs.2360 per bundle. The rate fixed was much higher than the rate of the Steel Authority of India who had a stockyard at Dimapur (Nagaland) till September 1999. Thereafter it was closed. Till September 1999,[11] the department spent an extra amount of Rs.620.46 lakh in procurement of required CGI sheet. The difference is worked out as under:-

3.3.25 SAIL's rate during 1997-98 of (0.50 mm) CGI sheet was Rs.29589 + Rs.4 *per cent* local sales tax =Rs.30773 + Rs.50 as transportation cost per MT from SAIL's stockyard to departmental godown at Dimapur = Rs.30823 per MT.

3.3.26 During 1998-99 (upto September 1998), the SAIL's rate was Rs.27130+ Rs.4 *per cent* local sales tax + Rs.50 carriage charge = Rs.28265 per MT. The department procured 19545 bundles (50 kg each) in early part of 1997-98 and thereafter 10915 bundle in 1997-98 and 24525 bundle in 1998-99 (upto September 1998) respectively.

3.3.27 The difference of price shown below:-

Table No.3.17

Year	The price fixed and paid by the department/MT (Rs.)	SAIL rate per MT (Rs.)	Difference (Rs.)	Quantity procurred	Excess price (Rupees in lakh)
1997-98	49080	30823	18257	19545 bundles = 977.25 MT	178.41
	54000	30823	23177	10915 bundles = 545.75 MT	126.48
1998-99	54000	28265	25735	24525 bundles = 1226.25 MT	315.57
Total:-					**620.46**

3.3.28 Thus, the department could have saved Rs.620.46 lakh had it procured material from SAIL instead of procuring from outside agencies for Rs.1436.51 lakh i.e, paying 42.70 *per cent* more. The amount could have been utilised fruitfully in programme which could cover 4596 units as per norms fixed by the department.

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[11] The rate from September 1999 to March 2002 could not be collected from Guwahati inspite of constant follow up with SAIL

Calculation:-

1. @Rs.2360.00 (old rate) + Rs.4 *per cent* local sales tax = Rs.2454 per bundle X2X10= Rs.49080.00 per MT
2. @ Rs.2596 (new rate) + Rs.4 *per cent* local sales tax = Rs.2700.00 per bundle X2X10= Rs.54000 per MT.

CGI Sheets issued in the name of beneficiaries not actually reaching them in full

3.3.29 On receiving CGI Sheets from the central godown the BDOs delivered the same to the Village Development Boards (VDB) instead of to the beneficiaries directly, violating the guidelines of the scheme as well as administrative orders. Records of 4 VDBs under BDO Phek and Pfutsero in Phek district were examined and following discrepencies were noticed.

Table No.3.18

Name of the VDB		**I A Y**				
BDO, Phek		**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**Total**
Losami	Material issued by the BDO Phek	25 bundles	20 bundles	30 bundles	30 bundles	105 bundles
	Material received and issued by the VDB	9 bundles	15 bundles	15 bundles	13 bundles	52 bundles
	Discrepancies	16 bundles	5 bundles	15 bundles	17 bundles	53 bundles
Chosaba	Material issued by the BDO Phek	40 bundles	20 bundles	20 bundles	30 bundles	110 bundles
	Material received and issued by the VDB	25 bundles	10 bundles	10 bundles	---	45 bundles
	Discrepancies	15 bundles	10 bundles	10 bundles	30 bundles	65 bundles
Kutsapoa	Material issued by the BDO Phek	25 bundles	40 bundles	30 bundles	30 bundles	125 bundles
	Material received and issued by the VDB	25 bundles	25 bundles	25 bundles	30 bundles	105 bundles
	Discrepancies	---	15 bundles	5 bundles	---	20 bundles

3.3.30 The BDO, Pfutsero, issued a total 115 bundles of CGI sheet to the VDB, Chezami under IAY and PMGYduring 1997-98 to 2000-01 but nothing was recorded regarding receipt and issue of materials in the VDB office. The Secretary of the VDB issued a certificate to audit that a total 156 bundles of CGI sheets under IAY and PMGY were received in their locality and distributed by local VIPs. Further in all VDBs, records test checked showed distribution of CGI sheets to the beneficiaries without quoting any BPL numbers and signatures or thumb impression of the recepients. Thus, total shortage of 138 bundles of CGI sheets (value Rs.3.73 lakh) in 3 VDBs and 115 bundles in another VDB (Chizami) for which no records was maintained proved that the materials issued in favour of the beneficiaries had not actually reached them in full.

Short receipt of materials

3.3.31 CGI sheets received by the BDOs from central store are entered in their stock registers and distributed to the beneficiaries through VDBs. Scrutiny of records of 15 BDOs under test checked blocks revealed a total shortage of materials amounting to Rs.71.82 lakh[12] under 4 DRDAs. This showed weakness in the exercise of sound internal control by the department as required for successful implementation of the scheme. Details are shown in *Appendix-XIX.*

Benefit extended to non-BPL groups

3.3.32 The benefit under rural housing was meant for rural people under BPL group and certain other specified categories of people but the department extended the benefit of the scheme to non-entitled group which was specifically mentioned in the report of Dr. Thapliyal (May 1998). Director, North Eastern Regional Centre and National Institute of Rural Development

12 Rs.(560+1015+785+300) bundles =2660 bundles X Rs.2700.00 = Rs.71.82 lakh.

(NIRDNREC) and the State Government also admitted the fact and directed (March 1999), the Director, Rural Development Department to utilise Rs.96.75 lakh out of State share of Rs.220 lakh during 1998-99 for BPL group which was wrongly utilised for non-BPL families in earlier year. But the Government's direction contradicts its order (September 1997) providing 10 *per cent* quota in selection of beneficiaries by the departmental officers and VIPs. This resulted in extension of benefit to non-entitled groups, a fact corroborated during audit of records of BDOs under test check. Records made available to audit showed that a total numbers of 2881 non-[13]BPL families and 6009 BPL families received the benefit of housing scheme as shown under:

Table No.3.19

Name of the DRDAs	1997-98				1998-99				1999-2000				2000-2001			
	No. of beneficiaries		Assistance [14]provided (Rs. in lakh)		No. of beneficiaries		Assistance provided (Rs. in lakh)		No. of beneficiaries		Assistance provided (Rs. in lakh)		No. of beneficiaries		Assistance provided (Rs. in lakh)	
	BPL	Non-BPL	BPL	Non-BPL	BPL	Non-BPL	BPL	Non-BPL	BPL	Non-BPL	BPL	Non-BPL	BPL	Non BPL	BPL	Non-BPL
Kohima and Dimapur	295	745	40.41	102.07	852	230	118.92	31.51	521	154	71.38	21.10	597	142	81.79	19.45
Mon	445	59	67.68	8.63	489	61	66.99	8.36	922	97	126.31	13.29	1196	13	163.88	1.78
Phek	34	378	4.66	51.78	109	353	15.48	48.50	277	399	37.68	53.59	272	250	37.27	32.63
Total	**774**	**1182**	**112.75**	**162.48**	**1450**	**644**	**201.39**	**88.37**	**1720**	**650**	**235.37**	**87.98**	**2065**	**405**	**282.94**	**53.86**

Note:- No material was issued during 2001-02.

3.3.33 The benefit provided to non-BPL families represents 32 *per cent* of actual achievement (8890 beneficiaries) in 4 districts involving expenditure of Rs.392.69 lakh. Thus, the department failed to implement the scheme as per guidelines by extending benefit to non-entitled group.

Unauthorised excess expenditure

3.3.34 BDO Chen and BDO Tizit under DRDA Mon issued 10 bundles of CGI sheet each to 53 and 10 beneficiaries respectively during 1997-98 against the department's decision of 5 bundle to each beneficiary. This involved an unauthorised excess expenditure of Rs.8.50 lakh in violation of the norms.

Post construction functions

3.3.35 As per guidelines, the implementing agencies are to complete the inventory of houses giving detail of commencement and completion of the houses indicating the name, address of the beneficiaries and also display of IAY Logo by each house. But none of the BDOs test checked maintained any such records. As a result the houses under IAY could not be identified from the other houses constructed under various rural scheme, giving rise to the possibility of overlapping of benefits of those schemes with IAY.

[13] Kohima and Dimapur:1271 + Mon : 230 + Phek : 1380=2881

[14] Assistance provided worked out at an average cost of 5 bundles CGI sheet including procurement cost and transportation

Cost i.e., Rs.13700 with reference to total quantity of CGI sheet issued to beneficiaries under each category.

Allotment of houses

3.3.36 On completion, the houses were to be allotted in the name of female members or both husband and wife of the family. It was also important to issue title deed to the house site to each beneficiary. But the BDOs failed to take required steps to issue title deeds as envisaged in the guideline of the scheme, denying the benefit of security of ownership to the beneficiaries and no house was alloted to women.

Monitoring

3.3.37 The department failed to frame any schedule of inspection of houses prescribing a minimum number of inspection to be made by the supervisory staff. None of the offices test checked right from the Directorate to the block could produce any inspection report in support of field visits conducted. A State Level Coordination Committee(SLCC) to oversee and monitor the programme is yet to be formed. During 1998-99, Sri Manmohan Singh, Deputy Secretary (EAC), Government of India (GOI), visited Nagaland as an Area Officer and made an adverse remark about the interference of local MLAs in selection of beneficiaries. But since his visit, none of the Government of India officers made any visit to the State though required to make periodical visits as envisaged in the scheme guidelines. Thus, neither at the State level nor at the Central level were any norms fixed to visit and monitor the performance of the scheme.

(B) Pradhan Mantri Gramodaya Yojana (Gramin Awaas)

3.3.38 With effect from 1 April 1999, the scheme Pradhan Mantri Gramodaya Yojana (PMGY) as a component under Rural Housing Programme based on the pattern of IAY was introduced by the Government of India throughout the country. But in Nagaland the scheme was launched with effect from 2000-01 with cent *per cent* central assistance.

3.3.39 The fund received, achievement and expenditure as reported by the department are as under:-

Table No.3.20 ***(Rupees in lakh)***

Year	Budget	Amount released by Govt. of India	Date of release	Date of release by the State Govt.	Target (in number)	Achievement	Percentage	Expenditure
2000-01	616.96	308.48	7/2000	14/3/2001	4700	4273	89	616.50
		308.47	30/3/01	30/3/2001				
2001-02	460.70	230.35	24/8/01	Rs.452.60 26/3/2002	4320	---	---	---

3.3.40 The Central Government released Rs.230.35 i.e. first instalment on 24 August 2001 for the year 2001-02 but the State released a consolidated amount of Rs.452.60 on 26 March 2002. No records as to whether Central Government released the second instalment of fund could be produced inspite of repeated pursuation.

Unauthorised excess expenditure

3.3.41 Though the department fixed a norm to allot 5 bundles CGI sheets per beneficiary, but BDOs, Wakching and Tizit in Mon district issued 10 bundles each to 78 and 6 beneficiaries respectively. Similary, BDO, Dhansiripar in

Dimapur issued 10 bundles to 20 beneficiaries and 15 bundles each to 28 beneficiaries violating the norms. Thus, an unauthorised excess expenditure amounting to Rs.21.60 lakh [15] was incurred by the BDOs. Besides, DRDA, Phek district spent Rs.0.50 lakh in purchase of CGI sheets and allotted these to three schools and BDO Meluri in Phek issued 50 bundles of CGI sheet to a non-Government organisation value of which is Rs.1.35 lakh violating the guidelines of the scheme.

Blocking of funds in fixed/civil deposit and delayed release of the funds

3.3.42 The Ministry released Rs.308.48 lakh as first instalment for 2000-01 in July 2000 but the State Government made these funds available for implementation only on 14 March 2001 i.e. after 7 months. Another instalment Rs.308.47 lakh as second instalment was released by Government of India on 30 March 2001 due to delay in submission of utilisation certificate and proposal by the department. Thereafter the State Government released the amount and arranged to keep it in Civil Deposit (March 2001) due to liquidity constraint and allowed drawal only on 27 July 2001. Thus, due to delay in release of fund by the State Government the implementation was badly affected. The fund for 2000-01 remained unutilised till March 2002.

Incorrect reporting of performance and expenditure

3.3.43 The department purchased 22375 bundles of CGI sheets @ Rs.2596 + Rs.4 *per cent* local sales tax per bundle to be issued to different blocks during October 2001 to March 2002, but reported this as their achievement during 2000-01, thereby wrongly reporting the performance. Though the total cost of CGI sheets and transportation cost was Rs.607.93 lakh, the department reported utilisation of total amount of Rs.616.95 lakh thus, leaving unutilised balance of Rs.9.02 lakh.

Evaluation

3.3.44 The impact of the scheme on the target group is required to be evaluated at regular intervals and action taken on drawbacks/deficiencies noticed and recommendations made for their removal to improve take the implementation. During May 1998, a team from NIRD-NERC (North Eastern Regional Centre of National Institute of Rural Development), Guwahati consisting of Dr. B.K. Thapliyal, Director and Sri.V.K. Krishnamurthy, Assistant Director visited Nagaland. They recommended that at least Rs.1000 per beneficiary to be paid to help the poor people to construct their houses. They also recommended adequate provision of fund for other necessary facilities such as sanitary latrine and smokeless chullah. Other deficiencies such as the interference of VIPs in selection process from non-BPL group and procurement of inferior quality of CGI sheets from local suppliers were specifically pointed out in their report. No action to remove the drawbacks/deficiencies on the part of the department is on record. Since then no further evaluation was done.

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[15] Total expenditure= 104 X 5 bundles and 28 X 10 bundles = 520 + 280 = 800 bundles @ Rs.2700 = Rs.21.60 lakh.

Recommendations

3.3.45 Effective steps need to be taken for procurement of roofing materials from Steel Authority of India where the price is less and the quality beyond question and for supply to the beneficiaries directly without involving any third party.

3.3.46 Selection of beneficiaries should to be done strictly as per guideline of the scheme after collecting information on house shortage and houses required to be upgraded in the State preferably by conducting house hold survey. The continuation of provision of 10 *per cent* quota for department offices/VIPs in selection of beneficiaries may be re-examined.

3.3.47 The internal control system regarding maintenance of store may be strengthened and reporting system in respect of physical and financial progress need be made fool proof.

3.3.48 The matter was reported to Government in July 2002; their replies had not been received (February 2003).

RURAL DEVELOPMENT DEPARTMENT

3.4 Swarnjayanti Gram Swarozgar Yojana

Highlights

Swarnjayanti Gram Swarozgar Yojana (SGSY) aims to provide sustainable income to the rural poor by establishing a large number of micro enterprises in the rural area and bring every family assisted under this scheme funds above the poverty line in a period of three years. The programme was not adequately monitored and its evaluation was not generally done. There was shortfall in the coverage of vulnerable groups of the society.

Physical and financial progress reports prepared and submitted to the Government of India were not based on facts. Actual progress was not ensured.

(Paragraph 3.4.10)

The progress of 3911 BPL families identified and assisted under the scheme in 15 blocks was not monitored and evaluated. Achievement in percentage was only 0.08 BPL family brought above poverty line.

(Paragraph 3.4.17)

Lack of active participation of banks adversely affected implementation of the programme.

(Paragraph 3.4.25)

Funds amounting to Rs.5.77 lakh released by the Director, Rural Development Blocks could not be accounted for.

(Paragraph 3.4.53)

Introduction

3.4.1 Swarnjayanti Gram Swarozgar Yojana (SGSY) was launched in Nagaland from 1 April 1999 by restructuring and merging of erstwhile self employment programmes like Integrated Rural Development Programme (IRDP), Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tools Kits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY). The scheme was started by the Central Government to cover all aspects of self employment by organising the poor into self help groups (SHG) and meeting their training, credit, technology, infrastructure and marketing requirements to bring them above the poverty line in 3 years (1999-2000 to 2001-2002). The coverage was to be given to the people living below the poverty line (BPL).

Objectives/ salient features

3.4.2 The objective of Swarnjayanti Gram Swarozgar Yojana (SGSY) is to provide sustainable income to the rural poor by establishing a large number of micro-enterprises in rural areas generating self employment opportunities. The aim was to bring the assisted families (Swarozgaris) above the poverty line in three years by ensuring that the individual family had a monthly net income of at least Rs.2000 excluding repayment, be providing income generating assets through a mix of bank credit and Government subsidy.

Audit Coverage

3.4.3 The implementation of the Swarnjayanti Gram Swarozgar Yojana was reviewed in audit (April – June 2002) by test check of the records for the period from 1999-2000 to 2001-2002 in the office of the Director, Rural Development, 4 Districts Rural Development Agencies* (out of 8) and 15 Block Development Officers** (out of 52) covering an expenditure of Rs.474.59 lakh (67 *per cent*) during the period.

Organisational set up

3.4.4 Implementation of the scheme under normal programme was vested with the Rural Development Department headed by a Director, one Jt. Director and eight Project Directors (PDs) for each district of Kohima, Mokokchung, Tuensang, Wokha, Phek, Mon, Zunheboto and Dimapur. Altogether 52 blocks are under these Project Directors headed by one Block Development Officer each. At grass roots level Village Development Boards (VDBs), akin to Panchayati Raj

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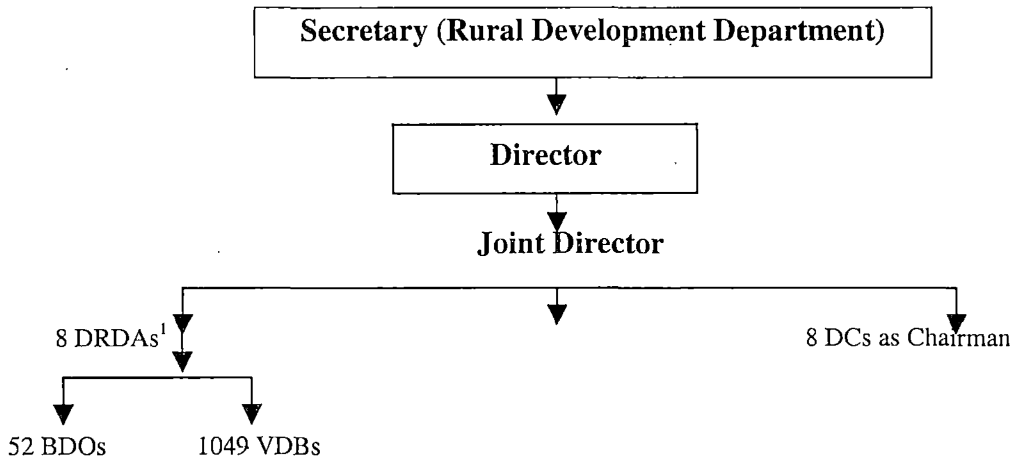
* Kohima, Mokokchung, Tuensang and Wokha

** Peren, Chiphobouze, Jaluke, Wokha, Wozhuru, Chukitong, Changtongya, Monkolemba, Ongpangkong (North), Ongpangkong (South), Chare, Sangsangyu, Chesoore, Noksen and Longkhim.

Institutions in other states, are also participating in implementation of the scheme to provide help and assist the self help groups and beneficiaries. Flow chart of organisational set up is shown below:-

Chart No.3.1



3.4.5 In addition there is a State Level Co-Ordination Committee (SLCC) headed by Secretary, Rural Development as Chairman and in each district, District Level Committee (DLC) headed by Deputy Commissioner of the district as a Chairman for co-ordination and monitoring.

Financial Outlay and Expenditure

3.4.6 SGSY was funded by the Centre and the State in the ratio of 75:25. The unspent balances of erstwhile programmes as on 1 April 1999 were pooled under SGSY and utilised accordingly. Besides, 15 *per cent* funds out of total SGSY allocation were set apart by the Government of India for special projects under SGSY. Funds were directly released by the Government of India/State Government to the DRDAs.

3.4.7 Financial position showing allocation made by the Central/State Government release thereagainst and expenditure incurred etc. are shown in the *Appendix XX*.

i) Funds released by the Government of India compared to funds allocated during 3 years(1999-2002) are 56, 47 and 32 *per cent* respectively which fell short of allocated amount. Overall shortage, therefore, amounted to 55 *per cent* of allocation. The short release by the Government of India was due to excess carry over of funds as well as short release of State share. Simultaneously, fund

1 DRDA (District Rural Development Agencies), DC (Deputy Commissioner), BDO (Block Development Officer) , VDB (Village Development Board)

released by Government of Nagaland constituted 89 *per cent* of funds allocated by them in 3 years. Thus, there was shortfall in the release to the extent of 11 *per cent.* Reasons for short release were not on record.

ii) Funds utilised during 1999-2002 out of total fund available are to the extent of 76, 52 and 71 *per cent*. Reason for under utilisation of fund was not on record.

iii) As per guidelines the unspent fund (Rs.206.08 lakh) under IRDP[2], TRYSEM[3], DWCRA[4], GKY[5], SITRA[6] and MWS[7] as of March 1999 were to be transferred to SGSY in April 1999. An amount of Rs.70.80 lakh only was transferred during 1999-2000. The balance of Rs.135.28 lakh was spent on clearance of pending cases under erstwhile programmes upto September 1999, in violation of the new guidelines.

iv) Out of total available funds in 2001-2002, DRDA, Tuensang sanctioned Rs.105.78 lakh[8] and reported it as final expenditure. Scrutiny of records revealed that the entire amount remained unspent with the implementing agency in cash/Deposit at Call/cheques. Thus, the reporting of expenditure was incorrect and misleading (Details are discussed in succeeding paragraphs).

Physical and financial achievements

3.4.8 The objective of the SGSY was to extend benefit to at least 30 *per cent* of the total BPL population within 5 years to bring every assisted families above the poverty line. Test check of records of 4 districts revealed the following facts:-

Number of BPL families covered in 4 test checked districts during 1999-2000 to 2001-2002 were as under:-

Table No.3.21

Name of District	Total BPL families	Coverage
Kohima	15211	800 (5)*
Wokha	6567	800 (12)
Mokokchung	8936	1232 (14)
Tuensang	20032	1051 (5)
Total	50746	3883 (8)

Source:- Departmental figures

*** Figure in bracket represents percentage**

3.4.9 Thus, the achievement during the last three years constituted 8 *per cent* only of the total BPL population which was far below the targeted goal of 18 *per cent* to be covered within 3 years.

[2] Integrated Rural Development Programme
[3] Training for Rural Youth on Self Employment
[4] Development of Women and Children in Rural Area
[5] Ganga Kalyan Yojana
[6] Supply of Improved Tool kits to Rural Artisan
[7] Million Well Scheme
[8] (Rs.87.43 lakh for Subsidy, Rs.11.71 lakh for Training and Rs.6.64 lakh for Infrastructure Development)

3.4.10 Financial achievement reports prepared and submitted by the Director, Rural Development Department to the Government of India, Ministry of Rural Development were not supported by basic records of release of assistance by the banks/assets register etc. From *Appendix XXI*, it would be noticed that the amount of assistance released by the banks constituted 12 *per cent* of the total assistance released by the DRDAs during 1999-2000 to 2001-2002. This indicates the poor participation of banks in the implementation of SGSY, defeating the intention of the scheme that under any circumstances under financing was to be avoided by the banks.

Planning

3.4.11 Guidelines provided that, meaningful and effective implementation of the programme depends upon adequate planning at DRDA level for regular release of funds, key activities selection, identification of Swarozgaris, matching the activities with beneficiaries before release assistance, skill upgradation, technical transfer, market support and co-ordination with banks and line department involve in the process. Test check of records revealed that involvement of banks was negligible and no evaluation to ascertain the proper utilisation of the assistance received by the Swarozgaris had been done at block/district level.

Preparation of Annual/Perspective Plans

3.4.12 The department did not prepare annual plans and 5 year perspective plans. The release of fund was on the basis of utilisation certificate submitted by each DRDAs to the Government of India, Ministry of Rural Development. Thus, in absence of annual plans shortfall in achievement could not be ruled out in audit.

Identification of BPL families

3.4.13 The Directorate carried out the latest survey during the year 1997-98 to identify the total number of BPL families in the State. Thereafter no such survey or monitoring was done to update the list or identify the new BPL families to reflect the position of improvement or otherwise in the standard of living and achievement in self reliance after implementation of the scheme during the period 1999-2000 to 2001-2002.

Identification of Key Activities

3.4.14 Key activities identified for attaining self-reliance by the self-help groups and individuals were based mainly on local skills and resources available. Test check of records relating to 4 DRDAs (15 blocks) revealed that thrust was given mainly to livestock based activities which has local demand for consumption such as piggery and fishery.

3.4.15 The block level SGSY Committee was to identify the key activities through a participative process of interaction with village heads, groups of rural poor, surveys of banks/technical organisations and with the recommendation of the VDBs forwarded to the District Level SGSY Committee for selection and grant of assistance. Scrutiny of records revealed that though the key activities were identified by the BDOs based on the local talent and resources in many cases, line departments and banks were not involved in identification of key activities as required under the scheme.

Evaluation, performance and achievement

3.4.16 Performance of the key activities were to be reviewed/ evaluated at the end of two years to ensure that Swarozgaris taking up the activities could realise the minimum income of Rs.2000 per month after repayment of bank loan.

3.4.17 Test check of records relating to 15 blocks revealed that no review /evaluation on the performance of the key activities had been done to ascertain its success/progress during 1999-2002. It would be seen from *Appendix XXII* that out of 3911 BPL families identified and assisted under the scheme only 3 BPL families (i.e., 0.08 *per cent*) could be raised above poverty line or could earn Rs.2000 per month. This poor achievement frustrated the objectives of the scheme in the State.

Preparation of Project Reports

3.4.18 Project Report for each key activities were to be prepared by the BDOs at block level indicating details on project cost, unit cost, number of individuals/SHGs to be covered etc. which were to be submitted to the Project Director. Test check of records relating to 4 DRDAs, revealed that the project reports for each key activities in respect of DRDA, Wokha and Tuensang were not prepared with the involvement of banks and line departments. Thus, due to non-involvement of banks and line departments, the Swarozgaris were deprived of necessary training/ skill and infrastructure created by the line departments.

Identification of Swarozgaris/formation of Self Help Groups

3.4.19 As per guidelines, BDOs, banks and VDBs were required to select the Swarozgaris through field visits. Test check of records revealed that the Swarozgaris of both individual and SHGs categories were selected from the list of BPL households by the BDOs,VDBs and approved and sanctioned by the DRDAs and no involvement of bankers were on record.

3.4.20 With the objectives of eradicating poverty and secure greater success to credit and other support services for enhancing the income levels, rural poor belonging to BPL families have volunteered to organise themselves into groups (consist of 10 to 20 and minimum of 5 persons). Though BDOs/ banks were required to visit the SHGs and explain about the process of graduation into taking up fullfledged self employment activities and DRDAs were required to enhance the grading exercise but these agencies were not involved in the process of graduation.

Programme Implementation

3.4.21 The scheme was operational and implemented in all the 8 districts in the state. The districts covered under the scheme along with total population, number of blocks, details total number of BPL population (category-wise) etc. are shown in the *Appendix - XXIII.*

Assistance to Individuals

3.4.22 SGSY is a credit-cum-subsidy programme, credit is a major component and subsidy being only a minor and enabling element. The banks were to be involved closely in planning and preparation of projects, identification of activity clusters, infrastructure planning as well as capacity building and choice of activity of the SHGs, selection of individual Swarozgaris pre-credit activities and post-credit monitoring, including loan recovery.

3.4.23 Test check of records relating to four districts covered in audit revealed that the involvement of banks were negligible which has adversely effected successful implementation of the programme. The following table would indicate the position of subsidy released/sanctioned so far and the position of release/sanction of loan by banks.

Table No.3.22

Year	As per records of SBI (R.O), Dimapur		As per records of Departments		Difference in No. of beneficiaries Shortage(-) Excess(+)	Difference in release of subsidy (Rs. in lakh)
	Number of beneficiaries	Subsidy (Rs. in lakh)	Number of beneficiaries	Subsidy (Rs. in lakh)		
1999-2000	1410	--	1560	56.63	(-) 150	(-)56.63
2000-01	1264	21.20	1695	75.81	(-)431	(-)54.61
2001-02 (upto Dec. 2001)	445	59.92	3782	200.36	---	---

Source:- Figures furnished by SBI Regional office, Dimapur

3.4.24 It would be seen from the above table that the banks were resorting to part payment/under finance without showing the position of pending disbursement. This went against directives of RBI that full amount of loan and subsidy was to be released to Swarozgaris and under any circumstances under financing was to be avoided. The SBI Regional Office, Dimapur could not furnish district-wise and bank-wise position of disbursement. Thus, the projected amount were not reliable since these were not supported by feed back report from the branch banks.

Role of Banks on release of subsidy

3.4.25 Study of materials collected from few banks revealed that participation of bank was quite poor and the same had resulted in the failure of programme as detailed in the table below:-

Table No.3.23

(Rupees in lakh)

Name of DRDA	Name of Bank	Amount released by DRDA to Banks	Amount released by Banks	Pending disbursement
Kohima, DRDA	SBI, Main Branch, Kohima	3.80	0.20	3.60
Kohima, DRDA	UCO Bank, Kohima	2.35	0.50	1.85
Kohima, DRDA	UBI, Kohima	1.30	---	1.30
Wokha, DRDA	SBI, Wokha	18.09	3.62	14.47
Wokha, DRDA	Bank of Boroda, Wokha	14.91	2.34	12.57
Tuensang, DRDA	SBI, Main Branch, Tuensang	74.93	---	74.93
Tuensang, DRDA	Allahabad Bank, Changtongya	3.37	---	3.37
Total		***118.75***	***6.66***	***112.09***

Thus, out of Rs.118.75 lakh, the bank had released only Rs.6.66 lakh to the beneficiaries.

3.4.26 It was noticed in audit that the banks were releasing only the subsidy portion and withholding the loan portion. In some cases only the loan portion is being released keeping the subsidy portion as security. The branch managers were authorised to sanction projects costing only Rs.0.50 lakh under an old instruction issued by SBI, the lead bank in Nagaland. Fresh instructions in light of RBI guidelines to banks authorising sanction of loans upto Rs.3.00 lakh without insisting on security were yet to be issued by the lead bank.

Self Help Groups (SHGs)

(i) Evolution of Self Help Groups (SHGs)

3.4.27 On test check of records, it was revealed that Rs.202.82 lakh (Rs.188.40 lakh being subsidy + Rs.14.42 lakh being Revolving Fund) were sanctioned and cheques were issued by the four DRDAs to the respective block offices for making payment to the Swarozgaris through service area banks during 1999-2002. But no disbursal report of the banks and assets registers were available at block/ district level. Further, no evaluation was conducted after incurring such a massive expenditure. The absence of such records cast a doubt over any benefit derived by 3911 identified Swarozgaris.

(ii) Revolving Fund

3.4.28 As per the guidelines, every SHGs which is in existence for six months and demonstrated the potential of a viable group will be provided with a revolving fund of Rs.10,000. Test check of records of four DRDAs revealed that except in some cases SHGs were not provided with adequate revolving fund (RF) during the last three years as detailed below:

Table No.3.24 *(Rupees in lakh)*

Name of DRDA	1999-2000			2000-2001			2001-2002		
	No. of SHGs formed	Amount of R/F released	Shortage(-) Excess (+)	No. of SHGs formed	Amount of R/F released	Shortage(-) Excess (+)	No. of SHGs formed	Amount of R/F released	Shortage(-) Excess (+)
Kohima	23	2.30	--	8	0.80	--	3	0.30	--
Wokha	24	--	(-) 2.40	27	3.82	(+)1.12	15	-	(-)1.50
Mokokchung	22	1.00	(-) 1.20	30	2.70	(-) 0.30	30	3.50	(+)0.50
Tuensang	--	--	--	--	--	--	26	--	(-)2.60

Infrastructure Development

3.4.29 As per scheme guidelines 25 *per cent* of the allocation should have been spent on SGSY infrastructure development. Marketing support is an essential component of infrastructure development. In Nagaland whatever key activity have been undertaken by the beneficiaries were based on availability of local resources and traditional skills. Key activities have been undertaken mainly in the field of livestock rearing such as piggery, fishery and also sericulture. There is enough local demand for pigs and fish. Test check of records related to 4 DRDAs revealed that the following amount had been spent in this sphere during 3 years from 1999-2000 to 2001-2002 as shown below:-

Table No.3.25

(Rupees in lakh)

Name of DRDA	1999-2000			2000-2001			2001-2002			Total fund available	Total Expdr.	Percentage of Expdr.
	Fund available	Expdr.	Percentage of Expdr.	Fund available	Expdr.	Percentage of Expdr.	Fund available	Expdr.	Percentage of Expdr.			
Kohima	120.08	10.00	8	49.52	--	--	97.27	6.15	6	266.87	16.15	6
Mokokchung	40.39	2.63	7	28.17	6.92	25	43.63	10.30	24	112.19	19.85	18
Wokha	35.56	--	--	27.21	7.52	28	23.32	3.97	17	86.09	11.49	13
Tuensang	70.13	10.30	15	70.80	8.05	11	124.74	6.64	5	265.67	24.99	9
Total	**266.16**	**22.93**	**9**	**175.70**	**22.49**	**13**	**288.96**	**27.06**	**9**	**730.82**	**72.48**	**10**

Source:- Departments accounts

3.4.30 Thus, out of available Rs.288.96 lakh in 2001-02 only Rs.27.06 lakh (9 *per cent*) was spent on infrastructure development.

3.4.31 The DRDA, Tuensang sanctioned and withdrew Rs.6.64 lakh (March 2002) reported it as final expenditure under infrastructure development. It was, however, noticed in audit that no infrastructure development work was undertaken during 2001-2002 and there was no record in support of the expenditure. This resulted in incorrect reporting of expenditure, and the risk of misappropriation of the amount also cannot be ruled out.

3.4.32 To provide marketing support 3 melas were organised at a cost of Rs.0.80 lakh by one DRDA (Kohima). The other three DRDAs failed to organise any mela or take any other steps for market development.

Skill Upgradation

3.4.33 As per scheme guidelines the success and sustainability or self-employment endeavors depend upon skill development through training programmes to be organised by the implementing agency and 10 *per cent* of the available funds had to be set apart for organising training programme. Records of 4 DRDAs and 15 Blocks revealed that 4731 Swarozgaries have been imparted various training programmes in different skills for 21358 days. The table below will indicate the position of expenditure incurred and training programme organised from time to time during last 3 years.

Table No.3.26

(Rupees in lakh)

Name of DRDA	Year	Total Fund available	10 *per cent* of total fund	Total expenditure on training	No. of Training days X No. of Trainees	Excess (+) Less (-) Over norms	No. of Swarozgaris got trained
Kohima	1999-2000	120.08	12.01	0.10	1 X 1128	(-) 11.91	1128
	2000-01	49.52	4.95	0.22	1 X 175	(-) 4.73	175
	2001-02	97.27	9.73	3.73	1 X 750	(-) 6.00	450
Wokha	1999-2000	35.56	3.56	1.78	2 X 264	(-) 1.78	264
	2000-01	27.21	2.72	2.60	2 X 270	(-) 0.12	270
	2001-02	23.32	2.33	1.59	2 X 171	(-) 0.74	171
Mokokchung	1999-2000	40.39	4.04	0.90	12 X 376	(-) 3.14	376
	2000-01	28.17	2.82	2.37	6 X 433	(-) 0.45	433
	2001-02	43.63	4.36	4.14	12 X 504	(-) 0.22	504
Tuensang	1999-2000	70.13	7.01	0.45	4 X 63	(-) 6.56	63
	2000-2001	70.80	7.08	0.31	5 X 84	(-) 6.77	84
	2001-2002	124.74	12.47	11.71	5 X 813	(-) 0.76	813
Total		***730.80***	***73.08***	***29.90***	***21358***	***(-) 43.18***	***4731***

3.4.34 Though expenditure of Rs.29.90 lakh (4 *per cent* of the available funds of Rs.730.82 lakh) was much less than 10 *per cent* of the available funds (Rs.73.08 lakh) required to be spent on training, Rs.140.00 spent for each trainee (Rs.29.90 lakh ÷ 21358) was much higher than the ceiling of Rs.15 per day per trainee, which resulted in excess expenditure to the tune of Rs.26.69 lakh.

3.4.35 Thus, the total expenditure on training was less than the prescribed norms, while the expenditure per trainee was much higher. Had the expenditure per trainee been kept within the limit prescribed by the Government of India more beneficiaries could have been imparted training or skill development.

3.4.36 Out of 2000-2001 funds, PD, DRDA, Tuensang sanctioned Rs.10.54 lakh for conducting training during 2001-2002 and reported it as final expenditure. Scrutiny of records revealed that entire amount was withdrawn on 25 March 2002 and kept out of Government account till 30 May 2002 (Close of audit). The detailed account of actual expenditure on conducting training were neither submitted by the BDOs nor was it insisted upon by the PD concerned. Thus, expenditure reported had been inflated by Rs.10.54 lakh.

Special Project

3.4.37 Government of India sanctioned (March 2001) a separate scheme for an amount of Rs.15 crore namely "Eri Development Project", having five years duration for development of Eri silk in the State specially, for Wokha and Mokokchung districts. The scheme was operational since 1 April 2000 with the same object of covering of BPL population on the same pattern of assistance of 75:25 Central/State share through self help groups (SHG) at the village level.

Organisational set up

3.4.38 State Sericulture Department was the nodal department for implementation of the scheme through two leaders of Project Implementation Team (Superintendent of Sericulture, Wokha and Mokokchung).

Audit Coverage

3.4.39 Records of Director, Sericulture and two Superintendents have been covered under test check for 2000-2001 and 2001-2002.

Finance

3.4.40 The following table indicates the position of Central share allocated, release of State share, banks assistance in the form of loan components and expenditure incurred so far.

Table No.3.27 ***(Rupees in lakh)***

Year	Central assistance		State assistance		Bank assistance		Total release	Total expdr.
	Allocated	Released	Allocated	Released	Allocated	Released		
2000-01	481.50[9]	240.75	160.50[10]	50	838.00	---	290.75	247.01
2001-2002	---	---	---	---	---	---	---	---

3.4.41 From above, it can be seen that amount released by the State was not in keeping with the ratio at which the same was to be released. The Central Government has released Rs.240.75 lakh as first instalment against which the State had released only Rs.50 lakh as against Rs.80.25 lakh after a delay of 7 months though the same was to be released within 15 days from the date of release of Central assistance leaving a shortfall of Rs.30.25 lakh. The delay in release and shortfall was attributed to late finalisation of Plan outlay and non-availability of fund which is not tenable.

3.4.42 The non-release of fund by the banks to the beneficiaries was due to poor recovery rate in the past. As a result of non-participation of banks and non-release of loan to the beneficiaries, the purpose for which assistance was given by the Central and the State is frustrated. No fund has been released by the Centre during the year 2001-2002 till the date of audit.

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[9] Allocation for both the years 2000-01 and 2001-02

[10] Allocation for both the years 2000-01 and 2001-02

3.4.43 Release of second instalment was subject to submission of utilisation certificates, audited statement of expenditure but the department has not submitted these reports so far.

Implementation

Identification of beneficiaries:-

3.4.44 Identification of beneficiaries (BPL) was undertaken by the nodal department through their field level workers. Altogether 1800 families (900 each in Wokha and Mokokchung) were identified by the department for coverage to be given in clusters (SHGs) of 10 each i.e., 180 self-help groups. The identified families or beneficiaries were selected arbitrarily though no BPL household number was assigned to them and there were no records to prove that they belong to BPL category. Basis of selection by the department could not be made available to audit.

Physical target and achievement

3.4.45 Under extension publicity (number of participants were targeted at 16000) there was shortfall in achievement of target as shown below:-

Table No.3.28

Particulars	Number of participants		
	Target	Achievement	Shortfall
Extension Publicity Meetings	16000	9500	6500
Audio Visual Programme	48	Nil	48
Printing of beneficiaries Pass Book	180	Nil	180

Source:- Departmental figure

3.4.46 Reason for shortfall could not be explained to audit.

Monitoring and Evaluation

3.4.47 No separate monitoring or evaluation report at State level/district level had been prepared other than compilation of periodical progress report.

3.4.48 The scheme guidelines provided that State Government was to monitor the progress of implementation of the programme through field visit by the Committees formed at the level of block/district/State. But no separate report of field visit undertaken by block/district/State levels were on records.

3.4.49 Further, guidelines provided annual physical verification of assistance by the officials at block/district/State level. No such report of physical verification could be made available to audit.

3.4.50 The performance of the projects executed under SGSY had not been evaluated since inception of the scheme.

Assets

3.4.51 No separate asset register showing the assets created out of assistance received by the individual beneficiaries were maintained in the DRDAs covered under audit. No physical verification of assets was also conducted.

Other points of interest

3.4.52 The balance 50 *per cent* i.e., Rs.60 lakh were parked in the Civil Deposit for 197 days and drawn and disbursed to DRDAs after a delay of another 34 days from the date of drawal out of Civil Deposit. Thus, in the process DRDAs suffered interest loss to the extent of Rs.2.06 lakh.

3.4.53 Out of the State's matching share of Rs.120.00 lakh an amount of Rs.11.54 lakh was transferred (April 2000 and October 2000) by Director, RD, Kohima to Project Director, Wokha. However, the records of Project Director, DRDA, Wokha showed a receipt of Rs.5.77 lakh only from Directorate. Thus, an amount of Rs.5.77 lakh could not be accounted for.

3.4.54 The Project Director, Tuensang received assistance of Rs.127.24 lakh from Government of India and Government of Nagaland during 1999-2002 out of which the Project Director sanctioned subsidy Rs.87.43 lakh and reported it as final expenditure during 2001-2002. Scrutiny of records revealed that Rs.8.76 lakh only in respect of two blocks was received by SBI, Tuensang as on 14 May 2002 and Rs.12.50 lakh (state share) pertaining to 2001-2002 had been kept in the form of Deposit at Call (DAC). Thus, no Swarozgaris selected out of BPL list was assisted under the scheme during 1999-2002 and expenditure for the year 2001-2002 was inflated by Rs.78.67 lakh.

3.4.55 The amount deposited in SBI was not released (May 2002). The bank replied that the project was being scrutinised.

Recommendations

3.4.56 Adequate planning and regular release of assistance which are essential to the implementation of programme may be ensured. Full involvement of bank in planning and implementation is imperative for success of scheme. They should help in preparation of project reports, expedite scrutiny and promptly release loan and subsidy amounts in keeping with the progress in implementation. Department should strengthen the monitoring mechanism. Evaluation should be done at regular interval to assess the impact of programme implementation.

3.4.57 The matter was reported to the Government in July 2002; their replies had not been received (February 2003).

SECTION – B - AUDIT PARAGRAPHS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.5 Inadmissible payment

Due to non-adherence of Government instructions, department made inadmissible payment of Rs.33.75 lakh towards messing allowances to nursing staff not provided with hostel facilities

3.5.1 Sub rule A (i) of Rule 10 (v) of Annexure – XVII under Nagaland Service (Revision of Pay) Rules, 1993 effective from 1 June 1990 envisaged that all categories of Nursing staff including student nurses who are inmates of hostel shall be paid messing allowance at the rate of Rs.300 per month.

3.5.2 Test check (May-June 1999 and July 2001) of records of the Medical Superintendent, Naga Hospital, Kohima (MS, NHK) for the period from January 1996 to March 2001 disclosed that only trainee nurses were provided with hostel facilities and other nursing staff were either provided rent free accommodation or paid house rent allowance.

3.5.3 Scrutiny revealed that MS, NHK, had irregularly drawn and paid messing allowance of Rs.33.75 lakh to various categories of nursing staff not provided with hostel accommodation during April 1993 to March 2001.

3.5.4 The matter was reported to the Government in August 1999 and February 2002; replies had not been received (February 2003).

TOURISM DEPARTMENT

3.6 Non-conducting of proper survey caused unfruitful expenditure and retention of excess cash

Due to injudicious decision to take-up project work without proper survey and examining legal implication, there was retention of Government money of Rs.22.92 lakh and unfruitful expenditure of Rs.4.08 lakh

3.6.1 In its order (June 1986) Government of Nagaland had declared the Kachari Rajbari Ruins at Dimapur as protected and prohibited any construction activity or encroachment upon the protected fenced area by any Government Department or private parties. Without taking the order into account Director of Tourism, Government of Nagaland submitted a project report for the refurbishment of monuments-Kachari Rajbari Ruins and on this basis Government of India released Rs.27 lakh (December 1996 and January 1998) for the Project work.

3.6.2 Test check (March 2001) of the accounts (September 1997 to July 2001) of the Director, Tourism, Nagaland, Kohima revealed that the Director drew Rs.27 lakh (August 1998) for the project work and spent Rs.4.08 lakh for construction work inside the prohibited area. Due to public resentment arising out of community sentiment and the Government's earlier prohibitory order, the Director had to stop the work before completion but did not surrender the unutilised amount of Rs.22.92 lakh as of July 2002.

3.6.3 Thus, due to injudicious decision to take up the project work without conducting proper survey and examining legal implications arising out of the prohibitory order apart from gauging the public reaction to this work, there was retention of Government money amounting to Rs.22.92 lakh and unfruitful expenditure to the tune of Rs.4.08 lakh.

3.6.4 The matter was reported to the Government in May 2002. Admitting the facts (July 2002) the Government stated that the Ministry of Tourism, Government of India has been approached for transfer of unutilised fund to other project.

WASTELAND DEVELOPMENT/FINANCE DEPARTMENT

3.7 Irregular and unauthorised diversion of loan

Rupees 15.92 lakh was unauthorisedly diverted towards payment of salaries by Finance Department

3.7.1 During 2000-01, Government of Nagaland obtained loan of Rs.1.82 crore from National Bank for Agriculture and Rural Development (NABARD) for two schemes viz. Development of Rubber Plantation and Agro Forestry-Fallow Management Project under Rural Infrastructure Development Fund (RIDF).

3.7.2 Test check (October 2001) of the records of the Director of Wasteland Development, Nagaland, Kohima, for the period from September 1997 to August 2001 revealed that loan of Rs.1.82 crore was released by the NABARD to the Finance Department through a demand draft on 28 March 2001 with a request to place the fund with the Director, Wasteland Development, Kohima against three[1] projects.

[1] Development of Rubber Plantation (RIDF-V)- Rs.0.11 crore
Development of Rubber Plantation (RIDF-VI)-Rs.0.36 crore
Agro Forestry Fallow Management (RIDF-VI)-Rs.1.35 crore
Rs. 1.82 crore

3.7.3 On further scrutiny of drawal authority, it was noticed that against Rs.1.82 crore, the Finance Department released the fund of Rs.1.66[2] crore on 29 March 2001.

3.7.4 The balance amount of Rs.15.92 lakh (Rs.182 lakh –Rs.166.08 lakh) was diverted towards payment of salaries by Finance Department which was irregular and unauthorised. This diversion also affected the progress of Agro Forestry-Fallow Management Project by reducing its fund to this extent.

3.7.5 The matter was reported to the Government and department in March 2002. In reply, Government stated (September 2002) that the amount utilised for payment of salary would be adjusted in future release. The reply is not tenable as funds should be utilised for the object for which it was sanctioned.

RURAL DEVELOPMENT DEPARTMENT

3.8 Failure to respond to Audit objections and non-compliance

Nine offices did not furnish even first reply to the 16 IRs issued between February 1990 and May 2002

3.8.1 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 Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. Though the State Government had accepted the recommendations of Shakdhar 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 July 2002. The Heads of Offices and 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 AG (Audit). 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.

3.8.2 Review of Inspection Reports (issued upto June 2002) pertaining to Rural Development Department disclosed that 228 paragraphs relating to 41 IRs remained outstanding at the end of June 2002. Of these, 14 IRs containing

2

Rubber Plantation (RIDF-V)-	Rs.0.11 lakh
Rubber Plantation (RIDF-VI)-	Rs.0.36 lakh
Agro Forestry (RIDF-VI)-	Rs.1.19 lakh
	Rs.1.66 lakh

37 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix - XXIV*. Nine offices did not furnish even the initial replies to the 16 IRs issued between February 1990 and May 2002, although the Heads of Offices are required to furnish reply within a period four weeks of their receipt. As a result, the following serious irregularities commented upon in these IRs had not been settled, as of July 2002.

Table No.3.29

Sl. No.	*Nature of irregularities*	*No. of Inspection Reports*	*No. of paragraphs*	*Amount (Rupees in lakh)*
1.	Avoidable expenditure/excess payment	3	20	28.15
2.	Misappropriation/shortage/loss of Governmentmoney/store	5	4	3.16
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	7	41	847.58
4.	Loss due to non-realisation of Government money	4	8	147.13
5.	Money kept outside Government accounts	3	4	922.11
6.	Advance drawal	2	7	23.44
7.	Diversion of fund/mis-use of funds	3	3	1.45
8.	Fictitious/doubtful drawal	5	23	189.02
9.	Miscellaneous/Others	9	118	927.62
	Total:-		***228***	***3089.66***

3.8.3 A review of the IRs awaiting replies revealed that Heads of Offices and the concerned Head of the Department (Director, Rural Development Blocks) had not to 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.

3.8.4 The above also indicated inaction against the defaulting officers and thereby facilitated the continuation of serious financial irregularities and loss to the Government.

3.8.5 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 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.

3.8.6 The matter was reported to the Government in June 2002; their replies had not been received (February 2003).

CHAPTER-IV
WORKS EXPENDITURE

AUDIT PARAGRAPHS

POWER DEPARTMENT

4.1 Extra expenditure because of delay in Likimro Hydro Electric Project

The department incurred extra expenditure of Rs.8.66 crore due to delay in execution and award of work to the highest bidder

4.1.1 Test check (November – December 2001) of records of the Executive Engineer, Likimro Electrical Construction Division, Likimro revealed that the work "Supply of Turbine and Generator sets for Likimro Hydro Electric Project including erection, testing and commissioning" was awarded (May 1990) to M/S Eastern Overseas Corporation (EOC), Mumbai at Rs.42.72 crore (Rs.41.94 crore : cost of supply and Rs.0.78 crore : cost of erection, testing and commissioning). The supply of turbine and generator sets was completed between December 1993 and July1994 at Dimapur but could not be transported to project site owing to bad road conditions and was kept in the store. On completion of construction of an alternative road in May 1998 the equipments were transported to the site. Citing clause 10 of the condition of the supply order which stipulated erection, testing and commissioning within 2 months of supply of the equipments, the firm refused to execute the work after delay of 5½ years at earlier quoted and approved rates.

4.1.2 In response to enquiry made by the Chief Engineer (CE), Power (September 1999) three firms[1] including M/S EOC offered their rates for erection, testing and commissioning and the rate quoted by M/S Reliance Pneumatic (Rs.3.50 crore) was the lowest. M/S EOC had quoted Rs.11.63 crore and subsequently revised it to Rs.9.44 crore. Overruling the CE's recommendation in favour of the lowest bidder, the Government awarded the work to highest bidder M/S EOC at Rs.9.44 crore (February 2000).

4.1.3 Thus, delay in execution of work due to lack of proper planning, inept financial and project management, as reflected in procurement of machinery before creating required infrastructure and injudicious award of work to the

[1] M/S EOC, Mumbai – Rs.11.63 crore and subsequently revised to Rs.9.44 crore.
M/S Reliance Pneumatics, Thane – Rs.3.50 crore.
M/S Swamina, Kolkata – Rs.4.20 crore.

highest bidder resulted in excess expenditure of Rs.8.66 crore (Rs.9.44 crore – Rs.0.78 crore) on erection, testing and commissioning.

4.1.4 The matter was reported to Government in May 2002. In reply (September 2002), the Government attributed the delay to shortage of funds and award of work to M/S EOC to apprehension of litigation on the ground of loss of business for over five years. The Government also stated that M/S EOC was preferred to the bidders because of its accountability for the equipments supplied by them.

4.1.5 The reply is not tenable since failure to provide fund clearly points to departmental lack of planning and poor financial and project management.

4.2 Avoidable expenditure due to omission to take insurance cover

Avoidable expenditure of Rs.23.57 lakh on repair of the rotor of the generator due to carriage of the same without insurance cover

4.2.1 Electrical equipment like generator etc., were supplied by M/S Eastern Overseas Corporation, Mumbai to the Executive Engineer, Likimro, Electrical Construction Division, Likimro, Nagaland with insurance cover during shipment and carriage upto Dimapur Store of the department. There was no insurance cover from Dimapur to the instalation site of Likimro, Tuensang. Without any formal order of the competent authority and agreement, a private contractor was entrusted to carry one of the generators on a trailer, from Dimapur to Likimro Hydro-electric Project (LHP). Enroute the trailer met with an accident (26 May 1998) between Kekrima village and Pfutsero town resulting in damage to the rotor of the generator.

4.2.2 The damaged rotor of the generator was repaired at a cost of Rs.23.57 lakh by Reliance Pneumatics Private Limited and Bangalore Electrical Works. As the generator was not covered under insurance for transit from Dimapur to the site, the department had to bear the entire cost of repair. While accepting the observation made by audit, Government in their reply (September 2002), stated that insurance coverage, agreement and observance of other codal formalities were overlooked with a view to complete transportation of the equipment before monsoon for expediting early completion of the project without further cost escalation. It was further stated that the department explored the requirement to insure the equipment but due to shortage of funds insurance at the rate of 0.5 *per cent* of the value of the equipment could not be provided.

4.2.3 Thus, due to non-observance of the formalities and poor fund management the department had to incur an avoidable expenditure to the tune of Rs.23.57 lakh.

4.3 Excess expenditure of on purchase of equipment

The department incurred excess expenditure of Rs.8.48 lakh due to non-procurement of equipment directly from authorised firm

4.3.1 Test check of records (November 2001) of the Executive Engineer, Likimro Electrical Construction Division, Likimro for the period May 1992 to November 2001 revealed that for execution of Likimro Hydro Electric Project, the division procured (July 2001) 3 LAVT-panel from a local supplier [2] at a cost of Rs.17.53 lakh (paid in October 2001) when the equipment could have been procured at Rs.9.05 lakh from M/S J.M Controls, Kolkata who had supplied the equipment to the local firm. Had the department procured the equipment directly from M/S J.M. Controls, an amount of Rs.8.48 lakh (Rs.17.53 lakh – Rs.9.05 lakh) could have been saved.

4.3.2 The matter was reported to the Government in May 2002. In reply (September 2002) the Government stated that the department had no experience in execution of such size and the local supplier who was the turnkey contractor of the works relating to switchyard was asked to supply the equipment at their quoted rates. The Government also stated that due to fund constraints the equipment could not be procured directly and the local firm was willing to wait for payment.

4.3.3 The reply is not acceptable as the department should have prepared the detailed project report in consultation with experts incorporating requirement of all the machinery and equipment and their cost as per manufacturers price list. Further, before issue of supply order, rates quoted by the local firm should have been verified and negotiated.

WORKS AND HOUSING (R&B) DEPARTMENT

4.4 Refund of security deposits against doubtful claims

Executive Engineer, PWD (R&B), Zunheboto paid Rs.1.34 crore being the refund of security deposits against doubtful claims

4.4.1 According to CPWA code as followed by the department, a record of transactions relating to Public Works Deposit should be maintained in the divisional office in a register showing details work-wise and month by month details of total receipts and refunds and the closing balance of each deposit item. Before making any refund out of such deposits, the original realisation should be traced out and a reference to the repayment should be recorded

2 M/S Nezone Power System, Dimapur

against the original entry in the cash book and other accounts, so as to make a double or erroneous claim impossible.

4.4.2 Test check (May 2001) of the records of the Executive Engineer (EE), Public Works (Roads and Bridges) division, Zunheboto revealed that in contravention of the aforesaid provisions, the Chief Engineer had paid Rs.1.34 crore (October 1993 to October 1994) being the refund of security deposits to 628 contractors/suppliers though receipt/recovery of such security deposits were not recorded in the cash book. The Divisional Officer also did not maintain any deposit register to show that deposits, had indeed been made by these contractors/suppliers, nor were there any records to show that they had executed any work or supplied materials to the division in respect of which the security might have been deposited.

4.4.3 Thus, the Divisional Officer drew and disbursed Rs.1.34 crore to contractors/suppliers against doubtful claims.

4.4.4 The matter was reported to the Government in April 2002. In reply (September 2002), Government reiterated the reply furnished by the division in July 2002 that though funds were made available for release of security deposit, scrutiny by the division revealed that a good number of outstanding bills on works were cleared.

4.4.5 The reply is not acceptable as the Government repeated the division's statement without verifying the correctness and could not furnish any document in support of their statement. Further, as per financial rules funds sanctioned for a particular purpose cannot be utilised for other.

4.5 Avoidable expenditure on work charged employees

Deployment of work charged employees in excess of prescribed norms resulted in excess expenditure of Rs.27.08 lakh towards pay and allowances

4.5.1 As per norms labour for maintenance of National Highways (NH) should be restricted to 0.3 labourer per km.

4.5.2 Test check of records (August 2001) of Executive Engineer, PWD (R&B), National Highway Division No.1, Kohima revealed that against the requirement of 34 labourers[3] for maintenance/renovation of 113.336 km stretch of National Highway (NH-36 = 6.536 km, NH-39 = 1.8 km and NH-61 = 105 km) the Divisional Officer had engaged 44 work charged employees between October 1998 and March 2001.

4.5.3 Deployment of 10 work charged employees in excess of prescribed norms resulted in excess expenditure of Rs.27.08 lakh towards pay and

[3] 113.336 km X .03 labour/km= 34 labour

allowances of the extra labour force during the period from October 1998 to March 2001 which could have been avoided.

4.5.4 The matter was reported to the Government in January 2002. Admitting the fact the Government stated (September 2002) that it was not possible to terminate the existing staff considering the fact that they had put in long years of service and excess strength would be brought down to size.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.6 Failure to respond to Audit objections and non-compliance

12 divisions did not furnish initial replies to 36 Inspection Reports issued between June 1985 and March 2002.

4.6.1 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 Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. Though the State Government had accepted the recommendations of Shakdhar 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 July 2002. The Heads of Offices and 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 AG(Audit). 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.

4.6.2 Review of Inspection Reports, (issued upto June 2002) pertaining to Public Health Engineering Department disclosed that 780 paragraphs relating to 66 IRs remained outstanding at the end of June 2002. Of these, 34 IRs containing 351 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix - XXV.* Twelve division/offices did not furnish even the initial replies to the 36 IRs issued between June 1985 and March 2002, although the Heads of Offices are required to furnish reply within a period four weeks of their receipt. As a result, the following serious irregularities commented upon in these IRs had not been settled, as of July 2002.

Table No.4.1

Sl. No.	*Nature of irregularities*	*No. of paragraphs*	*Amount (Rupees in lakh)*
1.	Avoidable expenditure/excess payment	43	1277.12
2.	Misappropriation/shortage/loss of Government/money/stores	10	3.16
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	26	1223.42
4.	Loss due to non-realisation of Government money	4	2.58
5	Fictitious/doubtful drawal	27	386.65
6.	Miscellaneous/Others	670	4867.10
	Total:-	***780***	***7760.03***

4.6.3 A review of the IRs awaiting replies revealed that Heads of Offices and the concerned Head of the Department (Chief Engineer, Public Health 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 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.

4.6.4 The above also indicated inaction against the defaulting officers and thereby facilitated the continuation of serious financial irregularities and loss to the Government.

4.6.5 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 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.

4.6.6 The matter was reported to the Government in June 2002; their replies had not been received (February 2003).

CHAPTER V
STORES AND STOCK

WORKS AND HOUSING/PUBLIC HEALTH ENGINEERING/POWER DEPARTMENTS

GENERAL

5.1 Closing of stock registers

5.1.1 According to the provisions of the Nagaland Public Works Department Code, the 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, the accounts of stores would not reflect the true picture of the value of stores held.

5.1.2 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 No.5.1

Name of Department	No. of Division	Stock maintained (no. of divisions)	Position of stock Accounts		Remarks
PWD (R&B)	24	20	3 divisions	Upto September 1995	4 divisions do not maintain stores.
			1 division	Upto September 1996	
			4 divisions	Upto September 1997	
			3 divisions	Upto September 2000	
			9 divisions	Upto September 2001	
PWD (Housing, Civil and Mechanical divisions)	20	8	Information not furnished by the Department. However, as per records of the Sr. Deputy Accountant General (A&E), out of 20 divisions, 8 divisions maintain stores and 12 divisions do not maintain stores.		
PHE	10	10	All 10 divisions have closed accounts upto September 2001.		
Power	16	12	1 division	Upto September 1999	Information not received for 4 divisions.
			5 divisions	Upto September 2000	
			6 divisions	Upto September 2001	
Total	70	50			

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

5.1.3 20 out of 24 Public Works divisions (Roads and Bridges) had not closed their stock accounts for periods ranging between 1 and 6 years. While 16 divisions do not maintain stores, information relating to closing of stock accounts in respect of 4 Electrical divisions were not made available. In the absence of the stock accounts actual value of the stock held by the divisions could not be ascertained in audit. This will also affect the cost of the works for which materials had been issued by the divisions.

5.2 Physical verification of stores

5.2.1 The Nagaland Public Works Department Code prescribes that the Sub-divisional Officers should carry out *cent per cent* physical verification of the stores under their charge once in a year. The Divisional Officers are required to verify annually 10 *per cent* of all stores before submission of stock returns to the higher authorities and the Accountant General. Such 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:

5.2.2 Out of 70 divisions, 10 Public Health Engineering divisions, 6 Electrical divisions and 11 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) had conducted physical verification of stores upto September 2001, 5 Electrical divisions and 3 Public Works divisions (Roads and Bridges) upto September 2000, and 1 Electrical division upto September 1999. 4 Public Works divisions (Roads and Bridges) had conducted physical verification of stores upto September 1997, 1 upto September 1996 and 3 upto September 1995. Information relating to physical verification of stores in respect of remaining 26[1] divisions were awaited (February 2003).

5.2.3 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

5.3.1 Reserve Stock Limit (RSL) had not been prescribed for 3 out of 10 Public Health Engineering divisions. Of these, the sanctioned RSL was exceeded in 4 divisions by a total amount of Rs.1557.12 lakh. 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. 6 divisions exhibited minus balance of stores aggregating Rs.1643.56 lakh as on 31 March 2002. The minus balance was attributed by the department due to centralised procurement through indents and the value of stock materials being left unadjusted against the indenting divisions.

5.3.2 RSL had not been prescribed for 22 out of 44 Public Works divisions (Roads and Bridges, Mechanical, Housing and Civil). 8 divisions held stores worth Rs.4162.18 lakh at the end of March 2002 in excess of the RSL. The sanctioned RSL was exceeded in 17 divisions by a total amount of Rs.563.46 lakh.

5.3.3 RSL had not been prescribed for 4 out of 16 Electrical divisions. 8 divisions had exhibited minus balance of stores aggregating Rs.647.34 lakh as on 31 March 2002. No reasons have been furnished by the divisions for the minus balance.

1 Electrical division (4), Public Works divisions (Roads & Bridges, Housing, Civil and Mechanical)(22)

5.4 Tools and Plant

5.4.1 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.

5.4.2 It was noticed that all 10 Public Health Engineering divisions had closed the Tools and Plant accounts and physically verified them upto September 2001. 6 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 2001. 5 Electrical divisions and 3 Public Works division upto September 1999. 4 Public Works divisions (Roads & Bridges) divisions had closed the Tools and Plant accounts and conducted physical verification upto September 1997, 1 upto September 1996, 3 upto September 1995. Information relating to closing of Tools and Plant accounts and physical verification thereof in respect of 4 Electrical divisions and 21 Public Works divisions (Roads and Bridges, Housing, Civil and Mechanical) was not made available.

5.4.3 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-A-REVIEWS

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.5 Management of Stores and Stock

Highlights

A review on "Management of Stores and Stock" revealed that there is no methodical purchase of store materials based on actual requirement. Materials were lying idle in stock and site accounts of the scheme. Maintenance of records for procurement and distribution of materials was far from satisfactory. Blatant violation of codal procedures facilitated short or even non-supply of materials by suppliers.

Stores worth Rs. 682.11 lakh meant for Plan work were diverted for running and maintenance works under non-Plan between August 1998 to March 2002.

(Paragraph 5.5.11)

Advance payment of Rs.191.15 lakh made to local suppliers between March 1997 and January 1999 remained unadjusted to the extent of Rs.109.82 lakh which led to loss of interest of Rs.50.80 lakh.

(Paragraphs 5.5.12 to 5.5.15)

There was short delivery of materials worth Rs.32.10 lakh to Wokha Division against the demand draft for Rs.142.38 lakh resulting in locking up of Government funds.

(Paragraph 5.5.26)

Stores worth Rs.1049.28 lakh were lying idle since 1997-98 in 4 divisions. Further, unserviceable stores worth Rs.502.57 lakh were lying in 4 divisions till March 2002.

(Paragraphs 5.5.34 to 5.5.36)

Introduction

5.5.1 The Chief Engineer (CE), Public Health Engineering Department (PHED) under the administrative control of the Secretary, PHED procures materials centrally for execution and maintenance of water supply schemes through two central store procurement divisions located at Dimapur and Kohima for subsequent distribution of stores.

Organisational set up

5.5.2 The Secretary, PHED in the administrative head of the department and the CE PHED, Nagaland is in charge of procurement and distribution (allotment) of stores and stock for all divisions in Nagaland. As of March 2002, the department had 10 divisions under the supervision of three Superintending Engineers (SEs) of three circles stationed at Mokokchung and Kohima. The general administration of the divisional stores in regard to custody, distribution and utilisation of stores vests with the Divisional Officers, assisted by the Sub-Divisional Officers (SDOs), divisional accounts officer and store keeper.

Audit Coverage

5.5.3 Stores and Stock accounts of 5[1] PHE divisions out of 10 working divisions and records of the CE, PHED pertaining to the period from 1997-98 to 2001-02 were test-checked in audit between March and July 2002 to assess the efficiency of stores management. The result of test-check are highlighted in the succeeding paragraphs.

Inter-Divisional transfer of stores

Cash Settlement Suspense Accounts (CSSA)

5.5.4 As per codal provision, all inter-divisional transfer of stores should be routed through the minor head "CSSA" subordinate to Major Head 8658 - Suspense Accounts in the Public Account of the Government, but the department by an order of the Government (Finance Department) of 1988 dispensed with the operation of CSSA for inter-divisional transfer of stores and instead started operating "Miscellaneous Public Works Advance" (MPWA) for the purpose under service major head.

5.5.5 As of March 2002, stores valuing Rs.708.57 lakh issued from stock during 1983-1999 by debiting CSSA remained unadjusted in the accounts of 3 out of 5 divisions test-checked due to non-receipt of payment from the responding divisions. In the remaining 2 divisions (Peren and Mon), the closing balance under CSSA were not available.

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1 Kohima, Dimapur Store, Peren, Mon, Zunheboto.

5.5.6 The Government stated (October 2002) that finding no other alternative, the cost of materials issued from store division had been debited to CSSA by contra credit to stock.

5.5.7 The reply is not tenable as debiting cost of materials to CSSA violated the order of Finance Department and the CSSA should have been cleared by insisting payment by the indenting divisions.

Procurement of Stores

Defective budgeting and accounting procedure

5.5.8 The Government made budget provisions for Plan schemes to cover the cost of materials, labour and departmental charges etc. It however, did not make any budget provisions for stock suspense to ensure availability of funds for timely procurement of stores and completion of repair and maintenance work under non-Plan. However, as per instructions in the budget document, all debit to stock suspense during the year should be cleared by contra minus debit and all materials purchased should be utilised against work during the year making the net debit to suspense 'nil'. Consequently, the department resorted to the practice of procuring stores by debiting stock suspense as and when funds were released by the Government for Plan schemes. The instructions in budget documents were also defective in as much as it allowed the department to procure stores by debiting suspense head even though such materials were to be procured out of Plan works budget provision (both revenue and capital) by debiting the concerned works/schemes.

5.5.9 Test check of 5 divisions revealed that though the divisions utilised Plan/non-Plan funds meant for procurement of materials against on-going works (being material component), they finally debited the amount to suspense head 'Stock' as shown below:-

Table No. 5.2 ***(Rupees in lakh)***

Sl. No.	*Name of the Division*	*Year*					*Total*
		1997-98	*1998-99*	*1999-00*	*2000-01*	*2001-02*	
1.	Kohima	441.74	520.92	410.19	198.46	989.13	2560.44
2.	Dimapur Store	626.80	500.93	621.17	693.75	944.72	3387.37
3.	Peren	31.29	8.74	1.17	76.07	201.34	318.61
4.	Mon	73.15	9.62	29.23	70.87	270.36	453.23
5.	Zunheboto	78.70	1.57	38.41	116.26	208.61	443.55
	Total	*1251.68*	*1041.78*	*1100.17*	*1155.41*	*2614.66*	*7163.20*

Source:-Departmental figure

5.5.10 Thus, due to adoption of incorrect accounting procedure Rs.7163.20 lakh was debited to suspense head 'Stock' by the aforementioned 5 divisions during the period 1997-98 to 2001-2002 instead of booking the expenditure to the final head of account of the concerned work/scheme.

5.5.11 Scrutiny of monthly account and stock issue register maintained by Kohima and Mon Divisions revealed that materials valued Rs.682.11 lakh (Kohima Division-Rs.663.40 lakh, Mon Division-Rs.18.71 lakh) procured out of Plan fund (State/Centrally sponsored scheme) allotted by the Government between August 1998 to March 2002 were utilised for running and maintenance (RM) work. Thus, utilisation of Plan funds on operation and maintenance of the scheme was irregular and amounted to diversion of fund to the tune of Rs.682.11 lakh.

Undue financial aid to supplier

5.5.12 Though the codal provision did not provide for advance payment to local suppliers for procurement of materials, the Executive Engineers of 2 store divisions (Dimapur and Kohima) paid Rs.191.15 lakh to 7 local suppliers (between March 1997 and January 1999) as advance in contravention of the codal provisions.

5.5.13 Scrutiny of the records revealed that against the advance payment of Rs.191.15 lakh, materials worth Rs.81.33 lakh only had been received (July 2002) leaving unadjusted advance of Rs.109.82 lakh.

5.5.14 Thus, injudicious payment of advance resulted in undue financial aid of Rs.191.15 lakh to the suppliers, apart from a loss of interest of Rs.50.80 lakh (calculated at Government borrowing rate) on the unadjusted advance of Rs.109.82 lakh as detailed in *Appendices – XXVI & XXVII.*

5.5.15 The Government stated (October 2002) that the department has since stopped advance payment and legal action is being initiated for recovery of balance.

Payment of additional charges - Extra expenditure

5.5.16 As per terms and condition of the supply order, the department was not required to pay carriage charges from factory to Dimapur or Kohima in addition to the rates given in the supply orders, if the rate quoted was FOR destination. On these accounts, 2 store divisions had paid (between January 2001 to August 2001) Rs.21.48 lakh, as carriage charges in respect of 5 (five) supply bills finalised on receipt of materials from the supplier. Thus, payment of carriage charges of Rs.21.48 lakh was irregular and resulted in extra expenditure to the department.

5.5.17 The Government stated (October 2002) that the payment was made as per terms of supply order. The reply is not tenable as the rates quoted in the supply orders was FOR destination.

Short receipt of store

5.5.18 Rule 106 of the General Financial Rules provide that all materials received, shall be examined and measured when delivery is taken by a responsible officer who shall record a certificate to the effect that he has actually received the materials in full and in good condition and recorded them in appropriate register/accounts.

5.5.19 It was noticed in audit that Executive Engineer, Kohima Division paid Rs.66.03 lakh during the period from March 1996 to May 1998 being the cost of 40,000 metres GI pipe of different specification which were supplied by Firm 'A' against the supply order dated 29 February 1996 for the year 1995-96. According to certificates recorded on the supply bill and measurement book (MB), the materials were received in full and taken into stock account of December 1996 and March Part - I/1997.

5.5.20 Test check of Monthly Stock Receipt Register alongwith stock account revealed that against the payment of Rs.66.03 lakh, materials worth Rs.30.34 lakh only had been accounted for in March Part II/1997 instead of December 1996 and March Part I/1997. Receipt of remaining materials worth Rs.35.69 lakh could not be proved.

5.5.21 The Government stated (October 2002) that the materials were accounted for in the March Part.II/1997 stock account. But the materials worth Rs.35.69 lakh could not be traced in March Part-II Account in audit.

5.5.22 Thus, the expenditure of Rs.35.69 lakh on procurement of store proved to be doubtful.

Non-accountal of store

5.5.23 Cross verification of stock issue statement of Kohima Division with stock receipt statement of Zunheboto Division revealed that 7867.40 metres of GI pipe of different specification (15 mm dia, 20 mm dia, 32 mm dia, 40 mm dia, and 50 mm dia) issued by the Kohima Division during 1998-99 and 2001-02 valuing Rs.7.68 lakh (at the issue rate of Kohima Division) had not been accounted for in the stock account of Zunheboto Division. Non-accountal of stores needs investigation.

5.5.24 In Mon Division, fitting materials worth Rs.4.86 lakh procured between December 1996 and August 1998 had not been accounted for in Material-at-Site Accounts. Though, as per certificate recorded on the bill and measurement book (MB) the materials were taken to site accounts of Longshen EAC Headquarter water supply scheme, the Executive Engineer could not produce any other records to show the utilisation of the materials.

5.5.25 The Government stated (October 2002) that due to non receipt of material the work could not be started. The reply is not relevant to the objection and not acceptable.

Short delivery of materials by the Store Division

5.5.26 Scrutiny of record revealed that the Executive Engineer, Wokha Division, deposited through demand draft (for material component) Rs.142.38 lakh (Rs.70.00 lakh during December 1997 and Rs.72.38 lakh during March 1998) to Kohima Division for issue of GI pipe of different diameters during 1997-98. Out of this amount, GI pipe valuing Rs.107.20 lakh had been delivered during 1997-98 and 1998-99 leaving a balance material (GI pipe) worth Rs.32.10 lakh undelivered by the Kohima Division (July 2002).

5.5.27 Despite directives from the Chief Engineer and reminders by Wokha Division, the Kohima Division did not initiate any action to deliver balance quantity of materials which resulted in locking up of scarce Government funds for a period over 4 years unjustifiably.

5.5.28 The Government stated (October 2002) that the balance quantity was issued in March 2000. The reply is not tenable as audit scrutiny (July 2002) revealed that materials worth Rs.32.10 lakh remained undelivered.

Material Management

Non-maintenance of Bin Cards and Priced Store Ledgers

5.5.29 The department had not introduced the system of maintaining Bin Cards and Priced Store Ledgers (PSL) by the sub-divisions and divisions. The sub-divisions, however, only prepared and submitted material received (Goods Receipt Sheet) and issue and disposal account to the divisional officer.

5.5.30 Test check of 5[2] divisions revealed that none of the divisions/sub-divisions maintained bin cards and PSLs. As a result, the department was unable to determine class-wise quantity and value of stores held at any point of time, particularly when assessing future requirements and issuing supply order for fresh procurement.

5.5.31 The Government admitted (October 2002) non maintenance of bin cards and PSLs.

Defective physical verification

5.5.32 As per codal provision, Sub-Divisional Officer (SDO) should verify the stores in full once in a year i.e. on September each year and report the results of such verification to the divisional officer. The divisions test-checked had recorded annual stock taking and physical verification certificates upto September 2001. The physical verification reports in all cases remained silent about shortage/pilferage (if any), and unserviceable/obsolete stores. These provisions also apply mutatis-mutandis in respect of tools and plant (T&P) returns. In absence of the same, the actual inventory level as well as discrepancy, if any, between the book balance and actual physical balance could not be vouchsafed in audit.

5.5.33 The fact was admitted by the Government (October 2002).

Unserviceable Store

5.5.34 During test-check of the records of 5 divisions, it was noticed that many items of store *viz.* valves, GI socket, bend etc. had deteriorated due to their prolonged storage and thus became unserviceable. It was, however, seen that the CE, PHED (September 1998) instructed all the PHE divisions to submit

[2] Kohima, Dimapur Store, Peren, Mon and Zunheboto.

the unserviceable materials account for disposal through public auction. The value of such unserviceable stores as reported by these divisions was as under:-

Table No. 5.3 *(Rupees in lakh)*

Sl. No.	Name of the Division	Period of Report	No.of items	Value	Date of procurement
1.	Kohima	September 2000	114	224.31	Not Available
2.	Dimapur Store	-do-	73	198.54	-do-
3.	Mon	September 1998	54	73.74	1979 to 1987
4.	Zunheboto	-do-	16	5.98	Not Available
	Total		*257*	*502.57*	

Source:-Departmental records.

5.5.35 Of the above surplus store, information such as survey reports and follow up action, if any, taken for their disposal, quantity disposed of, sale value realised and the quantity and value of unserviceable stores remaining as of 31 March 2002 could not be furnished to audit.

5.5.36 In reply (July 2002), the department stated that several times from 1993-94 onwards unserviceable stores were disposed of through tender as per decision of the Cabinet and the records of the disposal with amount realised were not available due to seizure of the records by the Central Bureau of Investigation (CBI) during May 1998.

Idle Stores

5.5.37 The department did not obtain any information on past consumption from its central store divisions and assessment of requirement was done centrally without obtaining any indent from divisions. This led to indiscriminate procurement of materials (especially fittings and tools and plant items) with the result that these materials remained idle in stock. Test-check of the records of 5 divisions revealed that huge stock of stores (mostly fittings and T&P items) valuing Rs.1049.28 lakh pertaining to 4 divisions as shown below were lying idle since 1997-98:-

Table No. 5.4 ***(Rupees in lakh)***

Sl. No.	Name of the Division	No.of items	Value at Divisional Issue Rate	Date of procurement
1.	Kohima	12	449.26	Not Available
2.	Dimapur Store	11	516.12	-do-
3.	Mon	14	76.06	-do-
4.	Zunheboto	12	7.44	-do-
Total			**1049.28**	

5.5.38 Holding of excess stock was mainly due to incorrect and inflated assessment of requirement. For prolonged storage of stores, possibility of deterioration of the quality of materials also could not be ruled out. Thus, due to injudicious procurement of stores, Government funds of Rs.1049.28 lakh was unnecessarily blocked which led to poor store management.

5.5.39 The Government stated (October 2002) that the stores were being utilised from time to time. The reply is not tenable as the stores are lying idle since 1997-98.

Monitoring

5.5.40 Inspite of Monitoring and Investigation Cell in the department, the CE, PHED had not evolved any mechanism to monitor the system adopted to assess requirement, procurement made thereagainst, storage, distribution as per requirement, actual utilisation and proper accounting of materials as yet.

Recommendations

5.5.41 With a view to have an effective, efficient control and management of stock and stores, the materials should be procured on the basis of actual requirement of the divisions separately for plan schemes and completed schemes (for running and maintenance expenses). Actual receipt of materials by the allottee divisions must be ensured. The divisions, in turn, should debit the value of materials received to schemes concerned. Proper maintenance of related accounts and records should be ensured.

5.5.42 The matter was reported to Government in August 2002. Government replies (October 2002) have been incorporated in the relevant paragraphs.

CHAPTER-VI
REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

6.1.1 The total receipts of the Government of Nagaland for the year 2001-02 were Rs.1,324.53 crore. Of these, revenue raised by the state Government was Rs.105.80 crore, comprising Rs.62.39 crore from tax revenue, and the balance Rs.43.41 crore from non-tax revenue. The receipts from Government of India amounting to Rs.1,218.73 crore accounted for 92 *per cent* of the total receipts.

6.1.2 A time series analysis of the receipts for the years 1999-2002 are given below:-

Table No.6.1

		1999-2000	2000-01	2001-02
			(Rupees in lakh)	
I.	Revenue raised by the State Government			
	(a) Tax revenue	3,949.60	4,624.68	6,239.08[1]
	(b) Non-tax revenue	3,886.59	3,922.71	4,340.57
	Total: I	7,836.19	8,547.39	10,579.65
II.	Receipts from Government of India			
	(a) State's share of divisible Union Taxes	52,604.00	9,648.00	2,322.17[2]
	(b) Grants-in-aid	52,706.25	1,07,214.85	1,19,550.88
	Total: II	1,05,310.25	1,16,862.85	1,21,873.05
III.	Total receipts of the State Government (I plus II)	1,13,146.44	1,25,410.24	1,32,452.70
IV.	Percentage of I to III	7	7	8

Source : Finance Accounts

6.2 Analysis of revenue receipts

Tax revenue raised by the State

6.2.1 Receipts from tax revenue (Rs.62.39 crore), during the year 2001-02, constituted 59 *per cent* of the State's own revenue receipts (Rs.105.80 crore). An analysis of tax revenue for the year 2001-02 and the preceding two years, are given below:

[1] Figures under the Major heads 0021-Taxes on income other than corporation tax-share of net proceeds assigned to states, 0037 customs and 0038 union excise duties 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.

[2] For details, please see statement No.10 of Detailed Accounts by Minor Heads in the Finance Accounts-Government of Nagaland for the year 2001-02.

Table No.6.2

	Major heads of Revenue	1999-2000	2000-01	2001-02	Percentage of Increase (+)/ Decrease (-) in 2001-02 with reference to 2000-01
		(Rupees in lakh)			
1.	Sales Tax	2,304.50	2,729.98	3,442.04	(+)26
2.	Taxes on Vehicles	458.83	528.63	534.84	(+)1
3.	Other Taxes on Income and Expenditure	786.55	962.81	1,132.65	(+)18
4.	State Excise	172.89	176.85	186.98	6
5.	Stamps and Registration Fees	185.13	176.96	91.46	(-)48
6.	Other Taxes and Duties on Commodities and Services	15.29	14.18	29.94	(+)111
7.	Land Revenue	25.68	34.66	61.78	(+)78
8.	Taxes and Duties on Electricity	0.70	0.61	0.71	(+)16
9.	Corporation Tax	---	---	708.72	(+)100
10.	Tax On Wealth	---	---	8.73	(+)100
11.	Taxes on Immoavable property other than Agricultural Land	---	---	0.20	(+)100
12.	Taxes on goods and passengers	---	---	10.08	(+)100
13.	Service Tax	---	---	30.95	(+)100
	Total:-	*3,949.57*	*4,624.68*	*6,239.08*	*(+)35*

Source: Finance Accounts

6.2.3 Reasons for variations in receipts during 2001-02, compared to 2000-01, have not been intimated by the concerned departments (February 2003).

Non-tax revenue of the State

6.2.4 Receipts from non-tax revenue (Rs.43.41 crore), during the year 2001-02, constituted 41 *per cent* of the revenue raised by the state (Rs105.80 crore). Details of non-tax revenue under the principal heads for the year 2001-02, and the preceding two years, are given below:-

Table No.6.3

	Major heads of Revenue	1999-2000	2000-01	2001-02	Percentage of Increase(+)/ Decrease(-) in 2001-02 with reference to 2000-01
		(Rupees in lakh)			
1.	Interest Receipts	458.70	350.44	161.62	(-)54
2.	Public Service Commission	2.54	3.22	6.10	(+)89
3.	Police	14.56	24.26	51.45	(+)112
4.	Stationery and Printing	0.67	0.48	0.70	(+)46
5.	Public Works	32.14	31.55	96.63	(+)206
6.	Other Administrative Services	610.70	185.32	314.07	(+)69
7.	Contribution and recoveries towards Pension & Other Retirement Benefits	7.78	9.26	103.72	(+)1,020
8.	Miscellaneous General Services	79.03	122.39	44.29	(-)64
9.	Education, Sports, Arts and Culture	15.25	13.48	46.04	(+)242
10.	Medical & Public Health	2.09	6.82	11.98	(+)76
11.	Water Supply and Sanitation	32.89	29.32	35.72	(+)22
12.	Housing	189.38	225.34	222.41	(-)1
13.	Social Security and Welfare	0.50	1.39	0.57	(-)59
14.	Crop Husbandry	3.39	13.81	10.12	(-)27
15.	Animal Husbandry	20.55	16.88	21.92	(+)30

	Major heads of Revenue	1999-2000	2000-01	2001-02	Percentage of Increase(+)/ Decrease(-) in 2001-02 with reference to 2000-01
		(Rupees in lakh)			
16.	Forestry and Wildlife	169.77	263.73	204.20	(-)23
17.	Food storage and Warehousing	7.54	5.97	6.51	(+)9
18.	Co-operation	8.46	8.11	129.93	(+)1,502
19.	Other Agricultural Programmes	3.05	4.13	3.45	(-)16
20	Minor Irrigation	0.35	0.35	0.86	(+)146
21	Power	1,785.14	1,987.01	2,293.19	(+)15
22	Village and Small Industries	14.02	14.73	18.42	(+)25
23	Non-ferrous Mining and Metallurgical Industries	1.27	9.42	2.38	(-)75
24	Road Transport	380.93	515.90	510.15	(-)1
25	Tourism	18.01	8.42	9.56	(+)14
26	Other General Economic Services	5.03	5.27	5.42	(+)3
	Total:-	**3,863.74**	**3,857.00**	**4,311.41**	**(+)12**

Source:Finance Accounts

6.2.5 Reasons for increase/decrease have not been intimated by the concerned departments (February 2003).

6.3 Variations between Budget estimates and actuals

6.3.1 The major variations between Budget estimates and actual receipts under the major heads of revenue for the year 2001-02 are given below:-

Table No.6.4

	Major heads of revenue	Budget estimates	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
		(Rupees in lakh)		
	(1)	(2)	(3)	(4)
1.	Other taxes on Income and expenditure	1,227.00	1,132.65	(-)8
2.	Stamps and Registration Fees	180.00	91.46	(-)49
3.	State Excise	180.00	186.98	(+)4
4.	Sales Tax	3,041.00	3,442.08	(+)13
5.	Taxes on Vehicles	535.00	534.84	Negligible
6.	Other Taxes and Duties on Commodities and Services	4,075.00	29.94	(-)99
7.	Interest Receipts	310.00	161.62	(-)48
8.	Police	4.20	51.45	(+)1,125
9.	Stationery and Printing	21.00	0.70	(-)97
10.	Public Works	50.00	96.63	(+)93
11.	Other Administrative Services	550.00	314.07	(-)43
12.	Miscellaneous General Services	100.00	103.72	(+)4
13.	Education, Sports, Arts & Culture	27.00	46.04	(+)71
14.	Medical and Public Health	11.00	11.98	(+)9
15.	Water Supply and Sanitation	70.00	0.02	(-)100
16.	Housing	501.00	222.41	(-)56
17.	Social Security and Welfare	14.00	0.57	(-)96
18.	Crop Husbandry	14.00	10.12	(-)28
19.	Dairy Development	13.00	---	(-)100
20.	Forestry & Wildlife	200.00	204.20	(+)2
21.	Food, Storage and Warehousing	---	6.51	(+)100
22.	Co-operation	2.20	129.93	(+)5,806
23.	Other Agricultural Programmes	7.20	3.45	(-)52
24.	Power	1,900.00	2,293.19	(+)21
25.	Village and Small Industries	11.00	18.42	(+)67
26.	Non-ferrous Mining and Metallurgical Industries	371.85	2.38	(-)99
27.	Road Transport	605.00	510.15	(-)16
28.	Tourism	12.00	9.56	(-)20
	Total:-	**14,032.45**	**9,615.07**	**(-)31**

Source: Budget documents and Finance Accounts

6.3.2 Reasons for variations have not been intimated by the concerned departments (February 2003).

6.4 Cost of collection

6.4.1 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 1999-2000, 2000-01 and 2001-02, along with the relevant all India average percentage of expenditure of collection to gross collections for the year 2000-01, are given below:-

Table No.6.5

Sl. No.	Revenue head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2000-2001
			(Rupees in lakh)			
1.	Sales Tax	1999-2000	2,304.50	233.78	10	
		2000-01	2,729.98	283.42	10	1.31
		2001-02	3,442.08	350.58	11	
2.	State Excise	1999-2000	172.89	349.20	202	
		2000-01	176.85	382.86	216	3.10
		2001-02	186.98	423.51	227	
3.	Taxes on Vehicles	1999-2000	458.83	126.86	28	
		2000-01	528.63	153.97	29	3.48
		2001-02	534.84	164.09	31	
4.	Stamps and Registration Fees	1999-2000	185.13	9.55	5	
		2000-01	176.96	9.00	5	4.39
		2001-02	91.46	11.14	12	

Source: Finance Accounts

6.4.2 The reasons for increase in expenditure under the head State Excise was mainly due to excess establishment charges and imposition of ban on sale of liquor in the State during the three years as compared to the corresponding All India Average percentage for the year 2000-01.

SECTION – B – AUDIT PARAGRAPHS

GEOLOGY AND MINING DEPARTMENT (Nagaland State Mineral Development Corporation Limited)

6.5 Irregular utilisation of departmental receipts

Sales proceeds of cement were irregularly utilised by the compay towards departmental receipts (Rs.13.49 lakh), there was short deposit (Rs.0.87 lakh) of receipts

6.5.1 According to Rule 6 of Receipts and Payments Rules, all moneys received by or tendered to Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank for inclusion in Government Accounts and shall not be utilised to meet departmental expenditure except as authorised in sub-rule 2 of the Rule ibid.

6.5.2 During audit (June 2001) of the records relating to the period from April 1999 to March 2001 of the Managing Director, Nagaland State Mineral Development Corporation Limited (NSMDC), Kohima, it was noticed that cement marketing depot received 45,675 bags of cement amounting to Rs.78.93 lakh from Wazeho Mini Cement Plant for public sale. Against the realisable sale proceeds of Rs.78.93 lakh, the company realised Rs.64.78 lakh, out of which Rs.50.42 lakh was deposited into Bank and Rs.13.49 lakh utilised towards departmental expenditure, leaving a balance of Rs.0.87 lakh, which was neither deposited nor utilised towards departmental expenditure.

6.5.3 Thus, there was irregular utilisation of departmental receipts (Rs.13.49 lakh), short deposit (Rs.0.87 lakh) proceeds.

6.5.4 The matter was reported to the Government and department in March 2002; the Government admitted the facts (July 2002).

INFORMATION AND PUBLIC RELATIONS DEPARTMENT

6.6 Loss of revenue due to non-deposit of sale proceeds

Government revenue amounting to Rs.9.88 lakh was lost due to non-deposit of sale proceeds

6.6.1 As per Rule 6 of Central Government Receipt and Payment Rule, money received on behalf of Government should be deposited into the treasury or accredited bank without delay.

6.6.2 The Information and Public Relations Department fixed sale price of each calender, printed by the department at Rs.20 each for the year 1998 and Rs.30 each for the years 1999 to 2001.

6.6.3 During audit of the records (January 1998 to October 2001) of the Directorate of Information and Public Relations, Kohima, it was noticed (November 2001) that out of sale proceeds of Rs.16.69 lakh for the years 1998 to 2001 only Rs.6.81 lakh was deposited into the government account leaving Rs.9.88 lakh as either not realised or realised but not deposited into government account. This resulted in loss of government revenue of Rs.9.88 lakh.

6.6.4 The matter was reported to the Government and department in March 2002; specific reply to the para has not been furnished by the department (August 2002). The reasons for not depositing Rs.9.88 lakh in Government account were neither on record nor stated by the department in their reply.

POWER DEPARTMENT

6.7 Loss of revenue due to non-remittance of sales tax

Due to non-remittance of sales tax, the Government suffered loss of revenue to the extent of Rs.2.44 crore

6.7.1 As per sub-section (5) of Section 36 of the Nagaland Sales Tax (NST) Act, 1967 (as amended) and Rules framed thereunder, Drawing and Disbursing Officers shall deduct at source, and remit to the treasury, the tax payable on the goods supplied/works done by a supplier/contractor to the State or Central Government.

6.7.2 Test check of records of the Executive Engineer, Likimro Electrical Construction Division, Likimro for the period May 1992 to November 2001 revealed that an amount of Rs.51.17 crore was paid (between March 1996 and October 2001) to the suppliers/contractors for execution of Likimro Hydel Project without remitting NST amounting to Rs.2.44 crore.

6.7.3 The matter was reported to Government in May 2002. The Government admitting the fact stated (September 2002) that due to resource constraints the Department availed loan from the Power Finance Corporation (PFC), New Delhi to support funding of the project, but the PFC refused to pay the amount of NST and due to paucity of fund the amount of NST could not be remitted.

6.7.4 The reply is not acceptable as the Detailed Project Report should have included the amount of NST involved as it was part of the project cost and mobilisation of funds should have been properly planned by the department. Moreover, NST is part of state Government's revenue which has to be collected and remitted as per the provisions of the Act.

POWER/HEALTH AND FAMILY WELFARE DEPARTMENT

6.8 Non-realisation of sales tax

Government suffered loss of revenue of Rs.1.94 crore due to non-deduction of works tax at source

6.8.1 As per Schedule III, Section 5A (2)(e) of Nagaland Sales Tax (NST) Act, 1989 (sixth amendment) all the concerned departments shall deduct sales tax at the rate of 4 *per cent* on works contract after allowing a deduction of 30 *per cent* on account of labour and other charges.

6.8.2 Test check (November and December 2001) of the records for the period May 1992 to November 2001 of the Executive Engineer, Likimro Electrical Construction Division, Likimro, Nagaland revealed that an amount of Rs.57.30 crore was paid to 4 contractors against 11 number of bills for various construction works without deducting sales tax of Rs.1.60 crore (4 *per cent* of Rs.40.11 crore derived after deduction of 30 *per cent* as labour and other charges). This resulted in a loss of revenue of Rs.1.60 crore.

6.8.3 Similarly, test check (September 2001) of the records of the period July 1999 to September 2001 of the Director of Medical Services (DMS), Nagaland, Kohima revealed that the DMS paid Rs.12.00 crore to a Hospital based in New Delhi for upgradation of Naga Hospital, Kohima without deducting sales tax of Rs.33.60 lakh (4 *per cent* of Rs.8.40 crore derived after deduction of 30 *per cent* as labour and other charges). This resulted in loss of revenue of Rs.33.60 lakh.

6.8.4 The matter was reported to the department and the Government in April/May 2002. In reply, Power department admitted the facts (September 2002). While no reply, had been furnished by Health and Family Welfare department (February 2003).

CHAPTER VII
FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

GENERAL

7.1 Assistance to autonomous bodies and others

7.1.1 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.

7.1.2 During 2001-02, financial assistance of Rs.15.76 crore was paid to various autonomous bodies and other institutions broadly grouped as under:-

Table No.7.1 **(Rupees in crore)**

Serial Number	Name of institutions	Amount of assistance paid
1.	Village Development Boards	2.54
2.	Industrial institutions	8.67
3.	Town Committees	0.85
4.	Co-operative Societies	1.43
5.	Development authority	0.13
6.	Non-Government Schools/Colleges and Institutions	0.65
7.	Other Institutions	1.49
	Total:-	**15.76**

Source: Detailed Appropriation Accounts

7.2 Delay in furnishing utilisation certificates

7.2.1 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.

7.2.2 3241 utilisation certifications due in respect of grants aggregating to Rs.79.33 crore paid during the period from 1967-68 to 2001-02 had not been furnished. Department-wise break-up of outstanding utilisation certificates was as under:-

Table No.7.2

Serial Number	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2001-02	35	*18.74
2.	School Education	1982-83 to 2001-02	644	*27.28
3.	Co-operation	1967-68 to 2001-02	286	6.03
4.	Rural Development	1980-81 to 2001-02	2255	**20.34
5.	Agriculture	1999-2000 & 2001-02	9	*6.92
6.	Social Security and Welfare	2001-02	1	0.01
7.	Art and Culture	2001-02	11	0.01
	Total:-		**3241**	79.33

Source: Based on departmental figures

7.2.3 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

7.3.1 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 2001-02 was awaited from the Finance Department of the Government (February 2003).

7.4 Audit arrangements

7.4.1 Under section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any Body or Authority which is substantially financed by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A Body or Authority is said to be substantially financed, if the amount of Government grant or loan is not less than Rs.25 lakh and the amount of such grant or loan is not less than 75 *per cent* of the total expenditure of that Body or Authority. The following seven Authorities/Bodies received Rs.200.55 crore as grants/loans from the Government of India/state Government during 2000-01 and 2001-02.

* The position of utilisation certificates outstanding was as per last year's position as the information upto (September 2002) is awaited (February2003).

** The position of outstanding utilisation certificates was only for the grants upto 1993-94. Information for subsequent years is awaited (February 2003).

Table No.7.3

Sl No.	Name of Body/Authority	Source of Funds	Amount of grant/loan	
			2000-01	2001-02
			(Rupees in crore)	
1.	Nagaland University	Govt. of India & Govt. of Nagaland	17.56	@
2.	Development Authority, Dimapur	Govt. of Nagaland	1.00	0.85
3.	Nagaland Board of School Education	-do-	0.80	1.05
4.	Nagaland State Social Welfare Advisory Board, Kohima.	Govt. of India & Govt. of Nagaland	@	
5.	District Rural Development Agencies*	Govt. of India and Govt. of Nagaland	5.99	11.03
6.	North East Zone Cultural Centre, Dimapur	-do-	86.48	72.69
7.	Nagaland Khadi and Village Industries Board, Kohima	Govt. of Nagaland	1.80	1.30

Source: Based on departmental figures

7.4.2 Nagaland Khadi and Village Industries Board, Kohima is a Statutory Corporation formed under an Act passed by the State Legislature. During 2000-01 and 2001-02, the Board received Rs.1.20 crore and Rs.2.00 crore respectively, from the Government of Nagaland. Details of loans/grants received from the Khadi and Village Industries Commission had not been made available. The Board has finalised its accounts from 1988-89 to 1999-2000.

@ Information not furnished (February 2003) by the organisation

* One unit only

CHAPTER VIII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

Overview of Government companies

GENERAL

8.1. Introduction

8.1.1 As on 31 March 2002, there were 6 Government companies including one subsidiary (all working) under the control of the State Government. The number of companies remained unchanged over the previous year. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are 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.

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

8.2 Working of Public Sector undertakings

Investment in working Government companies

8.2.1 The total investment in 6 working Government companies at the end of March 2002 and March 2001 was as follows: -

Table No.8.1

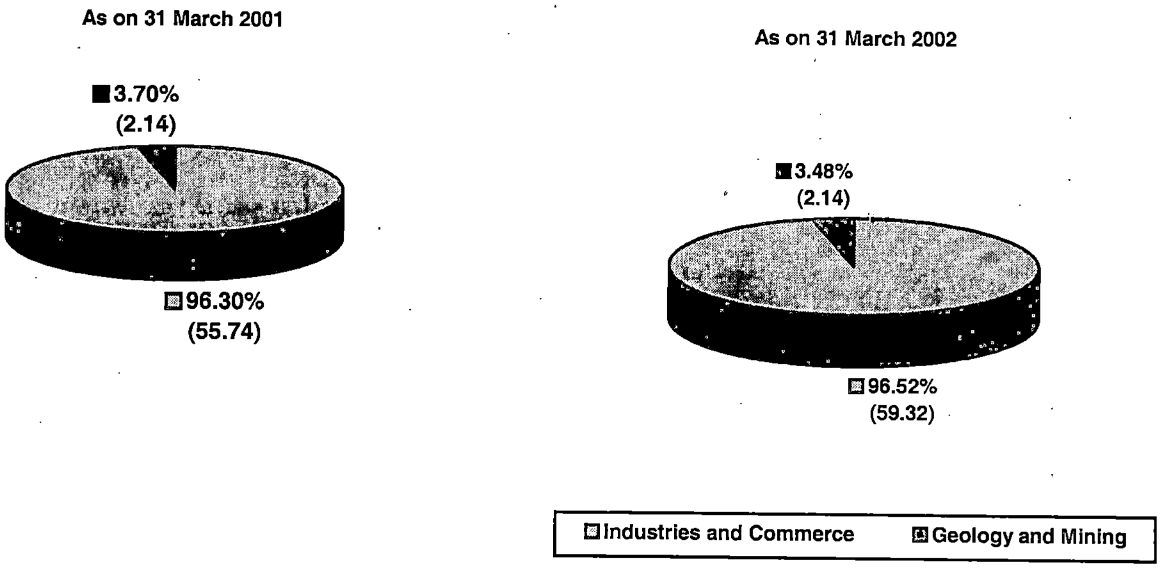
(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2001-02	6	19.17	10.20	32.09	61.46
2000-01	6	18.74	9.61	29.53	57.88

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

8.2.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2002 are indicated below in the pie charts:

Chart 8.1



(Figures in brackets indicate investment in Rupees in crore)

Sector-wise investment in working Government companies

8.2.4 As on 31 March 2002, the total investment of Government companies comprised 47.79 *per cent* of equity capital and 52.21 *per cent* of loans as compared to 48.98 *per cent* and 51.02 *per cent* respectively as on 31 March 2001.

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

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

8.3.1 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 XXVIII* and *XXX*.

8.3.2 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 2001-02 are given below:

Table No.8.2

(Rupees in crore)

	1999-2000		2000-2001		2001-02	
	Number of companies	**Amount**	**Number of companies**	**Amount**	**Number of companies**	**Amount**
Equity capital outgo from budget	4	1.19	3	0.85	3	1.89
Loans given from budget	1	0.55	1	0.10	1	0.10
Grants/Subsidy towards						
(i) Projects/Programmes/ Schemes	---	---	---	---	---	---
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	5	5.29	3	5.21	4	6.46
Total outgo	**5***	**7.03**	**3***	**6.16**	**4***	**8.45**

8.3.3 No guarantees for loans were given by the State Government during the year 2001-02.

8.4 Finalisation of accounts by Government companies

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

8.4.2 However, as could be noticed from *Appendix-XXIX*, none of the 6 Government companies had finalised their accounts for the year 2001-02 within the stipulated period. During the period from October 2001 to September 2002, 2 Government companies finalised 2 accounts for 1992-93 and 1987-88. The accounts of all the companies were in arrears for periods ranging from 9 to 24 years as on 30 September 2002 as detailed below:-

Table No.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 *Appendix*-XXIX**
1.	1	1993-94 to 2001-02	9	1 (i)
2.	1	1981-82 to 2001-02	21	1 (ii)
3.	1	1983-84 to 2001-02	19	1 (iii)
4.	1	1978-79 to 2001-02	24	1 (iv)
5.	1	1985-86 to 2001-02	17	1 (v)
6	1	1988-89 to 2001-02	14	2 (i)

8.4.3 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

* 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

Government. Thus, the Government had no knowledge about the working of the PSU's.

8.5 Financial position and working results of Government companies

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

8.5.2 According to latest finalised accounts of 4 Government companies, 3 companies had incurred an aggregate loss of Rs.1.72 crore.

Loss incurring companies

8.5.3 Of the 3 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

8.5.4 As per latest accounts the capital employed[1] worked out to Rs.16.23 crore in four companies and total return[2] thereon amounted to Rs.(-) 1.71 crore as compared to total return of Rs.(-)1.77 crore in the previous year (accounts finalised upto September 2001). The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix—XXIX.*

Persistent irregularities and system deficiencies in financial matters of companies

8.5.5 The following persistent irregularites 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 Meetings regularly as required under Section 265 of the Companies Act, 1956, major decisions are often taken without approval of BODs.

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* Sl.No. 1 (ii) of Appendix-XXIX (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/substracted from the loss as disclosed in the profit and loss account.

8.6 Response to Inspection Reports

Audit observation noticed 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 May 2002 pertaining to 6 PSUs disclosed that 293 paragraphs relating to 35 Inspection Reports remained outstanding at the end of September 2002. Of these, 1 Inspection Report containing 14 paragraphs had not been replied for more than 4 years. Department wise break up of Inspection Reports and Audit observations outstanding as on 30 September 2002 is given below:-

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	28	225	1988-89
2	Geology and Mining	1	7	68	1987-88
	Total	**6**	**35**	**293**	

It is recommended that the, (a) Government should ensure that 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) revamping the system of responding to the audit observations.

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 2002 by the Committee on Public Undertakings are shown below:-

Table No.8.4

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	1999-2000 and 2000-01	
2000-2001	---	1	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 31 years

8.8.1 As on 31 March 2002, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

8.8.2 Mention was made in paragraph 8.1.11 of the Report of the Comptroller and Auditor General of India for the year 2000-01 about delay in preparation of proforma accounts of these undertakings.

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

Table No.8.5

Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Suplies Department	1971-72 to 2001-02
2.	Nagaland State Transport Department	1988-89 to 2001-02
3.	Nagaland Power Department	1993-94 to 2001-02
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99 to 2001-02
	(ii) Medium size Seed farm, Merapani	1999-2000 to 2001-02
	(iii) Seed Farm, Tizit	1998-99 to 2001-02
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2001-02
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2001-02
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2001-02
8.	Farms under Veterinary and Animal Husbandry Department	
	(i)Cattle Breeding Farm, Medziphema	1998-99 to 2001-02
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2001-02
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2001-02
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2001-02
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2001-02
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2001-02
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2001-02
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2001-02
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2001-02
	(x) Pig Breeding Centre, Tizit	1997-98 to 2001-02

Sl. No.	Name of the Department/Undertaking	Extent of arrears
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2001-02
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2001-02
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2001-02
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2001-02
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2001-02
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2001-02
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2001-02
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2001-02
	(xix) Sheep Farm, Poilwa	1998-99 to 2001-02
	(xx) Buffalo Farm, Jalukie	1998-99 to 2001-02
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2001-02
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2001-02

SECTION - A - REVIEWS

INDUSTRIES AND COMMERCE DEPARTMENT (NAGALAND HANDLOOM AND HANDICRAFTS DEVELOPMENT CORPORATION LIMITED)

8.9 Working of Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur

Highlights

The company had been incurring losses continuously since inception and its accumulated losses of Rs.7.92 crore at the end of the year 2001-2002 completely eroded the paid up capital of Rs.5.66 crore, inspite of receipt of Rs.14.69 crore from State Government as grants-in-aid for payment of salaries of the staff.

(Paragraph 8.9.12)

Drawal of Rs.0.98 crore from Government of India by furnishing false and fictitious certificates and reports.

(Paragraph 8.9.25)

Loss of Rs.2.49 crore due to adoption of unrumenarative pricing policy.

(Paragraph 8.9.65)

Loss of Rs.3.70 crore due to dismal performance of sales emporia.

(Paragraph 8.9.67)

Irrecoverable loans and advances amounting to Rs.1.23 crore.

(Paragraphs 8.9.72 & 8.9.73)

Avoidable extra expenditure of Rs.3.88 crore on excess staff.

(Paragraph 8.9.77)

Unnecessary liability of Rs.35.29 lakh due to concealment of taxable turnover.

(Paragraph 8.9.80)

Loss of Rs.6.85 lakh due to non-submission of annual returns since inception of the company.

(Paragraphs 8.9.82 & 8.9.83)

Loss of Rs.7.93 lakh due to short deposit of CPF.

(Paragraph 8.9.84)

Introduction

8.9.1 The company was incorporated in February 1979 as a wholly owned Government company for the development of handloom and handicraft industries in the State.

Objects

8.9.2 The main objects of the company are-

- Manufacturing handloom and handicrafts products

- Aiding, assisting and financing the handloom and handicrafts industries

- Providing technical assistance to artisans and weavers

- Promoting export of handicraft goods

- Providing training to artisans craftsman etc.

8.9.3 In pursuance of the objectives the company took only the following activities:

(i) Procurement and distribution of raw-materials for processing and production of handloom and handicraft goods through weavers/artisans and marketing thereof through its sales emporia, participation in exhibitions etc.,

(ii) Providing training to artisans and weavers through its training centres,

(iii) Supplying mining timbers and bamboo products to Coal India Limited.

Organisational set up

8.9.4 The management of the affairs of the company is vested in a Board constituting of eight Directors including a Chairman and the Managing Director appointed by the State Government. The Managing Director is the Chief Executive of the company who is assisted in its day to day working by the General Manager, Deputy General Manager etc.

Scope of Audit

8.9.5 The working of the company for the last five years ended 31 March 2002 was reviewed for the first time during May – August 2002 and results thereof are discussed in succeeding paragraphs.

Capital

8.9.6 The initial authorised capital of the corporation of Rs.25 lakh was increased from time to time and was Rs.9 crore as on 31 March 2002.

8.9.7 As on 31 March 2002, the paid up capital of the company was Rs.5.66 crore, of which the Government of Nagaland and Government of India have subscribed Rs.4.37 crore and Rs.1.29 crore respectively.

8.9.8 The company in addition to the paid up capital, had obtained long term loans, subsidy and grant in aid from the State and Central Government for the execution of specific schemes. The long term loans which were overdue for payment as on 31 March 2002 were Rs.1.98 crore including interest (Principal : Rs.0.73 crore + interest Rs.1.25crore).

8.9.9 The amount outstanding against grant in aid and subsidy at the end of March 2002, stood at Rs.0.97crore and Rs.20.74 lakh respectively.

Financial position and working results

8.9.10 The account of the corporation have been compiled upto 2001-02 and finalised only upto 1982-83, although, the fact of non-finalisation had been taken up with the State Government repeatedly. The provisional accounts of the company and additional information/statements etc. furnished by the management has been treated as a basis for the review.

8.9.11 The company adopted the practice of accounting for the Income and Expenditure on cash basis since inception, in contravention of statutory provision of section 209 (3) (b) of the companies Act 1956, which stipulates maintenance of books on accural basis only.

8.9.12 The financial position and working results of the company, for five years upto 2001-02 are shown in *Appendix - XXXI*. It would be seen from the Annexure that the company had been incurring losses continuously since inception inspite of the fact that the state Government released Rs.14.69 crore (Rs.10.03 crore for the period 1997-98 to 2001-02) as grants in aid for meeting salary to staff of the company from 1985-86 to 2001-02 and its accumulated losses of Rs.7.92 crore at the end of the year 2001-02 as detailed in *Appendix-XXXII* have completely eroded the paid up capital of Rs.5.66 crore.

8.9.13 The main reasons for continued losses as analysed in audit were mainly excess recruitment of personnel, lack of planning, improper financial management leading to misutilisation/misappropriation of funds, running of uneconomic and unviable sales emporia and production centres, non-implementation of the schemes/projects etc. the scale of operations and sales performance was indicative of excess staffing. However, the reasons of losses were never analysed by the company.

Performance appraisal

8.9.14 The company had been entrusted with implementation of various Central Government Schemes to promote production and sale of handloom and handicraft products of the state. These schemes included running of training centres, production centres and marketing of products through its emporia net-work, conducting fairs and festivals, craft bazars, exhibitions, expos etc. in order to implement these schemes. The company received funds in the form of grant-in-aid from the Central Government. During the last five years ending 31 March 2002, the company received grants in aid aggregating Rs.2.67 crore from the Development Commissioner, Handloom and Handicrafts DC(H) New Delhi, as detailed below:

Table No.8.6

Sl No.	Name of the scheme	Amount received (Rupees in lakh)
1	Organising exhibitions, District level fairs and festivals, craft bazar, expo etc.	97.69
2	Share participation	65.00
3	DDHPY	33.10
4	Construction of work sheds	23.50
5	Renovation of emporia	19.98
6	Setting up new emporia	15.00
7	Craft development centre, Mongkolemba	7.50
8	Printing of catalogue	3.71
9	Design and technical work shop-cane and Bamboo	2.00
	Total	*267.48*

8.9.15 Out of 9 such schemes entrusted to the company, the implementation of seven schemes is discussed in the succeeding paragraphs.

Misutilisation of Rs.1.40 crore received from State and Central Government under Equity Share participation scheme

8.9.16 The company received Rs.1.40 crore under equity share participation scheme from State and Central Government during 1997-98 to 2001-2002, as per the details given below:

Table No.8.7

(Rupees in lakh)

Year	State Government	Central Government	Total
1997-98	15	---	15
1998-99	15	15	30
1999-2000	15	20	35
2000-2001	15	10	25
2001-2002	15	20	35
Total	*75*	*65*	*140*

8.9.17 Government of India*, sanctioned and released Rs.0.65 crore during these years to enable the company to increase its capital base so as to enable it to utilise the share money for any developmental, promotional and welfare activities concerning the craft persons in the State.

8.9.18 Further, funds for equity share participation were released by GOI** for the specific purpose of increasing the sales turnover of the beneficiary organisation. The norm prescribed for sales turnover in relation to the investment was that the sales turnover should increase three to four times the value of share money invested in the corporation.

8.9.19 Scrutiny of the available records relating to utilisation of share money by the company revealed the following irregularities:

8.9.20 Share participation money Rs.20 lakh received from central Government and Rs.15 lakh received from the state Government during 1999-2000 was fully utilised for payment of salary to staff. The fact was admitted by the management (June 2002).

* Office of the Development Commissioner (Handicraft), New Delhi

** Ministry of Commerce, Department of textiles orders dated October 1983

8.9.21 However, the company submitted false utilisation certificate duly certified by a Chartered Accountant to Government of India stating that the amount of Rs.20 lakh received from the Government of India during 1999-2000 has been utilised for (i) purchase of raw materials Rs.5.50 lakh (ii) purchase of finished goods Rs.3.50 lakh (iii) C.P.F Management share Rs.7.75 lakh (iv) purchase of computer Rs.1.25 lakh (v) publicity Rs.2.00 lakh.

8.9.22 Similarly, the company furnished false utilisation certificate in respect of amount received from the State Government during 1999-2000 stating that the amount of Rs.15 lakh has been spent for the purchase of raw materials, finished goods etc.

8.9.23 Details and the proof of correctness of utilisation of the balance amount of Rs.1.05 crore could not be produced to audit.

8.9.24 Against the investment of Rs.1.40 crore during the five year ending 31 March 2002 the sales (excluding the sales of raw material) actually made by the company was Rs.0.72 crore (Rs.12.47 lakh, Rs.14.95 lakh, Rs.14.23 lakh Rs.9.54 lakh and Rs.21.14 lakh respectively in 1997-98, 1998-99, 1999-2000, 2000-2001 and 2001-2002). Thus the norms prescribed for increase of sales turnover could not be achieved inspite of release of substantial amount by the Government.

Company obtained Rs.0.98 crore as grant-in-aid from Government of India by furnishing false and fictitious certificates and reports.

8.9.25 In addition to sale through its emporia network, counter sales etc. the company also sells its products through exhibitions, craft bazars, district level fairs and festivals, expos etc. In order to enable the company to participate in exhibitions, fairs and festivals etc. Government of India sanctioned and released Rs.0.98 crore to the company during the last five years ending 31 March 2002, as per the details given below:

Table No.8.8

(Rupees in lakh)

Year	*Exhibitions*	*Fairs and festivals*	*Expos*	*Craft bazars*	*Total*
1997-98	5.75	10.00	16.90	---	32.65
1998-99	8.00	8.00	---	---	16.00
1999-2000	8.40	4.00	---	---	12.40
2000-2001	4.06	5.84	4.71	15.83	30.44
2001-2002	3.20	3.00	---	---	6.20
Total :-	*29.41*	*30.84*	*21.61*	*15.83*	*97.69*

8.9.26. As against the receipt of Rs.0.98 crore from the Government of India, the company submitted performance cum achievement reports duly certified by the Chartered Accountants to DC(H), New Delhi stating that it made a total sale of handloom and handicraft products of Rs.3.90 crore during the last five years ending 31 March 2002.

8.9.27 Audit analysis, however, revealed that:

8.9.28 The company did not maintain any separate account of each scheme i.e., exhibitions, fairs and festivals etc. and maintained only one omnibus account namely 'exhibition' to account for all sales made through exhibitions, craft bazars, district level fairs and festivals, expos. In the absence of separate account it could not be verified in audit whether the amount of Rs.0.98 crore was used for bonafide objects of the various schemes.

8.9.29 The claim of the company that it had made a sales of Rs.3.90 crore as mentioned above was not found correct as the company made a total sales of Rs.21.93 lakh only through exhibitions, craft bazars, expos etc. during the last five years ended March 2002. This fact was also admitted by the company (August 2002). Even the sales of Rs.21.93 lakh was not supported by the actual sale proceeds reports of in-charges of exhibitions, craft bazars, fairs and festivals etc.

8.9.30 The Governor of Nagaland in his unscheduled visit to the Craft Bazar, held at Kohima on 19 October 2001 also adversely commented that the stalls were stocked with junk varying from trivia to trash. The company, however, submitted performance cum achievement report to Government of India stating that it had made a sales of Rs.30.37 lakh from the Craft Bazar held at Kohima during 16 to 24 October 2001, whereas actual sales of all the exhibitions was Rs.21.93 lakh only as mentioned above.

8.9.31 Thus, the performance cum achievement reports submitted to GOI from time to time, were found to be false and fictitious.

False and fictitious construction of common work sheds costing Rs.31.50 lakh

8.9.32 With a view to improve the working and living conditions of the artisans in the handicraft sector in the State, in March 2001, Government of India sanctioned an amount of Rs.47 lakh to the company for the construction of 500 individual work sheds i.e., 100 units for rural areas and 400 units for urban areas under Work Shed (Urban and Rural Areas) Scheme and released Rs.23.50 lakh as first instalment.

8.9.33 However, considering the practical difficulties and the cost of transportation for construction of individual work sheds both in rural and urban areas the company in November 2001 requested Government of India to allow them to have common work sheds for the craftsmen.

8.9.34 Government of India allowed(January 2002) construction of common sheds with the condition that the land for the construction of such sheds should be owned by the corporation and the title of the land should be in the name of the corporation which would be implementing the scheme.

8.9.35 The company intimated (March 2002), the Government of India that 4 nos. of common work sheds for 100 artisans under rural areas and 34 nos. of common urban work sheds for 200 artisans in the urban areas were constructed in the first phase, alongwith utilisation certificate, cash account, a performance-cum-achievement report duly certified by a Chartered Accountant and inspection report submitted by the Handicraft Promotion Officer, Office of the DC(H), Guwahati. This report, interalia, stated that the company had spent Rs.33.50 lakh towards construction of 38 common work sheds and Rs.10 lakh was received from 300 artisans as beneficiaries' contribution and the inspection report also stated that the common work sheds were constructed as per the orders of October 1999.

Audit analysis, revealed that:

8.9.36 The company had not received any contribution from the beneficiaries. The fact was admitted by the company (August 2002).

8.9.37 It was also observed that the common worksheds constructed by the company at its office complex was for 25 of its own employees defeating the very purpose of the scheme i.e., improving the working and living conditions of the artisans in the handicraft sector.

8.9.38 The management stated (August 2002) that only the land on which one common urban work shed which was constructed by the company at the cost of Rs.2 lakh at the corporation's office complex was owned by it and in respect of 37 common work sheds, the land was not owned by the company, as such the title deeds of the land in respect of those common work sheds were not in the name of the company.

8.9.39 In the absence of beneficiaries' contribution and ownership of land in the name of the company, the company's claim that it had constructed 37 nos. of common work sheds (38 nos. – 1 no.) at the cost of Rs.31.50 lakh (Rs.33.50 – Rs.2.00 lakh) could not be verified in Audit. Further, even if the sheds had been constructed as stated by the company it is irregular as the sheds are to be constructed only if the land is owned by the company.

Irregularities in the implementation of Deen Dayal Hathkargha Protsahan Yojana Scheme

8.9.40 Under the scheme 'Deen Dayal Hathkargha Protsahan Yojana (DDHPY) the Government of India approved project cost of Rs.0.89 crore (March 2001). The project cost was to be shared between the Centre and State in the ratio of 3:1. The scheme envisaged training for technical advancement of weavers for a duration of 3 months by Weavers Service Centres, State Institution for Design at National and State level. During training Rs.750 per month was to be paid to each trainee as stipend. Modern looms were to be provided to the trained weavers in order to promote self reliance.

8.9.41 Government of India sanctioned Central share of Rs.0.66 crore and released Rs.33.10 lakh (March 2001) being the first instalment. The State Government has not released any fund (August 2002).

8.9.42 It was noticed in audit that separate account for receipt and utilisation of funds under the scheme was not maintained. The details of expenditure, if any, incurred for implementation of the scheme were not available on record.

8.9.43 On enquiry, the management stated (August 2002) that out of Rs.33.10 lakh, Rs.8.18 lakh was spent for supporting training to weavers and Rs.6.07 lakh was spent to meet administrative expenses of the company. However, supporting documents showing the details of expenditure on training along with list to weavers to whom the training was imparted as well as the details of the expenditure of Rs.6.07 lakh could not be produced to audit. Further, no records relating to utilisation of the balance Rs.18.85 lakh (Rs.33.10 lakh –

Rs.14.25 lakh) or how and whether the money has been kept in case of non-utilisation could be produced to audit.

8.9.44 Hence, authenticity of the utilisation of fund and accounting of the same could not be verified in audit.

Company obtained Rs.19.98 lakh by furnishing false utilisation certificates

8.9.45 The company is having 11 emporia and is eligible for financial assistance as grant-in-aid from Government of India upto 50 *per cent* subject to a maximum of Rs.5 lakh on each emporium for incurring capital expenditure on renovation of emporia. The balance of funds were to be provided by the state Government/company.

8.9.46. During the period from 1997-98 to 2001-2002 the company obtained approval from GOI for renovation of 5 emporia at different places and received Rs.19.98[1] lakh being 50 *per cent* of the actual expenditure incurred by the company. The company, however, did not receive any fund from the State Government during the above period for the purpose.

8.9.47 Scrutiny of the relevant records furnished by the management revealed that:

8.9.48 The company obtained the Central assistance by furnishing false utilisation certificate for higher amount than the expenditure actually incurred as detailed in the table below:

Table No.8.9

(Rupees in lakh)

Name of renovation of work	*Central Assistance received/amount and Date (Rs.)*	*Utilisation certificate furnished amount and date (Rs.)*	*Expenditure incurred on renovation work (Rs.)*	*Fund diverted/ not accounted for (Rs.)*	*Remarks*
1. Sales Emporium, Kohima	2.5 (February 1998) 2.5 (September 1998)	6.71 (February 1998)	Nil	5.0	Agreement signed in July 1997 with M/s G.S.Traders for Rs.3.81 lakh. The firm did not turn up for doing work
2. Sales Emporium, Kolkata	2.5 (March 1998) 2.5 (January 2000)	10.59 (January 1999)	3.58	1.42	---
3. Sales Emporium, New Delhi	2.5 (February 1999) 2.5 (March 2001)	10.90 (December 1999)	3.46	1.04	Rs. 2.25 lakh advance paid to the main contractor who subcontracted the work to another contractor. He, too, did the same. The work remains incomplete.
4. Sales Emporium, Phek	2.5 (March 1999)	10.36 (June 2000)	Nil	1.90 (Advance paid to contractor)	Contractor did not turn up for doing the job. He did not return advance received (1.90 lakh)

[1] Rupees five lakh each for emporia at Kohima, Kolkata, New Delhi, Rs.2.5 lakh and Rs.2.48 lakh for emporia at Phek and Wokha respectively.

					against work order for Rs.3.85 lakh despite request of the Company.
5. Sales Emporium, Wokha	2.48 (March1999)	9.98 (June 2000)	N.A	1.30 (Advance paid to contractor)	Rs. 1.30 lakh advance paid to contractor (July 1999) against work order for Rs. 2.78 lakh. Work is incomplete (August 2002)

8.9.49 As per the provisions of the scheme, 50 *per cent* of the expenditure incurred on the renovation of sales emporia was to be borne by the company. However, it was noticed in audit, the company did not spend any amount from its own resources against the renovation of five sales emporia stated above during the period 1997-98 to 2001-2002.

8.9.50 The company while sending the proposals for obtaining funds for renovation from Government of India submitted unrealistic sales targets, which could not be achieved at all as revealed from the data given below:

Table No.8.10

Name of the emporium renovated during the period 1997-98 to 2001-02	*New Delhi*	*Wokha*	*Phek*
Projected sales	17 to 24 lakh in the fisrt 2 years	12 to 15 lakh in the first 2 years	10 to 14 lakh during the 10 years
Actual sales	6.91 lakh and 5.38 lakh	0.10 lakh 0.74 lakh	0.04 to 0.26 lakh

8.9.51 Thus, it is evident that the proposals for obtaining financial assistance from Government of India was not based on facts.

Loss of Rs.11.23 lakh in setting up of new emporia

8.9.52 To ensure economic development of craftsmen and to provide facilities of marketing channels to crafts persons, the Government of India provides financial assistance for opening of new emporia. Under this scheme grant-in-aid is provided for land and buildings, interior decoration, furniture, electrification etc. The financial parameter for opening of new emporia (own building) applicable for cities other than 'A' Class cities was 50 *per cent* of the capital expenditure incurred subject to a maximum of Rs.15 lakh, the balance was to be borne by the company.

8.9.53 During the year 1999-2000 and 2000-2001 the company received Rs.15 lakh from the Government of India for setting up new emporium at Dimapur. The company submitted (March 2000) utilisation certificate for Rs.30.12 lakh for setting up new emporium at Dimapur duly signed by a Chartered Accountant.

8.9.54 Scrutiny of records of the above scheme revealed the following:

8.9.55 The company did not contribute its share and stated that they could spend only Rs.7.61 lakh out of Rs.15 lakh received from Government of India. The company admitted (August 2002) that basic codal formalities like work order, comparative statement, measurement book, assessment reports by technical personnel etc. were not observed. Therefore, efficacy of Rs.7.61 lakh spent could not be verified in audit.

8.9.56 The company could achieve a sales of Rs.0.20 lakh in 2000-2001 and Rs.0.04 lakh in 2001-2002 as against the projected sales of Rs.30.00 lakh in its feasibility report.

8.9.57 The new emporium at New Market, Dimapur was closed in July 2001 after sustaining a loss of Rs.8.14 lakh and was shifted at Circular Road, Dimapur in a rented accommodation (December 2001) after spending Rs.1.89 lakh. No feasibility report was prepared for opening of new emporium at circular road. The company further suffered a loss of Rs.3.09 lakh in running of new emporium at Circular Road, Dimapur.

8.9.58 Thus, the company has drawn Rs.15 lakh from Government of India by furnishing false utilisation certificate and sustained loss of Rs.20.73 lakh for setting up of emporium (construction cost Rs.7.61 lakh + loss on sale Rs.8.14 lakh + setting up rented emporium Rs.1.89 lakh + loss on sale Rs.3.09 lakh).

Non completion of scheme as per the project report

8.9.59 In January 1998, Government of India sanctioned its share (75 *per cent*) of Rs.7.50 lakh with remaining to be contributed by the company for setting up craft development centre at Monkolemba for sale of handicraft items against estimated cost of Rs.10 lakh. The first instalment Rs.3.50 lakh of Central share was released (January 1998).

8.9.60 The company in October 1999 intimated to Government of India that the above scheme was completed in January 1999 at a cost of Rs.10.12 lakh enclosing the utilisation certificate issued by a Chartered Accountant and requested for release of balance amount of Rs.3.94 lakh. Based on the utilisation certificate submitted by the company, Government of India released second instalment of Rs.3.94 lakh in June 2000.

8.9.61 No document in support of the expenditure of Rs.10.12 lakh could be furnished to audit. In the absence of supporting records showing the details of expenditure incurred on land and building, equipment and machinery etc. the authenticity of these funds claimed to have been utilised could not be verified. The company stated (July 2002) that it had actually spent only Rs.5.41 lakh against the above scheme. But documents in support of the expenditure could not be produced to audit.

8.9.62 Therefore, the expenditure of Rs.5.41 lakh is not acceptable in audit and completion of the scheme as reported by the company at a cost of Rs.10.12 lakh appeared to be false.

Production performance

Loss of Rs.2.27 crore due to dismal performance of production centres

8.9.63 With a view to produce the handloom and handicraft items, the company has been running ten production centres within the State. Table below indicates the handloom and handicraft items produced by the 10 production centre and the expenditure incurred on production centres during 1997-98 to 2001-2002.

Table No.8.11

			(Rupees in lakh)
Year	***Expenditure incurred on running of production centers (Rs.)***	***Handloom and Handicraft items produced (Rs.)***	***Difference being loss (Rs.)***
1997-98	49.29	7.82	41.47
1998-99	54.73	8.73	46.00
1999-2000	53.70	4.79	48.91
2000-2001	58.22	6.50	51.72
2001-2002	62.33	23.58	38.75
Total	**278.27**	**51.42**	**226.85**

8.9.64 It would be seen from the above table that the company incurred a loss of Rs.2.27 crore due to dismal performance of production centres. No action was taken by the company to make the production centres viable. Further, no production targets were fixed by the company reasons for which were not available on record. The reasons for continued losses were never analysed by the company. However, the main reasons for recurring losses as analysed in audit were unnecessary recruitment of officers and staff, non-implementation of centrally sponsored schemes, lack of work culture etc.

Marketing of finished goods

(i) Pricing policy

Loss of Rs.2.49 crore due to adoption of unremunerative pricing policy

8.9.65 The sale price of all the finished products is determined by the company simply by adding 25 *per cent* profit on the cost of raw-material used without taking into account labour and other production overheads. The unscientific method adopted for price fixation was unrumenerative and the loss incurred was Rs.2.49 crore as calculated by the management during the period 1997-98 to 2001-2002.

(ii) Sales performance

Loss of Rs.3.70.crore owing to dismal performance of sales emporia

8.9.66 With a view to market the products of the manufacturing units, the company has been running eleven emporia during the year 1997-98 to 2001-2002. Of these, two emporia were established outside the State (New Delhi and Kolkata) and the remaining within the State. The total sales of all emporia of handloom and handicraft products amounted to Rs.0.56[2] crore during 1997-98 to 2001-2002.

8.9.67 It was noticed in audit that no sales targets were fixed by the company since its inception and all the eleven sales emporia were incurring recurring losses year after year. As calculated by the management the company incurred

[2] (1997-98 Rs.10.02 lakh, 1998-99 Rs.8.48 lakh 1999-2000 Rs.7.63 lakh; Rs.2000-2001 Rs.10.95 lakh and 2001-2002 Rs.19.03 lakh).

a total loss of Rs.3.70[3] crore during the period 1997-98 to 2001-2002, in running eleven sales emporia.

8.9.68 The reasons for dismal sales performance and recurring losses were never analysed by the management. The main reasons for recurring losses as analysed in audit were unnecessary recruitment of manpower. and low turnover. The company did not take any steps to make all the loss making emporia viable or close them down.

(iii) Irrecoverable loans and advances – Rs.1.23 crore

8.9.69 The table below indicates the year wise position of recoverable loans and advances at the close of five years upto 2001-2002.

Table No.8.12

Years	***Recoverable loans and advances outstanding as on 31 March (Rupees in lakh)***
1997-98	151.91
1998-99	164.98
1999-2000	176.05
2000-2001	198.88
2001-2002	242.37

8.9.70 It would be seen from the above that the recoverable loans and advances are increasing from year to year which is due to the following reasons:

8.9.71 Age-wise analysis of recoverable loans and advances is not carried out and, therefore, old and heavy debts remain unidentified for securing early liquidation.

8.9.72 Recoverable loans and advances outstanding at the close of 2001-2002 was Rs.2.42 crore which included advances of Rs.1.23 crore outstanding for more than five to thirteen years. Such heavy advances have not even been reviewed by the management in order to take necessary action for fixing responsibility and effecting recovery where advances were drawn in excess of expenditure incurred.

8.9.73 Due to improper maintenance of records and non-pursuance of recovery even after the expiry of more than five to thirteen years the chances of recovery of Rs.1.23 crore became bleak. No provision has been made in the accounts for bad and doubtful debts since inception of the company.

8.9.74 Reasons for non recovery of such huge outstanding advances were not furnished to audit (August 2002).

Man power Analysis

Avoidable expenditure of Rs.3.88 crore on excess officers and staff

8.9.75 Prior to the formation of the company the Government of Nagaland implemented Intensive Handloom Development Project under the Centrally

[3] (New Delhi Rs. 59.66 lakh, Kolkata Rs.25.44 lakh, Dimapur 4 Nos Rs.52.95 lakh, Kohima Rs.54.18 lakh, Mokokchung Rs.40.08 lakh, Tuensang Rs.30.86 lakh, Mon Rs.39.61 lakh, Wokha Rs.28.39 lakh, Zunheboto Rs.23.66 lakh, Phek Rs.15.25 lakh).

sponsored scheme from 1972-1977. Since all the officers and staff of the Project were recruited on regular basis, the State Government had to continue the scheme when the company was formed in February 1979, 180 officers and staff (95 Technical and 85 Non-Technical staff) of the above Project were transferred to the company on deputation basis without assessing its actual manpower requirement.

8.9.76 Audit analysis revealed that even though actual requirement of officers and staff was 60 and the company was over burdened with deputationists, the company further recruited 147 officers and staff during 1979-80 to 2001-2002 (excluding staff recruited on compassionate grounds). As on 31 March 2002, the company had 222 officers and staff (Technical 97 and Non-Technical 125).

8.9.77 Thus, owing to injudicious recruitment the company incurred avoidable expenditure of Rs.3.88 crore towards the salary of officers and staff of the corporation during the period 1997-98 to 2001-2002.

8.9.78 In reply management stated (June 2002) that the corporation had to further recruit 147 officers and staff as all the 180 deputationalists were technical personnel only. However, the reply of the management was not tenable since out of 180 deputationists only 95 staff were Technical and remaining 85 were not technical personnel and the scale of operations and sales performance were indicative of excess staffing.

Non fulfilment of statutory obligations

Unnecessary liability of Rs.35.29 lakh due to concealment of taxable turnover

8.9.79 Under the provisions of the Nagaland Sales Tax Act 1967, if any dealer conceals the particulars of any turnover, the Commissioner of Taxes may direct that such dealer shall pay by way of penalty in addition to the tax payable by him a sum not exceeding three times of the amount of tax due. Under the Central Sales Tax Act, inter-state sales not supported by declaration in prescribed forms are taxable at the rate of 10 *per cent* or at the rate applicable to such sales within the State whichever is higher.

8.9.80 Audit analysis revealed that the corporation during 1987-88 and 1988-89 in the course of inter state trade sold taxable goods amounting to Rs.2.48 crore (Rs.1.01 crore in 1987-88 and Rs.1.47 crore in 1988-89) but it disclosed only taxable turnover to the tune of Rs.1.64 crore only (Rs.29.69 lakh in 1987-88 and Rs.1.35 crore in 1988-89), concealing its taxable turnover amounting to Rs.0.84 crore having a tax effect of Rs.8.82 lakh. Besides, the company is also liable to pay penalty of Rs.26.47 lakh (Rs.8.82 x 3 times) for concealment of taxable turnover as per the provisions of the Act. Thus, the company has to pay total amount of Rs.35.29 lakh to the Government for concealment as on 31 March 2002. The company in June 2002 admitted and confirmed the facts and figures stated in audit. However, no provision has been made for payment of tax and penalty in the accounts as the accounts are maintained on cash basis.

Loss of Rs.6.85 lakh due to non-submission of annual returns

8.9.81 It was noticed in audit that the company did not submit its annual returns, annual accounts etc to the Registrar of the companies (ROC), Shillong since inception as required under section 220/159, 162 (i) of the companies Act 1956. Therefore, in September 1998 ROC caused issue of summons to all the five Directors of the company to appear in person or through pleader before Chief Judicial Magistrate, Shillong on 15/16.10.98. To defend the case, the company appointed (November 1999) a legal representative[4] at a total fee of Rs.5.50 lakh for entire assignment (filing fee of annual returns and Rs.2.00 lakh as professional fee including expenses and penalty that might be imposed on the company). As per the terms and conditions of the appointment order the work was to be completed in all respects within 15 December 1999. An advance of Rs.1 lakh was paid to him (November 1999).

8.9.82 It was further noticed the case was disposed of on conviction by payment of fine (December 1999) and a total amount of Rs.6.85 lakh was paid to the legal representative. No original documents/bills, cash memos etc. could be produced by the company in support of the payment of Rs.6.85 lakh and there was no record in proof of the fine that was imposed and paid.

8.9.83 In reply, management stated (June 2002) that due to managerial lapse the company could not submit its annual returns in time. Thus, due to company's failure to furnish the annual returns etc. in time, it had to incur a loss of Rs.6.85 lakh, but the veracity of the expenditure could not be vouchsafed in audit.

Loss of Rs.7.93 lakh due to short deposit of CPF

8.9.84 The company is accountable for contributing its share of CPF for its employees. It was, however, noticed during the course of audit that as against Rs.28.19[5] lakh, the company actually deposited Rs.22.58 lakh, thus there was short deposit of dues to the extent of Rs.5.61 lakh. Due to short deposit of CPF dues the Asstt. Provident Fund Commissioner, Guwahati, imposed a penalty of Rs.7.93 lakh vide his orders dated September 2001 which was duly paid by the company. Thus, due to short deposit of statutory dues, the company sustained a loss of Rs.7.93 lakh. The reasons for short deposit of CPF contribution were not on record.

Extra burden of Rs.1.06 crore on the State's exchequer due to company's failure to deposit pensionary benefits

8.9.85 As per the memorandum dated July 1982 issued by the Government of Nagaland as well as per Guwahati High Court orders dated April 1993 the company had to bear the liabilities of leave salary and pension contribution in respect of deputationists who were transferred by the Government to the company in the year 1979.

8.9.86 It was, however, noticed during the course of audit that the company could not deposit the pensionary benefit in respect of deputationists due to its failure to generate internal resources. The company appealed to the State

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4 Shri Raj Kumar Sharma, Company Secretary, Guwahati.

5 Payable for the period October 1994 to February 2000 in respect of CPF accounts no.10

Government for waiver of Rs.1.06 crore, the state Government conveyed its administrative approval for waiver of Rs.1.06 crore in respect of 88 deputationists who were reverted back to their parent department i.e., Directorate of Industries in the year 2002-2003.

8.9.87 Thus, owing to company's failure to generate internal resources for payment of its statutory obligations inspite of receipt of Rs.9.20 crore from the State Government as grants in aid for payment of salary during the period 1997-98 to 2001-2002, the State Government was left with no other alternative but to bear extra financial burden of Rs.1.06 crore.

Internal Audit

8.9.88 The company has no Internal Audit wing of its own. Internal Audit was got completed upto 2001-2002 by appointment of a firm of Chartered Accountants. The internal Auditors are concerned with the completion of annual accounts only. Therefore, the company is to initiate suitable action for establishment of internal audit wing of its own, by prescribing the detailed scope and extent of checks to be exercised by it.

Conclusion

8.9.89 The company was established with a view to manufacture and market handicrafts and handloom products and to promote and protect the interest of handicraft and handloom industries in the State. The objective of the company was largely defeated due to lack of proper planning, over staffing inefficient and indisciplined financial management which led to investment in unproductive areas, running of uneconomic and unviable sales emporia, locking up of funds in projects without assessment of requirement, gross irregularities in implementation of Centrally sponsored schemes, recruitment of staff far in excess of actual requirement, lackadaisical attitude of the management to clear statutory dues and failure to generate internal resources. These have collectively attributed to heavy losses and the company wiped out its own capital even though limited activities had been undertaken by the company since its inception.

Recommendations

8.9.90 Company needs to optimise utilisation of resources by:

(i) Proper planning indicating targets, judicious management of resources and effective monitoring.

(ii) Rationalisation of staff structure by scientific methods.

(iii) Closing down uneconomic and unviable sales emporia and production centres.

(iv) Clearance of statutory obligations/dues payable to Government of India/other bodies.

SECTION – B – AUDIT PARAGRAPGHS

GEOLOGY AND MINING DEPARTMENT (Nagaland State Mineral Development Corporation Limited)

8.10 Loss of interest due to premature withdrawal/closure of Fixed Deposit Receipts

Due to premature closure/withdrawal of Fixed Deposit Receipts resulted loss of interest of Rs.27.20 lakh

8.10.1 Nagaland State Mineral Development Corporation Limited (NSMDC), received Rs.160 lakh from the Government of Nagaland as equity share for the Expansion Project of Wazeho mini cement plant and invested the money as Fixed Deposit in 3 Fixed Deposit Receipts (FDRs) with Bank of Borada (BOB) at 12 *per cent* interest for 3 years and with an overdraft facility to the extent of Rs.136 lakh. After availing overdraft to the extent admissible and refusal by BOB to extend working capital loan for mini cement plant, the company decided (November 1999) to close the FDRs and reinvest the same with the State Bank of India (SBI) for working capital loan requirement of the plant. The FDRs were closed on 23 January 2000 and deposited with SBI on 8 February 2000 (i.e., after 15 days) at 10.5 *per cent* interest per annum and overdraft facility of Rs.120 lakh. This resulted in loss of interest of Rs.27.20 lakh.

8.10.2 The company stated (July 2002) that actual loss of interest was Rs.9.06 lakh and the funds were reinvested with the main objective of getting working capital loan.

8.10.3 The reply is not tenable as the company did not furnish details/basis and the working capital loan was yet to be sanctioned (September 2002).

INDUSTRIES AND COMMERCE DEPARTMENT (Nagaland Handloom and Handicraft Development Corporation Limited)

8.11 Liability of Rs.1.55 crore including extra liability of Rs.1.13 crore

The company incurred sales tax liability of Rs.1.55 crore due to non submission of 'C' form

8.11.1 Between 1982-83 and 2001-2002 the Nagaland Handloom and Handicrafts Development Corporation Ltd., supplied mining timbers to Coal

APPENDICES

APPENDIX -- I

Part A. Government Accounts

(Reference : Paragraphs 1.1.1 and 1.11.2; Pages 1 and 17)

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 2001-02 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 regularization by the Legislature.

Part B. List of Indices/ratios and basis for their calculation
(Reference : Paragraphs 1.1.1 & 1.11.2; Pages 1 and 17)

Indices/Ratios		Basis for calculation
Sustainability		
Balance from the current Revenue	BCR	Revenue Receipts *minus* all Plan grants (under Major Head 1601-02,03,04, 05-) and Non-plan Revenue Expenditure
Primary Deficit		Fiscal deficit *minus* interest payment
Interest Ratio		Interest payment-Interest receipts divided by Total Revenue receipts- interest receipts
Capital Outlay *vs* Capital Receipts	Capital Outlay	Capital expenditure as per Statement No. 2 of the Finance Accounts.
	Capital receipts	Internal loans (excluding ways and means advances overdrafts) *plus* loans and advances from Government of India (excluding ways and means advances), *plus* net receipts from small savings, provident funds etc., *plus* Repayments received of loans advanced by the State Government *minus* loans advanced by the State Government.
Total tax receipts *vs* GSDP State tax receipts *vs* GSDP	GSDP	As furnished by the Addl. Director, Economics and Statistics Department, Nagaland upto 1998-99.
Flexibility		
Balance from current revenue		As above
Capital repayments *vs* Capital borrowings	Capital Repayments	Disbursements under Major Heads 6003 and 6004 *minus* repayments on account of Ways and Means Advances/Overdrafts under both the major heads.
	Capital Borrowings	Addition under Major Heads 6003 and 6004 minus addition on account of Ways and Means Advances/Overdraft under both the major heads
Incomplete projects		
Total Tax receipts *vs* GSDP	State Tax Receipts	Statement-10 of Finance Accounts
	Total Tax Receipts	State Tax receipts *plus* State's share of Union Taxes
Vulnerability		
Revenue Deficit		Table No.1.16 of Audit Report
Fiscal Deficit		--do--
Primary Deficit *vs* Fiscal Deficit	Primary Deficit	Fiscal Deficit *minus* interest payments
Total outstanding guarantees including letters of comfort *vs*	Outstanding guarantees	Paragraph 1.9.28
Total revenue receipts of the Government	Revenue Receipts	Table No.1.16
Assets *vs* Liabilities	Assets and Liabilities	Table below paragraph 1.2
	Debt	Borrowings and other obligations at the end of the year (Statement No-3 of the Finance Accounts).

APPENDIX – II

Working sheet for indicators of financial performance of Government for the year ended 31 March 2002

(Reference : Paragraph 1.11.2, Page 17)

Sl. No.	Particulars	2001-2002
1(a)	Revenue receipts	1324.53
(b)	Less all plan grants under MH 1601 (02+03+04+05)	1104.70
(c)	Less non-plan revenue expenditure	1194.46
(d)	Balance from current Revenues (BCR)	(-) 974.63
2(a)	Interest Receipts (0049)	1.62
(b)	Interest payments (2049)	200.47
(c)	Net interest payments (b-a)	198.85
(d)	Revenue receipts—Interest Receipts (1(a)-2(a))	1322.91
(e)	Interest ratio (2c/2d)	0.15
3	Capital Outlay (Capital Expenditure)	238.73
4	Capital Receipts	322.61
(a)	Addition under 6003—Internal Debt (-) Ways and Means Advances	224.23
(b)	Addition under 6004 loans from Central Government (-) W&M Advances	62.01
(c)	Net receipts under small savings PF etc.	32.02
(d)	Miscellaneous capital Receipts (4000)	---
(e)	Net loans and advances (receipt repayments)	4.35
(f)	Total (4a+b+c+d+e)	322.61
5	Capital outlay/Capital Receipts (3/4f)	0.74
6	Gross State Domestic Product (GSDP)	©
7	Total Tax Receipts (State Tax + State's Share of Union Taxes)	85.61
8	Total Tax Receipts/GSDP(7/6)	NA
9	State Tax Receipts (Tax Revenue – Income Tax)	62.39
10	State Tax Receipts/GSDP (9/6)	NA
11	Total Investments(at the year end)	53.87
12	Return on investments	©
13	Ratio of return on investment	NA
14	Capital repayments:-	
(a)	Disbursements under 6003 Internal Debt (-) Ways and Means Advances	29.37
(b)	6004 Loans and advances from Central Government (minus) W&M advances	22.06
(c)	Total (14 a + b)	51.43
15	Capital borrowings (4a +b)	286.24
16	Capital repayment/Capital borrowings (14c/15)	0.18
17	Debt	2214.00
(a)	Borrowings (closing balance of the year)	2133.40
(b)	Other obligations (Closing balance of the year)	80.60

© Information awaited from the Government (February 2003)

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(c)	Total (17a+b)	2214.00
18	Debt/GSDP(17c/6)	NA
19	Revenue deficit	(-) 102.58
20	Fiscal deficit (revenue (Revenue Expenditure + Capital +Net Loans and Advances) minus (Revenue Receipts + Miscellaneous Capital Receipts)	336.96
21	Primary Deficit (Fiscal Deficit minus interest payments)-(20-2(b))	136.49
22	PD/FD (21/20)	0.41
23	RD/FD (19/20)	0.30
24	Outstanding guarantees + interest	©
25	Outstanding guarantees/Revenue receipts (24/1(a))	©
26	Assets	2287.82
27	Liabilities	2256.11
28	Assets/Liabilities (26/27)	1.01

APPENDIX—III

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

(Reference: Paragraph 2.3.1; Page 27)

Sl No	Number and name of the grant/appropriation	Total grant/ appropriation	Total expenditure	Excess
(1)	(2)	(3) (Rs.)	(4) (Rs.)	(5) (Rs.)
Revenue Section (Voted).				
1.	18-Pension and other Retirement Benefits	1,02,05,96,000	1,12,25,51,697	10,19,55,697
2.	38-Information and Public Relation	8,98,93,000	9,24,23,206	25,30,206
3.	40-Employment and Training	3,02,15,000	3,04,04,000	1,89,000
4.	43-Social Security and Welfare	31,24,81,000	33,53,76,484	2,28,95,484
5.	49-Soil and Water Conservation	12,26,67,000	12,31,57,102	4,90,102
6.	52-Forest	23,44,25,000	23,83,98,928	39,73,928
7.	58-Roads and Bridges	43,33,64,000	45,20,00,435	1,86,36,435
8.	62-Civil Administration Works	64,51,000	66,91,700	2,40,700
9.	64-Housing	13,36,91,000	20,93,41,438	7,56,50,438
10.	72-Wasteland Development	15,69,22,000	16,32,34,032	63,12,032
11.	75-Police Telecommunication Organisation	5,58,36,000	6,45,02,146	86,66,146
	Total Revenue (Voted)	**2,59,65,41,000**	**2,83,80,81,168**	**24,15,40,168**
Capital Section (Voted)				
1.	14-Jails	40,00,000	51,00,000	11,00,000
2.	32-Higher and Technical Education	5,00,000	20,00,000	15,00,000
3.	34-Art and Culture and Gazetteers Unit	5,00,000	5,00,607	607
4.	68-Police Engineering Project	9,69,60,000	13,19,55,297	3,49,95,297
5.	70-Horticulture	20,00,000	27,00,000	7,00,000
	Total:- Capital (Voted)	**10,39,60,000**	**14,22,55,904**	**3,82,95,904**
	Grand Total	**2,70,05,01,000**	**2,98,03,37,072**	**27,98,36,072**

APPENDIX—IV

Statement showing grant wise supplementary grants obtained proving unnecessary

(Reference: Paragraph 2.3.4; Page 28)

(Rupees in lakh)

Sl No	Number and name of the grant	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)			
1	3-Council of Ministers	18.14	18.70
2	14-Jails	41.35	78.85
3	19-Soldiers, Sailors & Airmen's Board	4.85	5.19
4	21-Relief of Distress Caused by Natural Calamities	177.88	332.13
5	34-Art and Culture and Gazetteers Unit	30.02	0.22
6	36-Urban Development	456.10	727.64
7	41-Labour	4.66	42.37
8	53-Industries	2704.61	711.92
9	59-Irrigation and Flood Control	67.15	210.26
10	63-Science, Technology and Environment	77.21	36.20
11	74-Mechanical Engineering	5.81	100.57
	Total Revenue Section (Voted)	**3587.78**	**2264.05**
	Capital Section (Voted)		
1	4-Administration of Justice	34.00	41.00
2	16-State Guest House	28.70	28.70
3	25-Land Records and Survey	28.45	26.97
4	31-School Education	819.79	114.77
5	35-Medical, Public Health and Family Welfare	850.00	1025.25
6	40-Employment and Training	113.15	95.15
7	42-Rural Development	10.00	400.00
8	48-Agriculture	40.70	61.15
9	52-Forest	100.00	38.16
10	53-Industries	6.58	1740.16
11	55-Power	3804.58	3325.21
12	56-Road Transport	90.00	0.04
13	58-Roads and Bridges	4840.41	6464.72
14	60-Water Supply Schemes	1332.34	933.74
15	62-Civil Administration Works	663.12	152.02
16	64-Housing	404.00	699.59
	Total Capital Section (Voted)	**13165.82**	**15146.63**
	Capital Section (Charged)		
1	76-Servicing of Debt	33777.77	770.19
	Total Capital Section (Charged)	**33777.77**	**770.19**
	Grand Total	**50531.37**	**18180.87**

APPENDIX—V

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

(Reference: -Paragraph 2.3.5; Page 28)

(Rupees in crore)

Sl No	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
	Revenue Section (voted)					
1	3-Council of Ministers	3.15	0.18	3.33	3.14	0.19
2	14-Jails	7.19	0.41	7.60	6.81	0.79
3	21-Relief of Distress caused by Natural Calamities	2.05	1.78	3.83	0.51	3.32
4	36-Urban Development	7.33	4.56	11.89	4.62	7.27
5	41-Labour	1.71	0.05	1.76	1.33	0.43
6	53-Industries	16.44	27.05	43.49	36.37	7.12
7	59-Irrigation and Flood Control	14.90	0.67	15.57	13.47	2.10
8	63-Science, Technology & Environment	1.51	0.77	2.28	1.92	0.36
9	74-Mechanical Engineering	9.81	0.06	9.87	8.86	1.01
	Total Revenue (Voted)	**64.09**	**32.28**	**99.62**	**77.03**	**22.59**
	Capital Section (Voted)					
10	4-Administration of Justice	1.38	0.34	1.72	1.31	0.41
11	16-State Guest House	Nil	0.29	0.29	Nil	0.29
12	25-Land Records and Survey	0.05	0.28	0.33	0.06	0.27
13	31-School Education	3.68	8.20	11.88	10.73	1.15
14	35-Medical, Public Health and Family Welfare	4.00	8.50	12.50	2.25	10.25
15	40-Employment and Training	Nil	1.13	1.13	0.18	0.95
16	42-Rural Development	4.00	0.10	4.10	0.10	4.00
17	48-Agriculture	8.40	0.41	8.81	8.20	0.61
18	52-Forest	1.58	1.00	2.58	2.20	0.38
19	53-Industries	23.86	0.06	23.92	6.52	17.40
20	55-Power	49.56	38.04	87.60	54.35	33.25
21	58-Roads & Bridges	55.96	48.40	104.36	39.72	64.64
22	60-Water Supply Schemes	55.20	13.22	68.42	59.09	9.33
23	62-Civil Administration Works	4.70	6.63	11.33	9.81	1.52
24	64-Housing	14.43	4.04	18.47	11.47	7.00
	Total Capital (Voted)	**226.80**	**130.64**	**357.44**	**205.99**	**151.45**
	Capital Section (Charged)					
25	76-Servicing of Debt (Charged)	358.59	337.78	696.37	688.67	7.70
	Grand Total:-	**577.71**	**467.11**	**1044.82**	**885.42**	**158.90**

APPENDIX-VI

Details showing inadequate supplementary grant provision

(Reference : Paragraph 2.3.6; Page 28)

(Rupees in crore)

Sl. No.	Number and name of Grant	Original	Supplementary	Total	Expenditure	Excess
	Revenue Section (Voted)					
1	18-Pension and other Retirement Benefits	93.69	8.37	102.06	112.26	10.20
2	38-Information and Public Relation	7.68	1.31	8.99	9.24	0.25
3	43-Social Security and Welfare	25.76	5.49	31.25	33.54	2.29
4	52-Forest	20.89	2.55	23.44	23.84	0.40
5	64-Housing	9.74	3.63	13.37	20.93	7.56
	Capital Section (Voted)					
1	68-Police Engineering Project	8.75	0.95	9.70	13.20	3.50
	Total	**166.51**	**22.30**	**188.81**	**213.01**	**24.20**

APPENDIX—VII

Statement showing persistent savings during 1999-2000 to 2001-2002

(Reference : Paragraph 2.3.7; Page 28)

(Rupees in lakh)

Sl No.	Number and name of the grant	Amount of savings (percentage of savings)		
		1999-2000	2000-2001	2001-2002
	Revenue Section (Voted)			
1	12-Treasury and Accounts Administration	88.76 (15)	72.90 (11)	156.00 (21)
2	33-Youth Resources and Sports	111.09 (18)	50.03 (10)	82.00 (14)
	Capital Section (Voted)			
3	25-Land Records and Survey	22.75 (100)	22.75 (100)	26.97 (82)
4	51-Fisheries	23.00 (56)	27.00 (66)	46.00 (75)
5	52-Forest	68.10 (100)	39.85 (31)	38.00 (15)
6	64-Housing	641.56 (51)	1086.50 (57)	700.00 (38)

APPENDIX - VIII

Details showing significant cases of excess expenditure during 2001-2002

(Reference: Paragraph 2.3.8; Page 29)

(Rupees in lakh)

Sl. No.	*Number and name of the grant*	*Amount of excess (Percentage of excess)*
	Revenue Section (Voted)	
1.	18-Pension and other Retirement Benefits	1020.00 (10)
2.	64-Housing	757.00 (57)
3.	75-Police Telecommunication Organisation	87.00 (16)
	Capital Section (Voted)	
4.	14-Jails	11.00 (28)
5.	32-Higher and Technical Education	15.00 (300)
6.	68-Police Engineering Project	350.00 (36)
7.	70-Horticulture	7.00 (35)

APPENDIX—IX

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 2.3.9; Page 29)

(Rupees in crore)

Sl No.	Number and name of the grant	Amount of savings (percentage of savings)
	Revenue Section (Voted)	
1	6-Land Revenue	0.04 (12)
2	7-State Excise	0.89 (17)
3	10-Public Service Commission	0.12 (11)
4	11-District Administration Social Welfare Scheme and Tribal Council	3.45 (11)
5	12-Treasury and Accounts Administration	1.56 (21)
6	14-Jails	0.79 (10)
7	17-State Lotteries	1.57 (76)
8	19-Soldiers, Sailors and Airmen's Board	0.05 (11)
9	20-Relief, Rehabilitation	0.37 (46)
10	21-Relief Distress caused by Natural Calamities	3.32 (87)
11	22-Civil Supplies	0.95 (17)
12	25-Land Records and Survey	0.67 (11)
13	26-Civil Secretariat	4.58 (12)
14	27-Planning	14.61 (28)
15	28-Civil Police	4.04 (2)
16	29-Stationary and Printing	0.70 (13)
17	30-Administrative Training Institute	0.27 (25)
18	31-School Education	3.74 (2)
19	32-Higher and Technical Education	13.90 (35)
20	33-Youth Resources and Sports	0.82 (14)
21	35-Medical, Public Health and Family Welfare	4.36 (5)

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22	36-Urban Development	7.27 (61)
23	39-Tourism	0.79 (20)
24	41-Labour	0.42 (24)
25	42-Rural Development	27.18 (62)
26	45-Co-operation	5.00 (53)
27	46-Statistics	0.72 (12)
28	48-Agriculture	4.02 (12)
29	50-Animal Husbandry and Dairy Development	3.80 (16)
30	51-Fisheries	1.24 (19)
31	53-Industries	7.12 (16)
32	54-Mineral Development	1.72 (28)
33	55-Power	5.65 (9)
34	56-Road Transport	1.02 (6)
35	59- Irrigation and Flood Control	2.10 (13)
36	60- Water Supply Schemes	5.88 (30)
37	63- Science, Technology and Environment	0.36 (16)
38	65- State Council of Educational Research and Training	1.15 (27)
39	67-Home Guards	1.08 (19)
40	68-Police Engineering Project	0.46 (15)
41	70-Horticulture	7.88 (57)
42	73-State Lotteries	0.96 (65)
43	74-Mechanical Engineering	1.01 (10)
	Capital Section (Voted)	
44	1-State Legislature	4.00 (100)
45	16-State Guest House	0.29 (100)
46	25-Land Records and Survey	0.27 (82)
47	31-School Education	1.15 (10)
48	33-Youth Resources and Sports	2.40 (92)

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49	35-Medical, Public Health and Family Welfare	10.25 (82)
50	36-Urban Development	1.57 (36)
51	40-Employment and Training	0.95 (84)
52	42-Rural Development	4.00 (98)
53	43-Social Security and Welfare	4.01 (99)
54	45-Co-operation	20.00 (56)
55	47-Weights and Measures	0.04 (100)
56	48-Agriculture	0.61 (7)
57	50-Animal Husbandry and Dairy Development	0.82 (100)
58	51-Fisheries	0.46 (75)
59	52-Forest	0.38 (15)
60	53-Industries	17.40 (73)
61	55-Power	33.25 (38)
62	57-Housing Loans	12.69 (99)
63	58-Roads and Bridges	64.64 (62)
64	60-Water Supply Scheme	9.34 (14)
65	62-Civil Administration Works	1.52 (13)
66	64-Housing	7.00 (38)

APPENDIX—X
Details showing available savings not surrendered
(Reference : Paragraph 2.3.10; Page 29)

(Rupees in crore)

Sl No	Number and name of the grant	Amount of savings
	Revenue Section (Voted)	
1	7-State Excise	6.74
2	9-Taxes on Vehicles	0.09
3	14-Jails	0.79
4	20-Relief and Rehabilitation	0.37
5	21-Relief of Distress caused by Natural Calamities	1.29
6	28-Civil Police	0.88
7	29-Stationery and Printing	0.15
8	34-Art and Culture and Gazetteers Unit	0.12
9	36-Urban Development	3.04
10	42-Rural Development	8.99
11	47-Weights and Measures	0.08
12	48-Agriculture	0.19
13	50-Animal Husbandry and Dairy Development	1.35
14	53-Industries	4.95
15	58-Roads and Bridges	0.68
16	59-Irrigation and Flood Control	2.10
17	60-Water Supply Scheme	3.54
18	65-State Council of Educational Research and Training	0.82
19	70-Horticulture	4.71
20	74-Mechanical Engineering	0.57
	Total Revenue (Voted)	**41.45**
	Capital Section (Voted)	
1	25-Land Record and Survey	0.27
2	40-Employment and Training	0.95
3	42-Rural Development	4.00
4	43-Social Security and Welfare	4.00
5	47-Weights and Measures	0.04
6	48-Agriculture	0.61
7	52-Forest	0.38
8	53-Industries	6.76
9	55-Power	1.80
10	57-Housing Loans	2.03
11	58-Roads and Bridges	64.65
12	62-Civil Administration	1.52
13	64-Housing	7.00
	Total Capital (Voted)	**94.01**
	Capital Section (Charged)	
1	76-Servicing of Debt	7.70
	Grand Total:-	**143.16**

APPENDIX—XI

Details showing surrender in excess of savings
(Reference: Paragraph 2.3.11; Page 29)

(Rupees in lakh)

Sl No.	Number and name of the grant	Amount of savings	Amount surrendered	Final excess
	Revenue Section (Voted)			
1	5-Election	34.35	35.06	0.71
2	6-Land Revenue	4.28	4.32	0.04
3	11-District Administration Special Welfare Scheme and Tribal Councils	345.45	498.00	152.55
4	13-Village Guards	23.00	195.33	172.33
5	15-Vigilance Commission	8.77	13.00	4.23
6	16-State Guest House	6.19	11.39	5.20
7	17-State Lotteries	157.38	157.41	0.03
8	19-Soldiers, Sailors and Airmen's Board	5.19	8.36	3.17
9	22-Civil supplies	95.46	103.33	7.87
10	25-Land Records and Survey	67.32	132.00	64.68
11	31-School Education	374.47	583.01	208.54
12	32-Higher and Technical Education	1390.00	1791.00	401.00
13	35-Medical Public Health and Family Welfare	436.00	1111.10	675.10
14	39-Tourism	79.00	100.00	21.00
15	40-Employment and Training	2.00	26.13	24.13
16	41-Labour	42.37	50.19	7.82
17	44-Evaluation Unit	1.50	14.00	12.50
18	46-Statistics	72.00	79.00	7.00
19	55-Power	565.09	591.01	25.92
20	56-Road Transport	102.16	124.00	21.84
21	63-Science, Technology and Environment	36.20	49.09	12.89
22	66-Sericulture	7.35	50.47	43.12
23	67-Home Guard	108.25	112.45	4.20
24	69-Fire Service	4.08	6.22	2.14
25	73-State Institute of Rural Development	96.00	102.00	6.00
	Total	**4063.86**	**5947.87**	**1884.01**
	Capital Section (Voted)			
26	60-Water Supply Schemes	934.00	1058.00	124.00
	Total Capital Section	**934.00**	**1058.00**	**124.00**
	Grand Total :-	**4997.86**	**7005.87**	**2008.01**

APPENDIX-XII

Statement showing the payment of fake transport subsidy claim

(Reference: Paragraph 3.2.8, Page 47)

(Rupees in lakh)

Sl No	Name and address of the industrial unit	Registration Number	Registration number under sales tax department	Period of claim	Name of Raw material/finished goods imported/exported to/from outside the State by the industrial unit		Quantity of RM/FG imported/exported as per records of Sales Tax department	Amount of Transport subsidy claimed by the IU	Amounts of Transport subsidy admitted/ recommended by the SLC.	Amount of Transport subsidy already paid	Date of payment
1	2	3	4	5	6	7	8	9	10	11	12
1	M/S Akhatovi Steel Fabrication, Circular Road, Dimapur	14/01/00834 dt.30/8/99	Un-registered	Jan.1993 To Dec.1996	Iron and Steel from Siliguri to Dimapur	4940.00	NIL	37.05	27.82	4.00	14/6/2001 (in cash)
2	M/S Royal Timbers, Khakhati Road, Dimapur	14/01/03824/ Prov dt.11/9/86 14/01/00506/ PMT dt.7/8/89	PUR/27 dt.1/10/93 CST/1915 NST/2862 dt.6/5/89	Jan.1989 To 19993-94	Round log and Fanta Timber from Siliguri to Dimapur	13201.00	NIL	43.64	33.88	6.00	14/6/2001 (in cash)
3	M/S Hydrolic Concrete Hollow Bricks, 3rd Mile, Dimapur	14/01/08095/SSI dt.28/8/96	Un-registered	Sept.1996 To Aug.1998	Lime Stone/ Granite Stone/Boby Cheaps/ Ms were from Siliguri to Dimapur	2954.00	NIL	10.51	9.42	5.00	14/6/2001 (in cash)
4	M/S Social Tyre Retreads, Old Golaghat Road, Dimapur	14/01/00598 dt.19/5/92	Un-registered	1993-94 to 1995-96	Rubber Sheet, Tyre Tube etc from Siliguri to Dimapur	2437.00	NIL	15.45	9.74	8.00	16/2/2000 (in cash)
5	M/S Pinki Trunk Factory, Khermahal Dimapur.	14/01/6605/ Prov/SSI dt.31/8/89 14/01/00712/ PMT/SSIU dt.5/2/98	Un-registered	1995-96 to 1997-98	Steel Trunk, Steel Bucket, GI Sheet etc.	2940.00	NIL	21.13	20.62	4.00	20/6/2001 (in cash)
6	M/S Hill Side Tyre Works, Golaghat Road, Dimapur	14/01/05095 dt.19/5/88	Un-registered	1994-95 to 1997-98	Rubber from Siliguri to Dimapur	4968.00	NIL	26.04	31.47	2.50	11/10/1999 (in cash)

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7	M/S Pfuvi Angami Saw Mill. Chumukedima, Dimapur	14/01/00716/ PMT/SSIU	NST/1817 dt.1/10/84 CST/1157 PUR/31	1992-93 to 1995-96	Sawn Timber (FG) from Dimapur to Siliguri	6146.40	NIL	27.66	21.25	9.00	29/9/2000 (in cash)
8	M/S Bajrong Wood Works, Chumukedima, Dimapur	14/01/0988 dt.14/10/83 (Prov) 14/01/0735 dt.22/01/99 (PMT)	D/1752 (Old) CST/1098	1994-95 to 1996-97 (13/12/96)	Sawn Timber from Dimapur to Siliguri	10240.40	NIL	37.24	42.46	15.00	25/9/2000 (in cash)
9	M/S Nagaland Decorators and Engineering Golaghat Road, DMR	14/01/00544/ PMT/SSIU dt.17/12/90	Un-registered	1994-95	Iron and Steel Materials	888.00	NIL	5.42	5.40	5.40	27/3/1998 (in cash)
10	M/s Limla Steel Works, Burma Camp, Dimapur	14/01/00537 PMT/SSIU dt. 17/10/90 14/01/06435/ PROV/SSIU dt.8.6.88	Un registered	1992-93 to 1993-94	Iron and steel from Siliguri to Dimapur	925.00	NIL	5.64	5.40	5.40	27.3.98 (in cash)
11	M/s Hills Steel Fabrication, Burma Camp, Dimapur	14/01/00539/ PMT/SSIU dt. 8.11.90	Un registered	5.5..95 to 31.3.97	Iron and steel from Siliguri to Dimapur	1094.00	NIL	11.85	13.41	5.41 8.00	27.3.98 (in cash) 1/6/98 (in cash)
12	M/s National Plastic Industries, Dimapur Industrial Estate	14/01/01589/ PROV. dt. 1.4.82 0081/PMT dt. 16.8.89	ST/C 1595	1994-95 (1.7.94to 31.3.95)	HDPF plastic granules & plastic scrapes	NA	NIL	NA	6.61	6.61	27.3.98 (in cash)
13	M/s Nagaland Decorators and Engineers, Burma Camp, Dimapur	14/01/04794/ PROV dt.13.10.87 14/01/00544/ PMT dt. 7.12.90	Un registered	1995-96 to 96-97	Iron and steel	NA	NIL	30.06	5.00	5.00	27.9.2000 (in cash)
14	M/s Jenty Steel, Circular Road, Dimapur	14/02/01799/ PROV/SSIU dt. 29/9/80	ST/A/149 dt. 20.1.93	1994-95 to 1997-98	Iron and steel materials, angle, M/s road etc.	11592.00	NIL	79.10	6.00	6.00	22.12.97 (in cash)
15	M/s United Timbers Products, Signal Basti, Dimapur	14/01/01163/ PMT dt. 29.3.79	ST/PUR/19	January 90 to April 92	Round log from Shillong to Siliguri	3996.30	NIL	6.18	3.45	3.45	2.4.98 (in cash)
16	M/s Steel Fabrication Notun Basti, Dimapur	14/01/03778/ PROV/SSIU dt. 11/6/86	ST/A/168 dt. 31.5.93	1991-92 to 1994-95	Iron and Steel materials from Siliguri to Dimapur	NA	NIL	NA	8.94	8.94	27.3.98 (in cash)

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17	M/s Tejraj Structure, Army Supply Road, Signal Basti, Dimapur	14/01/00453/ PMT/SSIU dt. 8/4/88	STC-279 dt.13/5/96	1993-94 to 1997-98	Iron and steel goods from Siliguri to Dimapur	10700.10	NIL	75.38	7.63	7.63	27.3.98 (in cash)
18	M/s Fits and Fits Engineering, Khermahal, Dimapur	NA	ST/DMR/B-640 dt. 1/4/99	1995-96	M/S Iron	2321.00	NIL	17.25	14.24	5.00	27.3.98 (in cash)
19	M/s Government Fruits and Vegetables Processing Plant, Viola Colony, Dimapur	NA	35 dt. 1/7/99	1995-99	Orange squash, pine apple ring, mustard oil, pineapple squash etc. from Siliguri to Dimapur	NA	NIL	NA	61.82	11.00	4.2.2000 (in cash)
20	M/s Daya Steel Engineering Works, Lhomti Colony, Dimapur.	14/00/00941/ PROV/ SSIU/ dt. 6/9/99	Unregistered	1995-96 to 1997-98	M.S. Iron & Steel materials	6542.00	NIL	44.27	43.90	5.00	4.2.2000 (in cash)
21.	M/s. Steel Co.Industry, Circular Road, Dimapur	14/01/06759 dt. 23/3/90 14/01/0558 dt. 1.7.91	ST/A/1385 dt. 17/5/99	1993-94 to 1997-98	Iron & Steel materials	14374.00	NIL	95.00	88.19	5.00	4.2.2000
22.	M/s. Tuccu Tyre Retrading Unit, Sema Tila, Dimapur	14/01/09015 dt. 7/7/99	Unregistered	7/98 to 12/99	Rubber sheet, paste, black cushion & tube	3067.00	NIL	14.35	16.07	4.50	14.6.2001
23.	M/s. A.S. Steel Fabrication, ADC Court Junction, Dimapur	14/01/06946 dt. 6/9/89	Unregistered	1995-96 to 1996-97	Iron & steel materials	5485.60	NIL	40.64	33.65	5.00	11.10.99 (in cash)
24.	M/s. Debroy Steel and Steel Fabrication, Signal Basti, Dimapurr	01/08897/ PROV/SSIU dt. 30/10/98 14/01/00780/ PMT/SSIU dt. 16/6/99	Unregistered	1997-98 (upto 30/10/97)	Iron & Steel	1300.00	NIL	10.45	8.10	5.00	11.10.99 (in cash)
25.	M/s. Interwood Saw cum Veneer, Lake View Colony, Dimapur	14/01/03012/ PROV/SSIU dt. 17/10/84	Unregistered	1993-94 to 1995-96	C/Core Veneer	18163.00	NIL	70.27	66.06	15.00	11.10.99 (in cash)
26.	M/s, Modern Tyre Unit, DBS Road, Kohima	14/01/07213/ PROV/SSIU dt. 30.5.91 14/01/00836/ PMT/SSIU dt. 26/8/99	Unregistered	1993-94 to 1996-97	Rubber materials	8449.00	NIL	68.02	28.00	4.50	11.6.2001 (in cash)

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27.	M/s. Steel Fabrication Unit, South P.S., Kohima	14/01/08057 dt. 4/4/96	Unregistered	1996-97 to 1997-98	Steel & Iron	2664.00	NIL	19.41	11.11	5.00	11.10.99 (in cash)
28.	M/s. Paphino Enterprises, Near Ao Church, Kohima	14/01/00726/ PMT/SSIU dt. 28/7/98	NST-A/255 dt. 2.7.2000 CST/KMA/A/1 44 dt. 27.9.2000	1994-95 to 1997-98	Iron & Steel	3546.00	NIL	35.60	22.84	5.00	Payment recorded from backlog list, hence date of payment could not be ascertained.
29.	M/s. National Tyre Services, H.S. Road, Mokokchung	14/02/0009/ PMT/SSIU dt. 8/1/93	MKG/IT/A/ 266	1993-94 to 1997-98	Rubber of different sizes, solution etc	5770.00	NIL	NA	24.66	9.00	27/9/2000 (in cash)
30.	M/s. N.K. Saw cum Veneer Mill, 3rd Mile, Dimapur	14/01/03205 dt. 29/4/86 14/01/00804 dt. 17/7/93	Unregistered	1992-93 to 1995-96	Ply wood & Fanta from Dimapur to Siliguri	4759.00	NIL	33.84	1.88	1.88	28/5/98 (in cash)
31	M/S K. Abota Steel Trunk, Circular Road, Dimapur.	14/01/0775/ PROV/ dt. 11/10/93	Unregistered	1994-95 to 1996-97	Plain sheet, CGI sheet	1258.00	NIL	9.33	8.45	7.00	14/2/2000 (in cash)
32	M/S Dimapur Steel Factory, Diphu Road, Dimapur.	14/01/07657/ PROV. dt. 29/10/92	Unregistered	1995-96 to 1997-98	Iron and steel materials from Siliguri to Dimapur	8840.00	NIL	55.79	48.15	6.00	14/2/2000 (in cash)
33.	M/s Iron and Steel Fabrication Unit, Burma Camp, Dimapur	14/01/06110/ PROV dt. 22/3/89 14/01/00590/ PMT dt. 17/2/92	Unregistered	1994-95 to 1997-98	Iron and steel materials from Siliguri to Dimapur	2193.40	NIL	13.14	12.19	12.19	27/3/98 (in cash)
34.	M/s. M.I. Industries, 8th Mile, Chumukedima, Dimapur	03197/PROV dt. 19/3/85 00706/PMT dt. 28/3/92	D/268 dt. 1/4/92 CST/166	1993-94 to 1997-98	Sawn timber/Sleepers etc.	3375.00	NIL	55.34	11.42	11.00	1/6/98 (by cheque through NIDC)
35.	M/s. Steel Fabrication, Puranabazar, Dimapur	08999/PROV dt. 4/5/99 00172/PMT dt. 4/3/2000	Unregistered	1994-95 to 1996-97	Iron & Steel materials from Siliguri to Dimpaur	3701.00	NIL	25.31	7.00	7.00	22/12/97 (in cash)
36.	M/s. Hill Timber Industries, 2 ½ Mile, Dimapur	04485/PROV dt. 16.6.97 09539/PMT dt. 8/11/98	D/2421 dt. 30/11/87 CST/1626	1992-93 to 1993-94	NA	NA	NIL	NA	39.48	18.00 21.48	22.12.97 (in cash) NA

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37.	M/s. Vaishal Tyre Works, Burma Camp, Dimapur	14/01/06850/ PROV/SSI dt. 18/5/89	Unregistered	1990-91 to 1991-92	Rubber tread, Cushion, Solution etc.	216.60	NIL	0.87	0.86	0.75	29.9.2000 (in cash)
38.	M/s. Luminous Beverage for Mineral water, 7[th] Mile, Dimapur	14/01/08980 dt. 31/3/97 14/01/00836 dt. 1/9/99	D/621	1997-98 to 1998-99	Raw water (R.M) Mineral water (F.G), Sodium Cloride	4189.70	NIL	28.42	28.00	10.00	20.6.2001 (in cash)
39.	M/s. Kitoholi Katha Industries, Dimapur	PROV/14/01/081 63 dt. 1/3/97 PMT/14/01/ 00740 dt. 9/3/99	Unregistered	1994-95 to 1997-98	Katha (Khoir) Cutch etc. from Siliguri to Dimapur	3489.00	NIL	23.55	3.42	3.42	11.10.99 (in cash)
40.	M/s. Imsu Steel Fabrication, Circular Road, Dimapur	NA	Unregistered	1995-96 to 1997-98	Iron & Steel material	NA	NIL	NA	4.00	4.00	11.10.99 (in cash)
	Total					**180725.50**	**NIL**	**1093.20**	**841.99**	**297.06**	

Source:- Departmental records.

NA=Not available

APPENDIX- XIII

Statement showing the cases in which payment of subsidy was made beyond the prescribed limit of 5 years.
(Reference : Paragraph 3.2.11; Page 48)

Sl. No.	Name & address of the Industrial Unit.	Date of commencement of commercial production	Period of claim	Date of expiry of 5 (five) years period	Amount paid (Rs.)	Date of payment	Amount paid in excess Rs.
1.	M/s. Kithan Steel Fabrication Unit, Duncan Basti, Dimapur. 14/01/06861 dated 21.7.90.	1.7.90	1995-96	30.6.95	500000	29.9.2000	375000
2.	M/s. Welted Structural Unit, Dhobinala, Dimapur 14/01/00364/PMT/SSI dated 26.3.85	27.12.85	4/94 to 3/97	31.3.95	1000000	22.12.98 (NIDC- Cheque No.534834/35)	664667
3.	M/s. Kudawood Products Ltd, Lengrijan Village, Dimapur	27.12.84	4/92 to 3/97	31.3.95	700000 3546000	2.6.98 (90363/64) 18.11.98 (0534826/27)	1698000
4.	M/s. Nagaland Timber Industries, Golaghat Road, Dimapur	31.5.90	1993-94 to 1995-96	30.5.95	3319000	25.9.98 (903397/98 dated 25.9.98)	829750
5.	M/s. Saw cum Veneer Mill, Yachong, Tuli, Mokokchung	31.1.84	1996	31.3.95	3300000	17.12.98 (0534831/33)	3300000
6.	M/s. Greenply Industries, Tizit, Mon	12.5.90	1993-94 to 1995-96	11.5.95	4000000	11.10.99 (in cash)	1074074
7.	M/s. Samson Timber Industries (P) Ltd, Tizit, Mon	7.5.84	1995-96 to 1996-97	31.3.95	1500000	February, 2000 (in cash)	1500000
8.	M/s. Saw cum Veneer, 13th Mile, Tuli	11.3.89	1993-94 to 1995-96	31.3.95	1300000	22.12.97 (in cash)	433333
9.	M/s. Thungbemo Barbed Wire, Duncan Basti, Dimapur	19.1.78	1994-95 to 1996-97	31.3.95	962000	18.11.98 (0534828/29)	641333
10.	M/s. Nagaland Fabrication, Army Supply Road, Dimapur	12.11.91	1995-96 to 1996-97	11.11.96	3570000	25.9.98 (903380 & 86)	645417
	TOTAL				**23697000**		**11163574**

APPENDIX - XIV

Statement showing the inadmissible payment made to the tyre retrading units
(Reference : Paragraph 3.2.13, Page 48)

Sl. No.	Name & Address of the Industrial Unit	Registration Number	Period of claim	Name of raw materials imported	Quantity of raw materials (in quintals)	Amount of transport subsidy claimed by the unit (Rs.)	Amount of subsidy admitted by SLC (Rs.)	Amount already released (Rs).	Date of payment
1.	M/s. Deluxe Tyre Works, Khermahal, Dimapur	14/01/04659/PROV/SSI dated 14.9.87	1993-94 to 1996-97	Rubber solution hot & cold	46410	19,92,068	1830000	900000	29.9.2000
2.	M/s. Lanu Tyre Service, Mokokchung	14/02/03182/PROV/SSI dated 19.2.95	1994-95 to 1998-99	Treated rubber	66980	6895080	3243000	450000	14.6.2001
3.	M/s. Blackstone Motor Workshop/Tyre Retrading, Khermahal, Dimapur	14/01/04660/PROV/SSI dated 14.9.87	1992-93 to 1997-98	Rubber sheet, compound solution, sole	37872	1719042	1626139	800000	4.10.2000
4.	M/s. Neisevor TyreWorks, Army Supply Road, Dimapur	14/01/05139/PROV/SSI dated 1/6/88	1994-95 to 1995-96	Precured tread rubber	9811	1689487	391824	335000	14.2.2000
5.	M/s. Tyre Retrading Works, Burma Camp, Dimapur	14/01/00847 dated 10/9/99	1995-96 to 1997-98	Tyre goods	12510	566587	458000	450000	14.6.2001
6.	M/s. Modern Tyre Service, Alongmen Ward, Mokokchung	14/02/0037/PROV dt. 19/6/95 14/02/00069/PMT dt. 18/8/99	1995-96 to 1997-98	Rubber	14271	654816	637533	600000	4.2.2000
7.	M/s. Eastern Tyre Works, North Block, Kohima	NA	1994-95 to 1998-99	Rubber sheet, chemical paste,powder	NA	NA	728000	450000	14.6.2001
8.	M/s. Kohima Cold Retrading, Kohima	14/01/100649/PMT/SSIU dated. 24/2/95	October, 1993 to March, 1996	Precured rubber	2502	377747	NA	400000 800000 555000 50000	22.12.97 3.12.98 2.6.98 22.12.98
9.	M/s. Tyre Retrading Unit, Burma Camp, Dimapur	NA	1994-95 "	Rubber sheet etc.	NA	NA	1192000	450000	20.6.2001
	Total				***190356***	***13894827***	***10106496***	***6240000***	

APPENDIX - XV

Statement showing the payment of time barred claims
(Reference : Paragraph 3.2.15, Page 49)

(Rupees in lakh)

Sl. No.	Name and address of Industrial unit	Period of claim	Date of claim	Date of SLC	Date of reimbursement	Amount admitted and paid	Date of payment
1.	M/s. Frontier Wood Crafts, Lotha Colony, Dimapur 14/01/03600 dt. 23.4.86 14/01/00305 dt. 25.7.89	1989 to 1993	-	17.8.98	28.8.98	57.50	25.9.98 (903389/90)
2.	M/s. N.T. Saw cum Veneer Mill, Lipohayan, Wokha	1.4.95 to 30.10.96	18.8.98 (from CA's certificate)	-	21.3.2000	15.00	27.9.2000 (in cash)
3.	M/s. Selected Timber Industries Ltd, Longtho, Monkolemba 14/02/00041/PMT/SSIU dt. 5.6.95	1.4.91 to 31.3.93	16.7.98 (from CA's certificate)	16.8.99	1.6.2001 (through NEDFI)	6.00	14.6.2001 (in cash)
					Total:-	**78.50**	

Source:- Departmental figure

APPENDIX – XVI

Statement showing the excess/inadmissible payments made to Industrial Units by NIDC

(Reference:- Paragraph 3.2.21; Page 50)

(Rupees in lakh)

Sl No.	Date of SLC	Name & address of the units to which sanctioned by SLC	Amount sanctioned by SLC	Date of sanction made by GOI	Name of units to which sanctioned	Amount sanctioned	Name & address of the units to which actually paid	Amount paid	Date of payment	Excess (+) Less (-)	Payment made to unauthorised units
1	2	3	4	5	6	7	8	9	10	11	12
1.	NA	NA	NA	28.8.98	M/s. Frontier Wood Crafts, Lotha Colony, Dimapur	66.50	M/s. Frontier Wood Crafts, Lotha Colony, Dimapur	57.50	25.9.98	(-) 9.00	-----
2.	NA	NA	NA	- do -	M/s. Chanki Valley Forest Products (P) Ltd., Longtho, Mokokchung	54.12	M/s. Chanki Valley Forest Products (P) Ltd., Longtho, Mokokchung	47.12	-do-	(-)7.00	---
3.	NA	NA	NA	NA	NA	---	M/s. Sikhu Saw Mill	16.00	-do-	(+) 16.00	16.00
4.	2-6-97	M/s. Plaza Bakers & Confectioneries, Church Road, Dimapur	3.39	12.8.98	M/s. Plaza Bakers & Confectioneries, Church Road, Dimapur	3.39	---	---	---	(-) 3.39	---
5.	2-6-97	M/s. Lanutoshi Saw cum Veneer, Chumukedima, Kopanala area, Dimapur	40.92	-do-	M/s. Lanutoshi Saw cum Veneer , Chumukedima	40.92	M/s. Lanuthosh Saw cum Veneer, Chumukedima	28.61	25.9.98 & 9.11.98	(-) 12.31	---
6.	2-6-97	M/s. G.G. Steel Works, Signal Basti, Dimapur	32.62	-do-	M/s. G.G. Steel Works, Dimapur	32.62	M/s. G.S. Steel Works, Signal Basti, Dimapur	30.25	25.9.98	(-) 2.37	---
7.	2-6-97	M/s. Nagaland Fabrication, Army Supply Road, Dimapur	36.70	-do-	M/s. Nagaland Fabrication, Army Supply Road, Dimapur	36.70	M/s. Nagaland Fabrication, Army Supply Road, Dimapur	35.70	25.9.98	(-) 1.00	---
8.	NA	NA	NA	NA	NA	NA	M/s. H. Sema Saw Mill, Dimapur	--	-do-	(+) 19.07	19.07
9.	NA	NA	NA	12.11.98	M/s. G.S. Steel Works, Signal Basti, Dimapur	15.00	---	---	-	-	---
10.	NA	NA	NA	-do-	M/s. Nagaland Fabrication, Army Supply Road, Dimapur	15.00	---	---	-	(-) 15.00	---
11.	NA	NA	NA	-do-	M/s. National Engineering Golaghat Road, Dimapur	10.00	---	---	-	(-) 10.00	---
12.	NA	NA	NA	-do-	M/s. Kohima Cold Retreading, Kohima	10.00	M/s. Kohima Cold Retreading, Kohima	0.50	22.12.98	(-) 9.50	---
13.	--	---	---	---	---	---	M/s. Welted Structural Unit, Dimapur	---	-do-	(+) 10.00	10.00
14.	--	---	---	---	---	---	M/s. Steel Fabrication Engineering Works	---	-do-	(+) 2.00	2.00

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15.	-	---	---	---	---	---	M/s. Steel Fabrication Unit	---	-do-	(+) 5.00	5.00
16.	--	---	---	---	---	---	M/s. Mokokchung Saw cum Veneer, Mokokchung	---	-do-	(+) 10.00	10.00
17.	--	---	---	---	---	---	M/s. Steel Sheet Engineering Works	---	-do-	(+) 1.00	1.00
18.	--	---	---	---	---	---	M/s. Steel Trunk Unit	---	-do-	(+) 5.00	5.00
19.	NA	NA	NA	NA	NA	NA	M/s. Grace Weaver Co-operative Society	---	22.12.98	(+) 2.00	2.00
20.	NA	NA	NA	NA	NA	NA	M/s. Nagaland Iron Industry	---	-do-	(+) 3.50	3.50
21.	NA	NA	NA	NA	NA	NA	M/s. Bito Transformer Mfg. & Repair Unit	---	-do-	(+) 5.00	5.00
22.	NA	NA	NA	NA	NA	NA	M/s. Nagma Forest Products	---	-do-	(+) 1.50	1.50
23.	NA	NA	NA	NA	NA	NA	M/s. A.K. Industries	---	-do-	(+) 1.50	1.50
24.	NA	NA	NA	NA	NA	NA	M/s. Sangkum Retyre Tube Mfg. Unit	---	-do-	(+) 1.00	1.00
25.	NA	NA	NA	NA	NA	NA	M/s. Bendangla Steel Fabrication	---	-do-	(+) 1.00	1.00
26.	NA	NA	NA	NA	NA	NA	M/s. Amen Aier Steel Fabrication	---	-do-	(+) 1.00	1.00
27.	27-1-97	M/s. Naginimora Veneer (P) Ltd., Dimapur	35.28	18.5.98	M/s. Naginimora Veneer (P) Ltd., Dimapur	35.28	M/s. Naginimora Veneer (P) Ltd., Dimapur	---	2.6.98	(-) 11.28	---
28.	27-1-97	M/s. Akhoria Wood Crafts, 13th Mile, Tuli	30.48	-do-	M/s. Akhoria Wood Craft, 13th Mile, Tuli	30.48	M/s. Akhoria Wood Craft, 13th Mile, Tuli	19.00	-do-	(-) 11.48	---
29.	27-1-97	M/s. Veneer cum Saw Mill, 13th Mile, Tuli	18.94	-do-	M/s. Veneer cum Saw Mill, 13th Mile, Tuli	18.94	M/s. Veneer cum Saw Mill, 13th Mile, Tuli	6.00	-do-	(-) 12.94	---
30.	27-1-97	M/s. Supreme Veneer (P) Ltd., Tizit	4.85	-do-	M/s. Supreme Veneer (P) Ltd., Tizit	4.85	M/s. Supreme Veneer	5.00	-do-	(+) 0.15	0.15
31.	NA	NA	NA	NA	NA	NA	M/s. Oriental Mill	---	2.6.98	(+) 7.00	7.00
32.	NA	NA	NA	NA	NA	NA	M/s. Frontier Wood Crafts	---	-do-	(+) 9.00	9.00
33.	NA	NA	NA	NA	NA	NA	M/s. Kuda Wood Products Pvt. Ltd., Dimapur	---	-do-	(+) 7.00	7.00
34.	NA	NA	NA	NA	NA	NA	M/s. Chanki Valley Forests Products	---	-do-	(+) 7.00	7.00
35.	NA	NA	NA	NA	NA	NA	Kohima Cold Retreads, Kohima	---	-do-	(+) 5.55	5.55
					Total:-	**373.80**		**253.68**			**120.12**

Source: Departmental records.

APPENDIX- - XVII

Statement showing the details of excess payment made to Industrial Unit
(Reference : Paragraph 3.2.23; Page 50)

Sl. No.	Name and address of the industrial unit	Quantity of raw materials/finished goods imported/exported for which subsidy claimed.			94 percent of the total admissible (Rs.)	90 percent of column (6) (Rs.)	Date of SLC	Amount already paid (Rs.)	Excess paid (Rs.)
		Period of claim and quantity	Rate per quintal (Rs.)	Amount admissible as per approved rate.(Rs.)					
1	2	3	4	5	6	7	8	9	10
1.	M/s. Aier	<u>1992-93</u>							
	Wooden &	Veneer - 86 MT	39.76	34194					
	Electrical	Ply - 520 MT	38.04	197808					
	Industries,	Canvass- 34 MT	39.76	13518					
	Dimapur.	Alm/MS - 82 MT	59.45	48749					
		Glass - 118 MT	58.37	68877					
		<u>1993-94</u>					22.1.97		
		Veneer - 140 MT	44.49	62286					
		Ply - 536 MT	38.71	207486					
		Canvass - 52 MT	44.53	23156	1070745	963670		1030000	66330
		Alm/MS - 62 MT	66.58	41280				(27.3.98)	
		<u>1994-95</u>							
		Veneer - 238 MT	48.49	115406					
		Ply - 794 MT	38.71	307357					
		Alm/MS 28 MT	67.76	<u>18973</u>					
				1139090					
2.	Tyre Retrading Unit, Burma Camp, Dimapur.	1996-97 - 399.9 MT	51.99	207908	437039	393335	16.8.99	450000	56665
		1997-98 - 441.4 MT	58.23	<u>257027</u>				(14.6.2001)	
				464935					
3.	Gajanand	1992-93			1104408	993967	27.1.97	1131000	137033
	Furniture	Ply - 678 MT	38.04	257911				(27.3.98)	
	Unit,	Veneer/Saw/Canvass- 115 MT	39.76	45724					
	Dimapur.	Glass/MS - 61 MT	58.37	35606					
		1993-94							
		Ply - 582 MT	38.04	221393					
		Veneer etc. - 182 MT	39.76	72363					
		Glass etc. - 211 MT	58.37	123161					
		1994-95							
		Ply - 919 MT	38.71	355749					
		Veneer - 139 MT	45.32	<u>62995</u>					
				1174612					

APPENDIX – XVII - *CONCLD.*

4.	O.M. Mechanical Works. (Prop. T. Longri)	1992-93 - 140.9 MT 1993-94 - 530.8 MT 1994-95 - 509.8 MT	59.45 66.58 67.76	83765 353407 345440 782612	735655	662090	27.1.97	696000 (23.3.98)	33910
5.	Green Steel Fabrication, Circular Road, Dimapur (Prop. Lipok Jamir)	1992-93 - 722.8 MT 1993-94 - 374.7 MT 1994-95 - 377.3 MT	59.45 66.58 67.76	429705 249475 255658 934838	878748	790873	27.1.97	827000 (23.3.98)	36127
6.	H. Sema Saw Mills, Dimapur	1994 - 983 MT 1995 - 1018 MT 1996 - 885 MT	37.36 39.98 43.98	367249 406996 389223 1163468	1093660	984294	NA	1907000 (25.9.98)	922706
								TOTAL	***1252771***

Source: Departmental records.

APPENDIX - XVIII

Statement showing the details of expenditure
(Reference : Paragraph 3.3.7, Page 54)

(Rupees in lakh)

Year	Amount transferred to project administrative expenses account being administrative expenses	Amount transferred to Department of Rural Development for implementation of programme	Other expenditure	Total	Details of expenditure as shown in column "other expenditure"
1997-98	16.76	726.40	36.83	779.99	36.83 = Payment of past liabilities and programme expenses incurred by DRDA
1998-99	10.01	336.45	6.18	352.64	6.18 = Transportation cost of CGI sheets paid by DRDAs
1999-2000	0.65	1008.89	27.01	1036.55	(i) 17.52 = Transportation cost of CGI sheets paid by DRDAs. (ii) 1.04 = Sales tax paid by DRDA, Mokokchung (iii) 8.45 = Payment of past liabilities and programme expenses incurred by DRDAs **Total 27.01**
2000-01	Nil	647.77	34.79	682.56	(i) 23.77 = Transportation cost of CGI sheets paid by DRDAs (ii) 2.72 = Sales tax paid by DRDA, Kohima (iii) 8.30 = Temporary transfer of amount to JGSY account by DRDA, Mokokchung
2001-02	Not available			576.30	**Total: 34.79**

APPENDIX - XIX

Statement showing short receipt of materials by BDOs

(Reference: Paragraph 3.3.31; Page 60)

I A Y **(CGI Sheets in bundles)**

DRDA, PHEK		1997-98	1998-99	1999-2000	2000-01	2001-02
BDO, Kikruma	Materials issued by Central Store	225	---	---	---	---
	Materials recorded in stock register of BDO	205	---	---	---	---
	Shortage	20	---	---	---	---
BDO, Meluri	Materials issued by Central Store	1000	---	---	615	---
	Materials recorded in stock register of BDO	570	---	---	560	---
	Shortage	430	---	---	55	---
BDO, Pfutsero	Materials issued by Central Store	475	---	---	---	---
	Materials recorded in stock register of BDO	420	---	---	---	---
	Shortage	55	---	---	---	---
D R D A, M O N						
BDO, Wakching	Materials issued by Central Store	350	---	---	340	---
	Materials recorded in stock register of BDO	305	---	---	320	---
	Shortage	45	---	---	20	---
BDO, Tizit	Materials issued by Central Store	530	435	---	---	---
	Materials recorded in stock register of BDO	330	275	---	---	---
	Shortage	200	160	---	---	---
BDO, Chen	Materials issued by Central Store	650	690	1320	---	---
	Materials recorded in stock register of BDO	590	550	850	---	---
	Shortage	60	40	470	---	---
BDO, Tobu	Materials issued by Central Store	---	---	770	---	---
	Materials recorded in stock register of BDO	---	---	750	---	---
	Shortage	---	---	20	---	---

APPENDIX – XIX **Concld.**

I A Y **(CGI Sheets in bundles)**

D R D A, K O H I M A		1997-98	1998-99	1999-2000	2000-01	2001-02
BDO, Kohima	Materials issued by Central Store	265	---	165	---	---
	Materials recorded in stock register of BDO	190	---	60	---	---
	Shortage	75	---	105	---	---
BDO, Jakhama	Materials issued by Central Store	190	---	125	220	---
	Materials recorded in stock register of BDO	165	---	100	140	---
	Shortage	25	---	25	80	---
BDO, Chiephobozou	Materials issued by Central Store	---	---	270	---	---
	Materials recorded in stock register of BDO	---	---	240	---	---
	Shortage	---	---	30	---	---
BDO, Jaluki	Materials issued by Central Store	500	---	---	---	---
	Materials recorded in stock register of BDO	340	---	---	---	---
	Shortage	160	---	---	---	---
BDO, Peren	Materials issued by Central Store	505	---	---	---	---
	Materials recorded in stock register of BDO	370	---	---	---	---
	Shortage	135	---	---	---	---
BDO, Tenning	Materials issued by Central Store	535	---	---	325	---
	Materials recorded in stock register of BDO	395	---	---	315	---
	Shortage	140	---	---	10	---
D R D A, D I M A P U R						
BDO, Kuhuboto	Materials issued by Central Store	470	---	---	---	---
	Materials recorded in stock register of BDO	190	---	---	---	---
	Shortage	280	---	---	---	---
BDO, Nuiland	Materials issued by Central Store	---	---	340	---	---
	Materials recorded in stock register of BDO	---	---	320	---	---
	Shortage	---	---	20	---	---

Total shortage under DRDA	
Phek	560 bundles
Mon	1015 "
Kohima	785 "
Dimapur	300 "
Total:-	**2660 bundles**

APPENDIX-XX

Statement showing the financial position during 1999-2000 to 2001-2002

(Reference : Paragraph 3.4.7 ; Page 67)

(Rupees in lakh)

Year	Fund Allocation		Fund Release		O.B as on 1.4.99	Fund received					**Grand total**	Expenditure	Closing balance
	Fund allocated by G.O.I	Fund allocated by G.O.N	Fund released by G.O.I	Fund released by G.O.N		From G.O.I	From G.O.N	Bank interest	Misc. receipts	Total			
1999-2000	183.06	61.02	102.09 (56)*	--	206.08	104.04	--.	6.12	2.73	112.89	**318.97**	241.09	77.88
2000-2001	370.70	123.57	174.94 (47)	175.00	77.88	20.75	169.23	6.84	5.24	202.06	**279.94**	145.93	134.01
2001-2002	220.57	73.52	69.98 (32)	55.00	134.01	250.92	55.00	--	10.52	316.44	**450.45**	320.55	129.90
Total	**774.33**	**258.11**	**347.01 (45)**	**230.00 (89)**		**375.71**	**224.23**	**12.96**	**18.49**	**631.39**		**707.57**	

* Percentage of release with reference to allocation

APPENDIX-XXI

Statement showing year-wise release of Subsidies and Revolving Fund through Banks
(Reference : Paragraph 3.4.10 ; Page 69)

(Rupees in lakh)

Name of DRDA	Name of Financing Bank	Subsidy released by DRDAs			Total	Assistance released by Banks			Total	Pending
		1999-2000	2000-2001	2001-2002		1999-2000	2000-2001	2001-2002		
Kohima	SBI (Main)	3.60	--	0.20	3.80	--	--	0.20	0.20	3.60
	UCO Bank	2.35	--	--	2.35	--	0.50	--	0.50	1.85
	UBI	1.30	--	--	1.30	--	--	--	--	1.30
	Others	7.68	0.80	17.90	26.38	NCA	NCA	NCA	--	--
	Total	**14.93**	**0.80**	**18.10**	**33.83**	--	**0.50**	**0.20**	**0.70**	6.75
Wokha	SBI (Main)	6.12	6.00	4.60	16.72	--	--	3.62	3.62	0.90
	BOB	5.27	5.04	3.30	13.61	--	--	2.34	2.34	--
	Others	3.05	6.01	2.40	11.46	NCA	NCA	NCA	--	--
	Total	**14.44**	**17.05**	**10.30**	**41.79**	--	--	**5.96**	**5.96**	0.90
Mokokchung	SBI (Main) bazar	2.04	4.17	7.83	14.04	--	2.59	--	2.59	--
	BOB	--	1.45	4.85	6.30	--	0.93	--	0.93	--
	Allahabad	0.20	4.05	2.30	6.55	--	2.99	--	2.99	--
	Others	5.74	7.45	12.19	25.38	--	10.23	--	10.23	--
	Total	**7.98**	**17.12**	**27.17**	**52.27**	--	**16.74**	--	**16.74**	--
Tuensang	SBI (Main)	--	--	74.93	74.93	--	--	--	--	74.93
	Total	--	--	**74.93**	**74.93**	--	--	--	--	74.93
	Grand Total	**37.35**	**34.97**	**130.50**	**202.82**	--	**17.24**	**6.16**	**23.40**	**82.58**

APPENDIX-XXII

Statement showing number of BPL families raised APL during the year 1999-2002
(Reference : Paragraph 3.4.17; Page 70)

Name of DRDA	Name of Block	Number of BPL families	Number of BPL families identified	Number of BPL families brought in to APL	Percentage of BPL families brought APL
Kohima	Peren	3049	324	--	--
	Chiphobouze	2365	222	--	--
	Jalukie	1422	144	--	--
Wokha	Wokha	1812	225	--	--
	Wozhuru	883	300	02	0.67
	Chukitong	905	300	--	--
Mokokchung	Changtongya	2665	786	--	--
	Mongkolemba	1492	303	01	0.33
	Ongpangkong (North)	2008	544	--	--
	Ongpangkong (South)	1319	335	--	--
Teunsang	Chare	624	106	--	--
	Sangsangyu	1936	94	--	--
	Chessore	2661	80	--	--
	Noksen	382	83	--	--
	Lonkhim	956	65	--	--
Total		***24479***	***3911***	***03***	***0.08***

Source:- Information furnished by the department

APPENDIX-XXIII

Statement showing assistance released to beneficiaries in accordance to BPL population (Reference : Paragraph 3.4.21 ; Page 71)

Name of DRDA	No. of Blocks/ BDOs	No. of VDBs	Total population	BPL population category wise				Total	Beneficiaries during									
				SC	ST	Women	Disabled		1999-2000			2000-2001			2001-2002			Grand Total
									SHGs	Individual	Total	SHGs	Individual	Total	SHGs	Individual	Total	
Kohima	7	152	387581	---	15211	---	---	15211	288	---	288	83	---	83	174	138	312	683
Dimapur	4	188		---	11587	---	---	11587	--	--	--	--	--	--	--	--	--	--
Mokokchung	6	71	158374	---	8936	---	---	8936	330	14	344	364	69	433	350	154	504	1281
Tuensang	13	188	232906	---	20032	---	---	20032	--	--	--	--	--	--	429	622	1051	1051
Mon	6	91	149699	---	11016	---	---	11016	250	57	307	144	--	144	148	179	327	778
Phek	5	89	102156	---	6243	---	---	6243	62	60	122	--	--	--	510	91	601	723
Wokha	5	107	82612	---	6567	---	---	6567	360	---	360	220	--	220	90	28	118	698
Zunheboto	6	163	96218	--	11771	---	---	11771	92	57	149	358	--	358	700	169	869	1376
Total	*52*	*1049*	*1209546**	—	*91363*	—	—	*91363*	*1382*	*188*	*1570*	*1169*	*69*	*1238*	*2401*	*1381*	*3782*	*6590*

* As per 1990 census

APPENDIX - XXIV

Statement showing year-wise position of outstanding Inspection Reports

(Reference: Paragraph 3.8.2; Page 81)

Year	*Number of IRs*	*Number of paras*
1989-90	1	4
1990-91	6	12
1991-92	6	20
1992-93	1	1
1993-94	3	24
1994-95	6	55
1995-96	5	18
1996-97	6	36
1997-98	2	11
1998-99	2	18
2001-2002	3	29
Total	***41***	***228***

APPENDIX - XXV

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

(Reference: Paragraph 4.6.2; Page86)

Year	*Number of IRs*	*Number of paras*
1983-84	1	8
1984-85	3	19
1985-86	3	20
1986-87	4	14
1987-88	1	27
1988-89	7	71
1989-90	1	3
1990-91	4	7
1991-92	5	119
1992-93	5	63
1993-94	2	60
1994-95	7	36
1995-96	7	102
1996-97	2	25
1997-98	6	102
1998-99	1	7
1999-2000	1	13
2000-01	1	15
2001-02	5	69
Total	***66***	***780***

APPENDIX - XXVI

Statement showing supplier-wise advance outstanding against short receipt/non-receipt of materials

(Reference : Paragraph 5.5.14; Page 94)

(Rupees in lakh)

	Sl. No.	*Name of supplier*	*Value of materials as per supply order*	*Amount of advance paid*	*Month of payment*	*Value of materials received*	*Advance adjusted*	*Amount of advance outstanding*
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Kohima Division	1.	K.T. Agencies, Dimapur	51.52	25.80	March, 1997	17.99	17.99	7.81
	2.	Trade Links, Dimapur	39.13	19.56	January, 1998	1.23	1.23	18.33
	3.	Trader's Chamber, Dimapur	14.48	7.00	April, 1997	4.18	4.18	2.82
	4.	Trident Enterprises, Kohima	50.48	15.16	November, 1998	4.22	4.22	10.94
Dimapur Store Division	5.	Evergreen Trading Co., Dimapur	144.08	48.00	November, 1998	32.36	32.36	15.64
	6.	Rilo Enterprise, Dimapur	10.03	5.00	January, 1998	-	-	5.00
	7.	Trade Links, Dimapur	10.03	5.00	January, 1998	1.49	1.49	3.51
	8.	K.T. Agencies, Dimapur	25.18	11.80	January, 1998	2.29	2.29	9.51
	9.	Trident Enterprises, Kohima	18.07	8.83	October, 1998	-	-	8.83
	10.	-do-	50.48	25.00	October, 1998	7.75	7.75	17.25
	11.	T.L. Enterprise, Dimapur	39.13	20.00	January, 1999	9.82	9.82	10.18
		Total	**452.61**	**191.15**		**81.33**	**81.33**	**109.82**

APPENDIX - XXVII

Statement showing loss of interest on outstanding advances to supplier

(Reference : Paragraph 5.5.14 ; Page 94)

(Rupees in lakh)

Sl. No.	*Name of supplier*	*Amount of advance paid*	*Month of payment of advance*	*Amount of advance outstanding due to short receipt/non-receipt of material*	*No. of months*	*Rate of interest (%)*	*Interest to be accrued on outstanding advance*
1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1.	K.T. Agencies, Dimapur	25.80	March, 1997	7.81	63	11.50	4.72
2.	Trade Links, Dimapur	19.56	January, 1998	18.33	53		9.31
3.	Trader's Chamber, Dimapur	7.00	April, 1997	2.82	62		1.68
4.	Trident Enterprises, Kohima	15.16	November, 1998	10.94	43		4.51
5.	Evergreen Trading Co., Dimapur	48.00	November, 1998	15.64	43		6.44
6.	Rilo Enterprises, Dimapur	5.00	January, 1998	5.00	53		2.54
7.	Trade Links, Dimapur	5.00	January, 1998	3.51	53		1.78
8.	K.T. Agencies, Dimapur	11.80	January, 1998	9.51	53		4.83
9.	Trident Enterprises, Kohima	8.83	October, 1998	8.83	44		3.72
10.	-do-	25.00	October, 1998	17.25	44		7.27
11.	T.L. Enterprises, Dimapur	20.00	January, 1999	10.18	41		4.00
	Total	**191.15**		**109.82**			**50.80**

APPENDIX—XXVIII

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2002 in respect of Government companies (Figures in Col. 3 (a) to 4 (f) are Rupees in crore) [@]

(Reference: Paragraphs 8.2.5 and 8.3.1; Page 111)

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 2001-02		Other loans received during the year[*]	Loans[**] outstanding at the close of the year			Debt equity ratio for 2001-02 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	15.59	---	---	4.73	20.32	0.50	---	---	1.10	19.13	20.23	0.99:1 (0.89:1)
2.	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	4.52	1.22	---	---	5.74	0.15	---	---	0.73	---	0.73	0.13:1 (0.14:1)
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 (0.09:1)
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	Information not provided by the company											
Total of the sector		**21.42**	**1.22**	**0.40**	**4.73**	**27.77**	**1.89**	**0.10**	**---**	**12.32**	**19.23**	**31.55**	**1.14:1 (1.08:1)**
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:-		**23.02**	**1.22**	**0.40**	**4.73**	**29.37**	**1.89**	**0.10**	**---**	**12.86**	**19.23**	**32.09**	**1.09:1 (1.04:1)**

@ 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—XXIX

Summarised financial results of Government companies for the latest year for which accounts were finalised
(Reference: Paragraphs 8.4.2, 8.5.1 and 8.5.4; Pages 112 & 113)

(Figures in column 7 to 12 and 16 are Rupees in crore)

Sl. No.	Name of the company	Name of the Department	Date of incorpo-ration	Period of which accounts finalised	Year in which accounts finalised	Net Profit(+) /Loss(-)	Net impact of audit comments	Paid up capital	Accumulat-ed 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)	Nasgaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26/03/70	1992-93	2001-02	(-)0.87	Remedial measures taken against audit comments	11.25	(-)6.13	12.39	(-)1.67	---	9	Working	1.41	96
(ii)	Nagaland Industrial Raw Materials & Suply Corporation Ltd., Dimapur	- do -	28/03/73	1980-81	1999-00	(-)0.49	---	0.10	(-)0:49	0.26	---	---	21	Working	0.19	33
(iii)	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	- do -	27/02/79	1982-83	2000-01	(-)0.36	---	1.16	(-)0.87	---	(-)0.04	---	19	Working	(b)	(b)
(iv)	Nagaland Suger Mills Company Ltd., Dimapur	- do -	22/03/73	1977-78	**Information not provided by the company**								24	---	(b)	(b)
(v)	Nagaland Hotels Ltd. (subsidiary to NIDC)	- do -	17/03/82	1984-85	1999-00	**Information not provided by the company**							17	---	(b)	(b)
	Total of the Sector					**(-)1.72**		**12.51**	**(-)7.49**	**12.65**	**(-)1.71**				**1.60**	**129**
2.	**Geology and Mining**															
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1987-88	2001-02	---	---	(a)	---	3.58	---	---	14	Working	1.38	111
	Total of the sector							***(a)***	—	***3.58***	—	—				
	Grand total:					**(-)1.72**		**12.51**	**(-)7.49**	**16.23**	**(-)1.71**				**2.98**	**240**

* 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

APPENDIX—XXX

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 2002

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

(Reference: Paragraph 8.3.1; Page 111)

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	---	2.61	---	2.61	---	---	---	---	---	---	---	---	---	---	---
(ii)	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	---	0.18	---	0.18	---	---	---	---	---	---	---	---	---	---	---
(iii)	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	---	1.88	---	1.88	---	---	---	---	---	---	---	---	---	---	---
	Total - A		4.67		4.67	—	—	—	—	—	—	—	—	—	—	—
B.	**Geology and Mining**															
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	---	1.79	---	1.79	---	---	---	---	---	---	---	---	---	---	---
	Total - B		1.79	—	1.79	—	—	—	—	—	—	—	—	—	—	—
	Grand total		6.46	—	6.46	—	—	—	—	—	—	—	—	—	—	—

APPENDIX - XXXI

Statement showing financial position and working results

(Reference : Paragraph 8.9.12; Page 119)

(A) Financial Position:-

(Rupees in lakh)

Sl No	Particulars	1997-98 (Rs.)	1998-99 (Rs.)	1999-2000 (Rs.)	2000-01 (Rs.)	2001-02 (Rs.)
A	**Liabilities**					
a)	*Paid up Capital	448.74	463.74	513.74	538.74	573.74
b)	Reserves and surplus	119.11	119.11	119.11	119.11	119.11
c)	Borrowing	73.30	73.30	73.30	73.30	73.30
d)	Trade dues and other current liabilities	90.20	98.69	101.35	100.47	98.97
	Total:-	**731.35**	**754.84**	**807.50**	**831.62**	**865.12**
B	****Assets**					
a)	Gross block	122.56	130.71	141.21	145.94	146.39
b)	Loss depreciation	19.81	24.21	28.44	32.24	37.67
c)	Net fixed assets	102.75	106.50	112.77	112.70	108.72
d)	Capital work in progress	---	---	---	---	---
e)	Current assets loans and advance	180.54	195.85	218.03	238.87	313.67
f)	Misc. expenditure to the extent not written off	0.11	0.10	0.09	0.08	0.07
g)	Accumulated loss	447.95	452.39	476.61	479.97	442.66
	Total	**731.35**	**754.84**	**807.50**	**831.62**	**865.12**
	#Capital employed	**41.18**	**38.68**	**53.40**	**52.22**	**81.05**
	##Net worth	**119.79**	**130.36**	**156.15**	**177.80**	**250.12**

Capital employed represents net fixed assets plus working capital.

Net worth represents paid-up capital plus reserves and surplus less intangible assets.

* During 1995-96 grants-in-aid received from the Development Commissioner (Handicrafts) New Delhi for implementation of the scheme was wrongly included in the Balance Sheet as Equity Share and the same has not been rectified upto the accounts of 2001-2002. The actual paid up capital was Rs.566.24 lakh (i.e., Rs.573.74 lakh minus Rs.7.50 lakh.

** The corporation took over certain assets including fixed and current assets from Directorate of Industries at different places. No adjustment has been made for such assets in the account. No agreement spelling out the terms and condition of the take over has been entered into no depreciation has been provided for on such assets.

APPENDIX - XXXI

(B) Working results

(Rupees in lakh)

Sl No.	Particulars	1997-98 (Rs.)	1998-99 (Rs.)	1999-2000 (Rs.)	2000-01 (Rs.)	2001-02 (Rs.)
A	**Income**					
a)	*Sales	30.56	28.14	37.82	32.03	35.49
b)	Accretion (+)/ Decretion (-) in stock	(-) 15.09	(+) 5.43	(+) 1.58	(+) 7.00	(+) 19.22
c)	Grant-in-aid	161.23	146.53	174.76	249.41	271.08
d)	Other income	2.07	4.87	1.79	1.53	2.55
	Total:-	**178.77**	**184.97**	**215.95**	**289.96**	**328.34**
B	****Expenditure**					
a)	Purchase of raw materials	22.01	23.45	33.96	24.11	47.65
b)	Other production expenses	0.21	0.49	0.23	0.21	5.44
c)	Salaries and wages	160.68	141.60	166.95	212.70	176.32
d)	Interest on loan	---	---	---	---	---
e)	Depreciation	3.34	4.40	4.23	4.80	4.44
f)	Other expenses	25.33	19.47	34.80	51.50	57.18
	Total:-	**211.57**	**189.41**	**240.17**	**293.32**	**291.03**
C	Profit (+)/Loss (-) before prior period adjustment (A) – (B)	(-) 32.80	(-) 4.44	(-) 24.22	(-) 3.36	(+) 37.31
D	Prior period adjustment	---	--	--	--	--
E	Profit (+)/Loss (-) after prior period adjustment (C + D)	(-) 32.80	(-) 4.44	(-) 24.22	(-) 3.36	(+) 37.31

* Sales includes (i) sales of finished goods and (ii) sales of raw material to coal India Ltd.

** All expenses have been taken on cash basis without there being any provision made for outstanding expenses.

**Payments to and for employees have been charged to account on cash basis and on net amounts.

**No provision for the liabilities whatsoever outstanding as on the date of balance sheet has been made.

**Purchases and procurement expenses have been taken on the basis of actual payments made by the corporation. No provisions for **liabilities in respect of purchases has been made since inception of the company.

APPENDIX - XXXII

Statement showing the net loss for the year 2001-2002
and accumulated loss as on 31 March 2002
(Reference : Paragraph 8.9.12; Page 119)

Net profit for the year 2001-2002, has been arrived at (1) by inclusion of Rs.0.83 crore received from the Government of India for implementation of various schemes as income of the company as against this, only Rs.13.52 lakh was shown as scheme implementation expenses (2) No provision has been made for central sales tax, interest on loan, payable to Government of India amounting to Rs.1.55 crore and Rs.1.25 crore respectively had these been taken into account the net loss and the accumulated losses would have been Rs.31.88 lakh and Rs.7.92 crore as detailed below:-

***1. (i) Total income as per profit and loss account Rs.328.34 lakh**

Less: Grant-in-aid received from Government of India for implementation of various scheme	**Rs.82.71 lakh**
Actual total Income (A)	**Rs.245.63 lakh**
(ii) Total expenditure as per profit and loss account	**Rs.291.03 lakh**
Less: expenditure incurred on implementation of schemes	**Rs.13.52 lakh**
Actual total expenditure (B)	**Rs.277.51 lakh**
Net loss : (A) – (B)	**Rs.31.88 lakh**
****2. Accumulated loss as on 1.4.2001**	**Rs.479.97 lakh**
Add: loss for the year 2001-2002	**Rs.31.88 lakh**
Add: Central Sales Tax payable	**Rs.154.96 lakh**
Add: interest payable on Govt. loan	**Rs.125.07 lakh**
Actual accumulated loss including provision for other outstanding expenses and loss	**Rs.791.88 lakh**

* Total income includes Accretion in stock amounting to Rs.19.22 lakh.
** Central Sales Tax payable Rs.154.96 lakh = Rs.138.23 lakh plus penalty of Rs.16.73 lakh.