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

FOR THE YEAR ENDED 31 MARCH 2005

GOVERNMENT OF NAGALAND

AUDIT REPORT (CIVIL) - NAGALAND - 2004-05



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

FOR THE FINANCIAL YEAR 1951-52

GOVERNMENT OF INDIA

NEW DELHI

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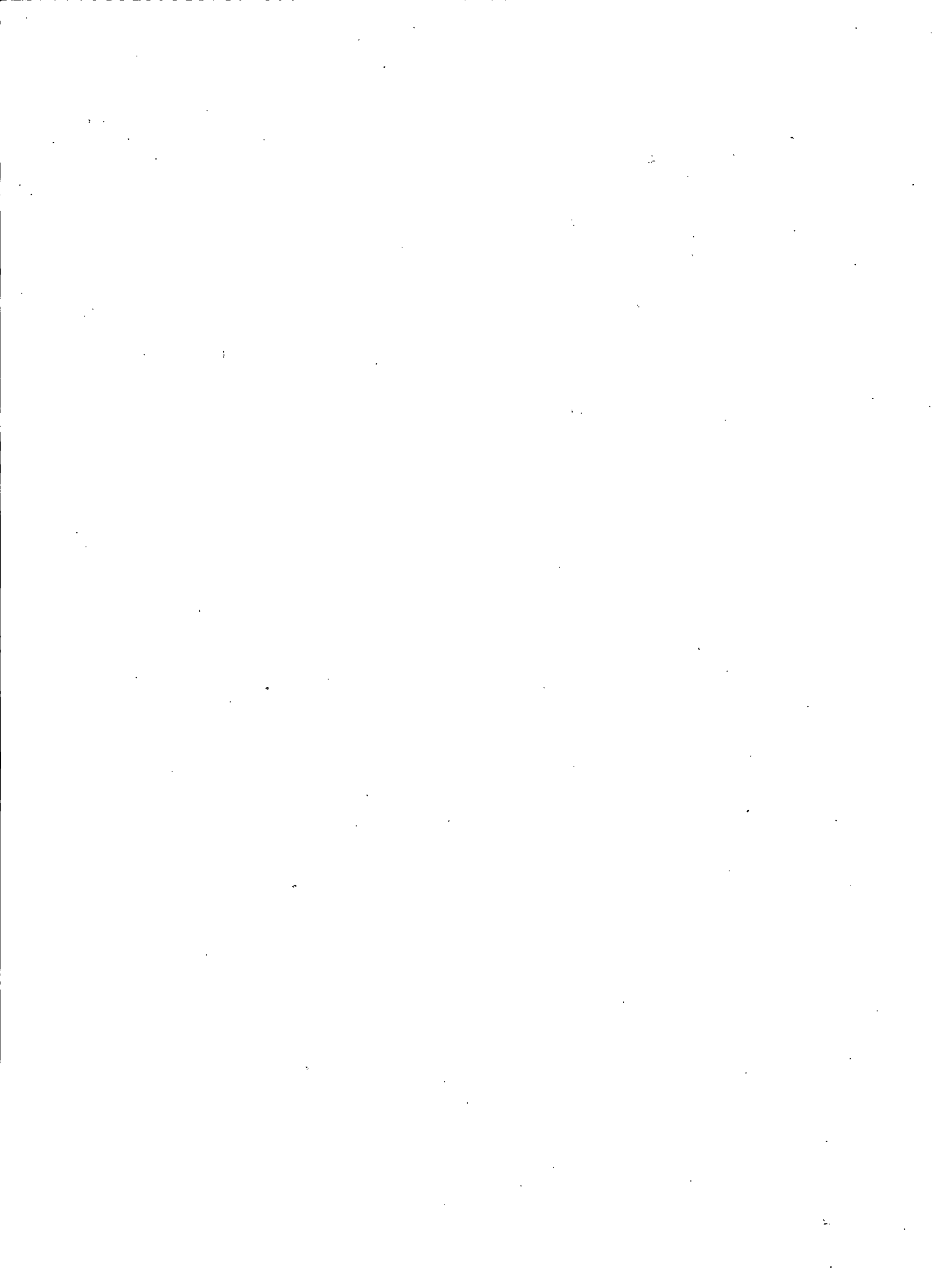
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PREFACE

1. *This Report has been prepared for submission to the Governor under Article 151 of the Constitution.*
2. *Chapters I and II of this Report contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government respectively for the year ended 31 March 2005. Chapter-VII deals with the internal control system in Government departments.*
3. *The remaining chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works and irrigation departments; audit of stores and stock; revenue receipts; audit of autonomous bodies; Government companies; statutory corporations and departmentally run commercial undertakings.*
4. *The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2004-05 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 2004-05 have also been included wherever necessary.*

OVERVIEW

OVERVIEW

This Report includes two chapters containing observations of audit on the Finance and Appropriation Accounts of the Government of Nagaland for the year 2004-05 and five other chapters comprising three performance audit and 22 audit paragraphs dealing with the results of audit of selected programmes and schemes and financial transactions of the Government including its commercial and trading activities. A synopsis of the findings of the performance audit and the more important paragraphs are presented in this overview.

According to existing arrangements, copies of the draft audit paragraphs and performance audit are sent demi-officially to the concerned Secretaries to the Government by the Accountant General (Audit) with a request to furnish replies within six weeks. Besides issuing reminders, the Secretaries are also invited for discussion before finalisation of this Report. Despite these efforts, no reply had been received in respect of 10 paragraphs as of November 2005.

1. Finances of the State Government

The revenue receipts of the State increased from Rs.1254.10 crore in 2000-01 to Rs.1839.52 crore in 2004-05 at an average growth rate of 14.26 *per cent*. While 92 *per cent* of the revenue receipts during 2004-05 came from Grants in aid from Government of India and central tax transfers, its own resources comprising tax and non-tax revenue together contributed only 8 *per cent* of the total revenue.

As on 31 March 2005, Government had invested Rs.73.41 crore in its statutory corporations, Government companies, joint stock companies and co-operative societies. There was no return to the Government on this investment. The average annual subsidy and implicit subsidy in 2004-05 worked out to Rs12.36 crore and Rs.7.52 crore respectively.

In addition to investments in co-operatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. The total outstanding balance as on 31 March 2005 was Rs.35.06 crore. Interest received on such loans had varied from 1.56 *per cent* to 8.57 *per cent* during 2000-2005. Total implicit subsidy during 2000-05 on such loans was Rs.21.07 crore.

Overall fiscal liabilities of the State increased from Rs.1429.93 crore in 2000-01 to Rs.2146.29 crore in 2004-05 on an average rate of 12.89 *per cent* during 2000-2005. The ratio of these liabilities to GSDP decreased from 42.60 *per cent* in 2000-01 to 39.30 *per cent* in 2004-05.

The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 2000-03 increased substantially during 2003-04 owing to one time increase in central tax transfers and Grants-in-aid from the Government of India. The ratio again dipped to 33.64 *per cent* in 2004-05. The

ratio of own tax to GSDP, however, was stable during last five years. The balance from current revenues (BCR) increased from (-) Rs.296.20 crore in 2000-01 to (-) Rs.386.32 crore in 2004-05 indicating increased dependence on external resources for plan and development expenditure.

(Paragraphs 1.1 to 1.10)

2. Allocative priorities and Appropriation

The overall saving of Rs.581.85 crore was the net result of excess of Rs.28.82 crore in 19 cases of grants and one case of appropriation and saving of Rs.610.67 crore in 56 cases of grants and two cases of appropriations.

(Paragraph 2.2.1)

According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularised by the State Legislature. However, it was noticed that excess expenditure of Rs.2011.27 crore reported during 1991-92 to 2003-04 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of November 2005.

(Paragraph 2.3.3)

According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of Rs.47.96 crore was incurred in seven cases without any provision in the original estimates/supplementary demands.

(Paragraph 2.3.8)

Out of 78 controlling officers, expenditure of Rs.136.26 crore in respect of six controlling officers remained unreconciled.

(Paragraph 2.3.13)

3. Performance Audit

1. Pradhan Mantri Gram Sadak Yojana

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by Government of India in December 2000 as a *cent per cent* centrally sponsored scheme with a view to provide road connectivity through all weather roads to all unconnected habitations for a population of 1,000 persons and above by 2002-03 and with population of 250 persons and above, for hilly states like Nagaland by 2007.

The audit of works of construction of roads under PMGSY revealed failure to meet targets by 46 *per cent* (851.61 km new road constructed against the target of 1,576.03 km), allocation of funds (Rs.15.78 crore) in violation of guidelines

for upgradation works, and extension of undue benefit to contractors (Rs.1.67 crore). Inadequate planning, non-adherence to guidelines in determining priority criteria, inadequacies in contract management, irregularities in execution of works, financial irregularities and inadequate quality control measures led to non achievement of the objectives of the programme.

2. Working of Nagaland State Transport

Nagaland State Transport (NST) was established as a department of the Government of Nagaland in December 1964 to provide a well co-ordinated, reliable and affordable transport service to the public both inside and outside the State. Underutilisation of fleet, low vehicle productivity, delay in tariff revision, excess expenditure on purchase, overstaffing and inefficient ticket management led to the department suffering sustained losses to the tune of Rs.60.79 crore in 2000-05 which accumulated to Rs.164.63 crore as on March 2005.

3. Food Security, Subsidy and Management of Foodgrains

Food security entails procurement of foodgrains from the farmers at the minimum support price, storage and distribution to the targeted beneficiaries through fair price shops. Procurement of foodgrains within the State serves the twin objectives of providing price security to the farmers and ensuring food security to the people. The Government of Nagaland is involved in operation of various food grains based schemes introduced by the Government of India under the Targeted Public Distribution System (TPDS) launched in June 1997. Under this, three main schemes viz, Below Poverty Line (BPL), Antyodaya Anna Yojana (AAY) and Annapurna Scheme for the senior citizens apart from Above Poverty Line (APL) had been implemented by the State.

Due to delay in identification of beneficiaries, short lifting of foodgrains, delay/non-distribution of foodgrains, non-issue of ration cards, undue benefit to millers by allowing less recovery of atta from wheat etc., the basic objective of benefiting the poor and vulnerable sections of the society could not be achieved satisfactorily.

4. Audit of Transactions (Civil)

Likimro hydro electric project completed at a cost of Rs.215.88 crore (a cost overrun of Rs.169.07 crore) remained non-operational for two and a half years after its commissioning resulting in the department spending Rs.43.92 lakh on salary of idle staff besides losing out on potential revenues of Rs.20.40 crore.

(Paragraph 4.1)

Central allocation of Rs.2.68 crore provided for improvement of health care system was diverted to salary payments of staff to be borne out of State funds.

(Paragraph 4.2)

The Chief Engineer, Public Health Engineering Department (PHED), Kohima Division diverted Rs.2.05 crore meant for improvement of Water Supply Projects in Kohima town for purchase/repair of departmental vehicles.

(Paragraph 4.5)

Six bailey bridge components valuing Rs.1.84 crore procured without definite requirement resulted in blocking of Government money.

(Paragraph 4.6)

Executive Engineer, Town Planning Works Division, Kohima incurred an avoidable expenditure of Rs.23.50 lakh against the provision of contractual clause due to poor fund mobilisation for ongoing works.

(Paragraph 4.13)

Executive Engineer, Town Planning Works Division, Kohima had drawn Rs.4.82 crore in advance of requirement and kept in Current Deposit Accounts for more than 15 months resulting in Government incurring an interest liability of Rs.35.11 lakh.

(Paragraph 4.14)

Expenditure of Rs.31.34 lakh was incurred in clearing fictitious past liabilities under 'Foliage Clearance Scheme'.

(Paragraph 4.15)

A property purchased at Rs.15 lakh for use as office accommodation was neither found fit for the purpose nor could possession of the building be taken even after two years of payment.

(Paragraph 4.16)

5. Revenue Receipts

General

The total revenue receipts of the State Government for the year 2004-05 amounted to Rs.1,839.52 crore against Rs.2,359.79 crore for the previous year. Eight *per cent* of this was raised by the State through tax revenue (Rs.78.31 crore) and non tax revenue (Rs.77.90 crore). The balance 92 *per cent* was receipts from Government of India as State's share of divisible Union taxes (Rs.160.15 crore) and as Grants-in-aid (Rs.1,523.16 crore).

(Paragraph 5.1.1)

Government suffered loss of revenue of Rs.1.06 crore due to non deduction of tax on works contract at source.

(Paragraph 5.7)

Incorrect computation of turnover resulted in underassessment of tax amounting to Rs.23.65 lakh.

(Paragraph 5.8)

Incorrect application of rate of tax led to a revenue loss of Rs.4.29 lakh.

(Paragraph 5.9)

6. Commercial and Trading activities

There were five working Government companies, one non-working company and nine departmentally managed Government commercial and quasi-commercial undertakings in the State as on 31 March 2005. The total investment in the five working Government companies was Rs.58.34 crore (equity:Rs.20.75 crore, share application money:Rs.1.70 crore and long term loans:Rs.35.89 crore).

(Paragraphs 6.1.1 and 6.1.2)

None of the five working Government companies had finalised their accounts for the year 2004-05. The accounts of all the companies were in arrears for periods ranging from nine to 24 years as on 30 September 2005.

(Paragraph 6.1.6)

According to the latest finalised accounts of five Government companies, three companies had incurred an aggregate loss of Rs.2.06 crore. The capital employed worked out to Rs.19.13 crore in three companies and total return thereon amounted to Rs.(-) 2.12 crore.

(Paragraph 6.1.7 and 6.1.9)

The accounts of one non-working company viz, Nagaland Sugar Mills Company Limited were in arrears for a period of 27 years as on 31 March 2005.

(Paragraph 6.1.13)

The proforma accounts of nine departmentally managed Government commercial and quasi-commercial undertakings were in arrears for periods ranging from three to 34 years as on 30 September 2005.

(Paragraph 6.1.19)

An expenditure of Rs.9.56 crore was incurred on construction of a mechanised brick plant which, though commissioned 10 years after its completion, failed to achieve the target of production resulting in loss of potential revenue of Rs.1.38 crore.

(Paragraph 6.2)

The Nagaland Handloom and Handicraft Development Corporation Ltd., failed to clear its statutory dues ('Employees Provident Funds') in time resulted in an avoidable financial liability of Rs.17.77 lakh.

(Paragraph 6.3)

7. Internal Control System and Internal Audit in Government Departments

Evaluation of the internal control system of the Public Health Engineering (PHE) Department

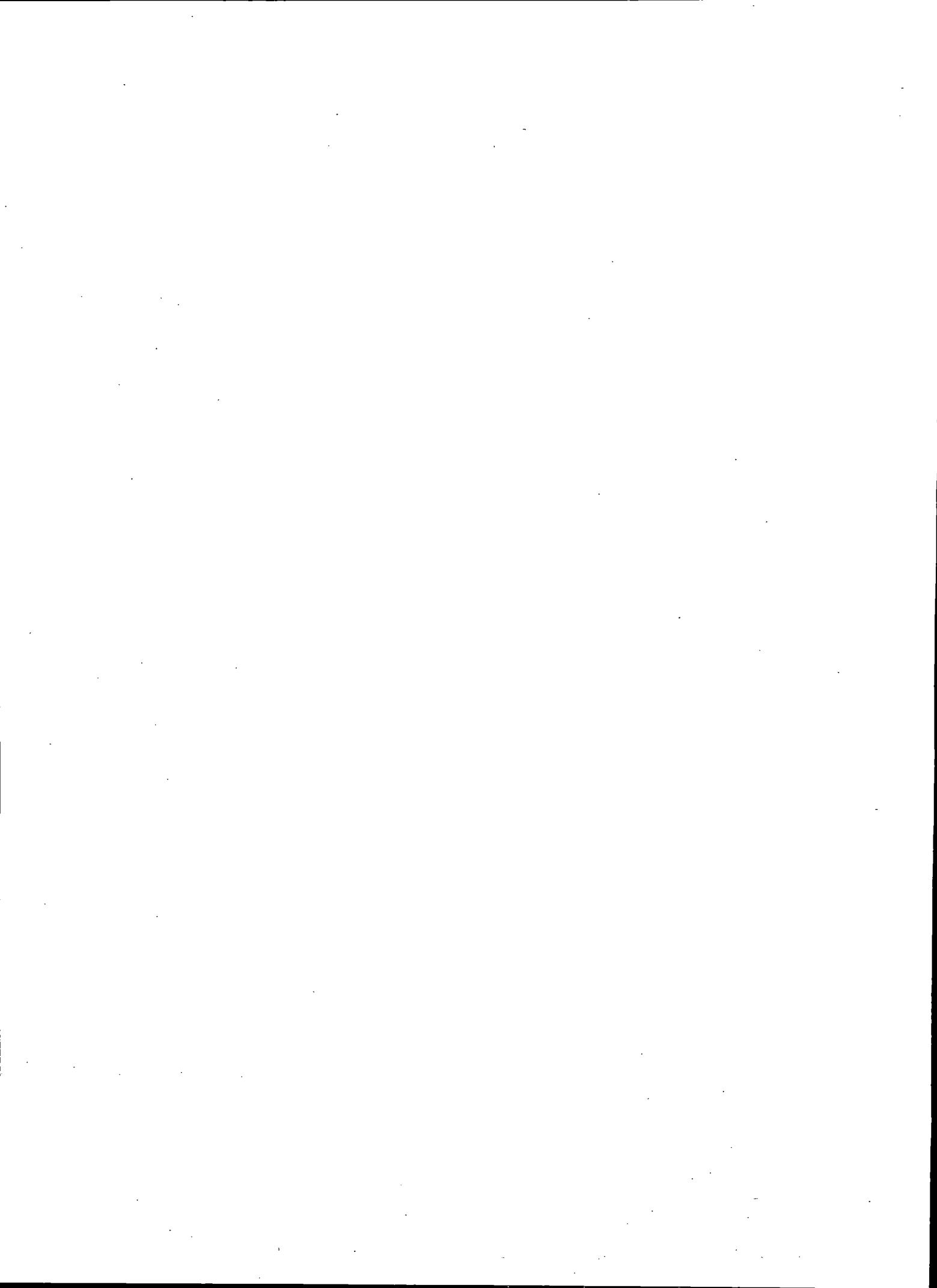
Internal control is a system within an organisation that governs its activities to effectively achieve its objectives. An evaluation of the internal control system in the department (PHE) revealed the following:

Evaluation of the internal control system in the PHED revealed deficiencies in budgetary control, stores management, inventory control and man power control. Non-maintenance of basic records also affected the accuracy and completeness of the monthly accounts. Internal audit arrangements were also deficient and unable to provide assurance against financial irregularities. Irregular drawal of money by transfer credit to civil deposit/bankers cheques to avoid lapse of funds of Rs.15.08 crore resulted in erosion of legislative control over expenditure.

(Paragraph 7.1.6)

CHAPTER – I

FINANCES OF THE STATE GOVERNMENT



CHAPTER-I

FINANCES OF THE STATE GOVERNMENT

Summary

In Nagaland, revenue deficit had increased from Rs.36.13 crore in 2000-01 to Rs.159.37 crore in 2002-03. However, there was revenue surplus of Rs.546.80 crore in 2003-04 which came down to Rs.154.89 crore in 2004-05. The decline in revenue surplus was mainly on account of receipt of one time grant in aid in 2003-04 of Rs.365 crore.

Revenue of the State consisted mainly of Grants in aid from Government of India (83 *per cent*), Central tax transfers (9 *per cent*) and its own tax (4 *per cent*) and non-tax revenue (4 *per cent*). Overall revenue receipts increased from Rs.1,254.10 crore in 2000-01 to Rs.1,839.52 crore in 2004-05 at an average growth rate of 14.26 *per cent*. There were, however, significant inter year variations in the growth rates. The revenue receipts for 2004-05 were less from the year 2003-04 by Rs.520.27 crore (22 *per cent*). While 8 *per cent* of the revenue receipts during 2004-05 came from the State's own resources comprising taxes and non-taxes, Central tax transfer and Grants-in-aid together contributed 92 *per cent* of the total revenue.

Total expenditure of the State increased from Rs.1,531.98 crore in 2000-01 to Rs.2064.41 crore in 2004-05 at an average growth rate of 9.56 *per cent*. The expenditure decreased by Rs.144.79 crore (6.55 *per cent*) in 2004-05 compared to the previous year though the average growth of 9.56 *per cent* was noticed during the last five years.

The interest payment during 2004-05 was Rs.249.62 crore up by 6.34 *per cent* over the last year. The debt burden was Rs.1,429.93 crore in 2000-01 and had increased to Rs.2,146.29 crore in 2004-05 at an average rate of 12.89 *per cent*.

1.1 Introduction

The Finance Accounts of the Government of Nagaland are laid out in 19 statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.1.

Box 1.1

Lay out of Finance Accounts

Statement No.1 presents the summary of transactions of the State Government receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.

Statement No.2 contains the summarized statement of capital outlay showing progressive expenditure to the end of 2004-05.

Statement No.3¹ gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc. There is no commercial irrigation project in Nagaland.

Statement No.4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No.5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No.6 gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.

Statement No.7 gives the summary of cash balances and investments made out of such balances.

Statement No.8 depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2005.

Statement No.9 shows the revenue and expenditure under different heads for the year 2004-05 as a percentage of total revenue/expenditure.

Statement No.10 indicates the distribution between the charged and voted expenditure incurred during the year.

Statement No.11 indicates the detailed account of revenue receipts by minor heads.

Statement No.12 provides accounts of revenue expenditure by minor heads under non-plan and plan separately and capital expenditure by major head-wise.

Statement No.13 depicts the detailed capital expenditure incurred during and to the end of 2004-05.

¹ Statement No.3 has been introduced from the current year. As a result lay out of Statement No.4 to 19 have accordingly been rearranged.

Statement No.14 shows the details of investment of the State Government in statutory corporations, government companies, other joint stock companies, co-operative banks and societies, etc. up to the end of 2004-05.

Statement No.15 depicts the capital and other expenditure to the end of 2004-05 and the principal sources from which the funds were provided for that expenditure.

Statement No.16 gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.

Statement No.17 presents detailed account of debt and other interest bearing obligations of the Government.

Statement No.18 provides the detailed account of loans and advances given by the Government, the amount of loan repaid during the year and the balance as on 31 March 2005.

Statement No.19 gives the details of earmarked balances.

1.2 Trend of Finances with reference to previous year

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

(Rupees in crore)			
2003-04	Sl. No.	Major Aggregates	2004-05
2359.79	1	Revenue Receipts (2+3+4)	1839.52
68.55	2.	Tax Revenue	78.31
60.91	3.	Non-Tax Revenue	77.90
2230.33	4.	Other Receipts	1683.31
6.81	5.	Non-Debt Capital Receipts	6.50
6.81	6.	Of which Recovery of Loans and Advances	6.50
2366.60	7.	Total Non-Debt Receipts (1+5)	1846.02
1464.29	8.	Non-Plan Expenditure (9+11+12)	1392.55
1449.59	9.	On Revenue Account	1389.82
234.74	10.	Of which Interest Payments	249.62
10.98	11.	On Capital Account	2.58
3.72	12.	On Loans disbursed	0.15
744.91	13.	Plan Expenditure (14+15+16)	671.86
363.40	14.	On Revenue Account	294.81
380.15	15.	On Capital Account	376.86
1.36	16.	On Loans disbursed	0.19
2209.20	17.	Total Expenditure (8+13)	2064.41
157.40	18.	Fiscal surplus (+)/Fiscal Deficit (-) (7-17)	(-) 218.39
546.80	19.	Revenue Surplus (+)/Deficit (-) (1-9-14)	154.89
392.14	20.	Primary surplus (+)/Primary Deficit (-) (18+10)	31.23

The rise in fiscal deficit was mainly on account of Rs.520.27 crore declined in revenue receipts (22 per cent).

1.3 Summary of Receipts and Disbursements for the year

Table 1 summarises the finances of the Government of Nagaland for the year 2004-05 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements made during the year as emerging from Statement-1 of the Finance Accounts and other detailed statements.

Table 1 - SUMMARY OF RECEIPTS AND DISBURSEMENT FOR THE YEAR 2004-05

(Rupees in crore)

2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
Section-A : Revenue							
					Non-Plan	Plan	Total
2359.79	I. Revenue receipts	1839.52	1812.99	I. Revenue expenditure	1389.82	294.81	1684.63
68.55	Tax revenue	78.31	874.91	General Services	852.55	5.40	857.95
60.91	Non-tax revenue	77.90	422.32	Social Services	306.76	114.19	420.95
256.97	Share of Union Taxes/Duties	160.15	515.76	Economic Services	230.51	175.22	405.73
1973.36	Grants from Government of India	1523.16	-	Grants-in-aid/Contribution	-	-	-
2003-04	Receipts	2004-05	2003-04	Disbursements	2004-05		
Section-B: Capital							
-	II. Misc. Capital Receipts	-	391.13	II. Capital Outlay	2.58	376.86	379.44
6.81	III. Recoveries of Loans and Advances	6.50	5.08	III. Loans and Advances disbursed	-	-	0.34
(-) 3.22	IV. Public debt receipts ²	424.30	174.59	IV. Repayment of Public Debt ³	-	-	202.42
-	V. Contingency Fund	-	-	V. Contingency Fund	-	-	-
658.48	VI. Public account receipts	776.73	971.27	VI. Public account disbursements	-	-	795.29
120.88	Opening Balance	(-)212.32	(-)212.32	Closing Balance	-	-	(-) 227.39
3142.74	Total	2834.73	3142.74	Total			2834.73

1.4 Audit Methodology

Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2004-05 and wherever necessary, these are shown in the time series data and periodic comparisons. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and Liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. In addition, the section also contains a paragraph on indicators of financial performance of the

² Includes net ways and means advances and overdraft also.

³ Bifurcation of Plan and non-Plan not available.

Government. Some of the terms used here are explained in *Appendix-I*. The other statements of Liabilities and Assets, Receipts and Payments, Sources and Application of funds and Time Series Data are given in *Appendix-II to V*.

The reporting parameters are depicted in the Box 1.2.

Box 1.2

Reporting Parameters

Fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal and external debt and revenue and fiscal deficits have been presented as percentage to the GSDP at current market prices. As the new GSDP as required to be published by the Statistics department of the State Government could not be made available, the estimated GSDP published by the Ministry of Finance, Department of Expenditure, Finance Commission Division, (Fiscal Reforms Unit) in the minutes of meeting of the Monitoring Committee on 'Medium Term Fiscal Restructuring Policy of Nagaland' have been used.

For tax revenues, non-tax revenues, revenue/expenditure etc., buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP.

For most series, a trend growth during 2000-05 has been indicated. The ratios with respect to GSDP have also been depicted.

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

Box 1.3 State Government Funds and the Public Account

Consolidated Fund	Contingency Fund	Public Account
All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund titled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.	Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorization by Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.	Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government Accounts, in respect of which Government acts more as a banker. Transactions relating to provident funds, small savings, other deposits, etc. are a few examples. The public moneys thus received are kept in the Public Account set up under Article 266(2) of the Constitution and the related disbursements are made from it.

1.5 State finances by key indicators

1.5.1 Resources by volumes and sources: Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, state's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise miscellaneous capital receipts like proceeds from disinvestments,

recoveries of loans and advances, debt receipts from internal sources viz., market loans, borrowings from financial institutions/commercial banks etc., and loans and advances from Government of India as well as accruals from the Public account.

Table 2 shows that the total receipts of the State Government for the year 2004-05 were Rs.3047.05 crore. Of these, the revenue receipts of the State Government were Rs.1839.52 crore only, constituting 60.37 per cent of the total receipts. The balance of receipts came from borrowings, recovery of loans and advances and public account receipts.

Table 2 – Resources of Nagaland

			(Rupees in crore)
I.	Revenue Receipts		1839.52
II.	Capital Receipts		430.80
	(a) Miscellaneous Receipts	-	-
	(b) Recovery of Loans and Advances	6.50	-
	(c) Public Debt Receipts	424.30	-
III.	Contingency Fund Receipts	-	-
IV.	Public Account Receipts		776.73
	(a) Small Savings, Provident Fund, etc.	110.24	
	(b) Reserve Fund	0.85	
	(c) Deposits and Advances	131.50	
	(d) Suspense and Miscellaneous	41.20	
	(e) Remittances	492.94	
	Total Receipts		3047.05

1.5.2 Revenue Receipts: Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts of the State consist mainly of Grants-in-aid from Government of India, Central tax transfers and its own tax and non-tax revenues. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the State's Gross Domestic Product (GSDP) and its buoyancy is indicated in Table 3.

Table 3 - Revenue Receipts-Basic Parameters

<i>(Value: Rupees in crore and others in per cent)</i>						
	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue Receipts	1254.10	1324.53	1346.90	2359.79	1839.52	1624.97
Composition of Revenue Receipts (%) :						
(i) Own Taxes	3.69	4.14	4.60	2.91	4.26	3.92
(ii) Non-Tax Revenue	3.13	3.28	3.26	2.58	4.23	3.30
(iii) Central tax Transfers	7.69	2.32	3.42	10.89	8.71	6.60
(iv) Grants-in-aid	85.49	90.26	88.72	83.62	82.80	86.18
Rate of Growth of Revenue Receipts (%)	10.84	5.62	1.69	75.20	(-) 22.05	14.26
Rate of Growth of Own Taxes (%)	5.73	12.20	11.11	(-) 36.74	46.39	7.74
Revenue Receipts/GSDP	37.40	34.95	31.45	48.77	33.64	37.24
Buoyancy of Own Taxes	0.440	0.938	0.855	*	3.569	0.595
Revenue Buoyancy	0.834	0.432	0.130	5.785	*	1.10
GSDP Growth (%)[#]	13.00	13.00	13.00	13.00	13.00	13.00

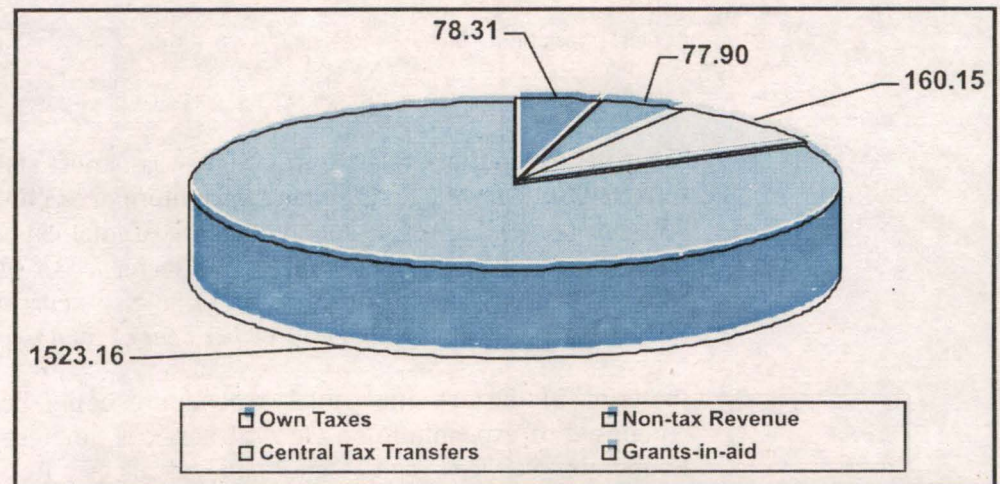
* Both Revenue Receipts and Own Taxes had a negative growth.

[#] The GSDP for the relevant years having been not published by the State Government, the annual growth rate assumed by the Monitoring Committee under the Ministry of Finance Department, Government of India on "Medium Term Fiscal Restructuring Policy of Nagaland" has been taken.

The revenue receipts of the State increased from Rs.1254.10 crore in 2000-01 to Rs.1839.52 crore in 2004-05 at an average trend of 14.26 per cent. There were, however, significant inter-year variations in the growth rates. During the five-year period 2000-05, the State had a buoyant economy with its GSDP growth averaging 13 per cent. Rate of growth of revenue receipts which had remained lower than the growth of GSDP during 2000-03, surged to over 75 per cent in 2003-04. A buoyancy of 5.785 in 2003-04 pushed the overall buoyancy of revenue receipts to 1.10 during 2000-05. Almost the entire increase in revenue receipts was, however, contributed by grants in aid and tax transfers.

While 8 per cent of the revenue receipts during 2004-05 came from State's own resources comprising taxes and non-tax revenues, central tax transfers and grants-in-aid together contributed 92 per cent of the total revenue. Sales Tax was the major contributor (68 per cent) of State own tax revenue followed by other taxes (19 per cent). Of non-tax revenue sources, Power (51 per cent) and receipts from Miscellaneous general services (15 per cent) were the principal contributors.

Revenue Receipts for 2004-05
(Rupees in crore)



The source of total receipts under different heads and GSDP during 2000-2005 is indicated in Table 4.

Table 4 – Sources of Receipts: Trends

Year	Revenue Receipts	Capital Receipts				Total Receipts	Gross State Domestic product
		Non-Debt Receipts	Debt Receipts	Contingency Fund Receipts	Accruals in Public Account		
2000-01	1254.10	6.45	335.97	-	601.87	2198.39	3353.43
2001-02	1324.53	7.78	335.28	-	646.31	2313.90	3789.38
2002-03	1346.90	7.42	473.85	-	990.10	2818.27	4282.00
2003-04	2359.79	6.81	(-3.22)	-	658.48	3021.86	*4838.66
2004-05	1839.52	6.50	424.30	-	776.73	3047.05	*5467.68

* The GSDP for 2003-04 and 2004-05 being not published by the State Government, the projected estimated figures published by the Government of India have been used.

1.6 Application of resources

1.6.1 Trend of growth: Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased from Rs.1531.98 crore in 2000-01 to Rs.2064.41 crore in 2004-05 at an average trend of 9.56 per cent per annum. The expenditure in 2004-05 decreased substantially by 6.55 per cent compared to the previous year.

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

Table 5 - Total Expenditure-Basic Parameters

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

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Total Expenditure*	1531.98	1669.27	1849.29	2209.20	2064.41	1864.83
Rate of Growth	15.16	8.96	10.78	19.46	(-)6.55	9.56
TE/GSDP Ratio	45.68	44.05	43.19	45.66	37.76	43.27
Revenue Receipts/TE ratio	81.86	79.35	72.83	106.82	89.11	85.99
Buoyancy of total expenditure with						
GSDP	1.17	0.69	0.83	1.50	**	0.74
Revenue Receipts	1.40	1.60	6.39	0.26	**	1.99

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

**Both Total Expenditure and Revenue Receipts had a negative rate of growth.

The total expenditure relative to GSDP was almost stable during 2000-04 as reflected in percentage of total expenditure to GSDP (43.19 per cent to 45.68 per cent). However, due to decrease of total expenditure in 2004-05 the percentage of expenditure to GSDP also decreased to 37.76 per cent. Revenue receipts which were financing only 81.86 per cent of total expenditure in 2000-01 were financing about 89.11 per cent of total expenditure of 2004-05.

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

Table 6 - Components of Expenditure – Relative Share

(in per cent)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
General Services	30.99	32.21	32.92	31.24	31.54	31.78
Interest Payments	11.56	12.01	11.60	10.63	12.09	11.58
Social Services	28.21	28.52	28.90	25.37	27.61	27.72
Economic Services	28.11	27.06	26.44	32.53	28.74	28.58
Loans and Advances	1.13	0.21	0.13	0.23	0.02	0.34

The movement of relative share of these components of expenditure indicated that all components of expenditure had inter-year variations. Notwithstanding these inter year and inter-component variations in relative shares overall share between developmental expenditure (social and economic services) and

non-developmental expenditure (general services and interest payments) was generally stable. There was an increase in non-development expenditure from 41.87 *per cent* in 2003-04 to 43.63 *per cent* during 2004-05. Around 43.36 *per cent* of the total expenditure was non-developmental in nature and the balance developmental.

1.6.2 Incidence of revenue expenditure: In the total expenditure, revenue expenditure had the predominant share. Revenue expenditure is incurred to maintain the current level of services and payment for past obligations and as such does not result in an addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and its buoyancy are indicated in Table 7.

Table 7 - Revenue Expenditure – Basic Parameters

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue Expenditure (Rupees in crore)	1290.23	1427.11	1506.27	1812.99	1684.63	1544.25
Rate of Growth (<i>per cent</i>)	13.10	10.61	5.55	20.36	(-)7.08	8.51
RE/GSDP	38.47	37.66	35.18	37.47	30.81	35.92
RE as % of TE	84.22	85.49	81.45	82.07	81.60	82.97
RE as % of Revenue Receipts	102.88	107.74	111.83	76.83	91.58	98.17
Buoyancy of Revenue Expenditure with (<i>per cent</i>)						
GSDP	1.01	0.82	0.43	1.57	*	0.65
Revenue Receipts	1.21	1.89	3.28	0.27	*	1.40

*Revenue Receipts had a negative growth.

Overall revenue expenditure of the State increased at an average trend of 8.51 *per cent*. Rate of growth of revenue expenditure reached a level of 20.36 *per cent* in 2003-04. On an average, 82.97 *per cent* of the total expenditure was on current consumption.

i) Salary expenditure: Salaries accounted for 44.84 *per cent* of revenue receipts and 48.96 *per cent* of revenue expenditure of the State during 2004-05. Expenditure on salaries increased from Rs.678.46 crore in 2000-01 to Rs.824.78 crore in 2004-05 registering an increase of 21.57 *per cent* in five years. Salary expenditure as percentage of revenue receipt and revenue expenditure, however, witnessed a substantial increase in 2004-05 over the previous year. The details are indicated in the Table 8.

Table 8

Heads	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Salary expenditure	678.46	712.09	695.52	768.19	824.78
As a percentage of GSDP	20.23	18.79	16.24	15.88	15.08
As a percentage of revenue receipts	54.10	53.76	51.64	32.55	44.84
As a percentage of revenue expenditure	52.58	49.90	46.17	42.37	48.96

ii) Expenditure on pension payments: Pension payments increased by 52.84 *per cent* from Rs.87.56 crore in 2000-01 to Rs.133.83 crore in 2004-05.

Year-wise break-up of expenditure incurred on pension payments during the years 2000-01 to 2004-05 was as under:

Table 9

Year	Expenditure	(Rupees in crore)
		Percentage to total revenue expenditure
2000-2001	87.56	6.79
2001-2002	112.26	7.87
2002-2003	133.38	8.85
2003-2004	140.81	7.77
2004-2005	133.83	7.94

The expenditure on account of pension has increased from 6.79 per cent of total revenue expenditure in 2000-01 to 7.94 per cent of total revenue expenditure in 2004-05.

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

Table 10

Year	Interest payments (Rupees in crore)	Percentage of interest payment with reference to	
		Revenue Receipts	Revenue Expenditure
2000-2001	177.09	14.12	13.73
2001-2002	200.47	15.14	14.05
2002-2003	214.58	15.93	14.25
2003-2004	234.74	9.95	12.95
2004-2005	249.62	13.57	14.82

Interest payments increased steadily by 40.96 per cent from Rs.177.09 crore in 2000-01 to Rs.249.62 crore in 2004-05 primarily due to higher borrowings. The interest payment was on Internal Debt (Rs.169.17 crore), loans received from Central Government (Rs.33.68 crore) and Small Savings, PF, etc. (Rs.46.77 crore).

Interest payments as a percentage of revenue expenditure had increased from 13.73 per cent in 2000-01 to 14.82 per cent in 2004-05.

1.7 Expenditure by allocative priorities

The expenditure of the State in the nature of plan expenditure, capital expenditure and development expenditure reflects its quality. Higher the ratio of these components to total expenditure better is the quality of expenditure. Table 11 gives these ratios during 2000-05, as follows.

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

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Plan Expenditure	29.50	28.29	31.56	33.73	32.54	31.12
Capital Expenditure	14.82	14.33	18.45	17.75	18.38	16.75
Development Expenditure	56.96	55.69	55.42	58.03	56.36	56.49

(Total expenditure does not include Loans and Advances)

All the three components of quality of expenditure had inter-year variations but no significant improvement was noticed in 2004-05 compared to earlier years.

Out of the developmental expenditure of Rs.1163.32 crore during the year, social services accounted for 49 *per cent* (Rs.569.92 crore). Expenditure on General Education, Health, Medical and Family Welfare, Water Supply and sanitation constituted 87.65 *per cent* (Rs.499.55 crore) of the expenditure on the Social sector.

Table 12 - Social Sector Expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
General Education	191.90	220.89	210.04	256.40	251.45
Health, Medical and Family Welfare	89.37	80.72	89.18	94.68	130.11
Water Supply and sanitation	95.87	113.77	155.22	125.30	117.99
Total	377.14	415.38	454.44	476.38	499.55
As a percentage of total expenditure on Social sector	87.27	87.25	85.02	85.00	87.65

(Reference: Appendix-III)

Similarly, the expenditure on Economic Services (Rs.593.40 crore) accounted for 51 *per cent* of the development expenditure, of which, irrigation and flood control, energy and transport accounted for 42.27 *per cent*.

Table 13 - Economic Sector Expenditure

	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Irrigation and flood control	12.83	13.47	18.66	21.34	23.29
Energy	111.13	113.41	132.36	219.64	138.70
Transport	49.23	52.95	72.25	90.45	88.82
Total	173.19	179.83	223.27	331.43	250.81
As a percentage of total expenditure on Economic sector	40.22	39.82	45.66	46.12	42.27

(Reference: Appendix-III)

1.7.1 Financial Assistance to Local Bodies and other Institutions

i) Extent of assistance: The quantum of assistance Rs.111.78 crore provided by way of grants to different local bodies etc., during the period of five years ending 2004-05 was as follows:

		(Rupees in crore)				
		2000-01	2001-02	2002-03	2003-04	2004-05
(A)	Universities and Educational Institutions	0.94	0.65	1.45	2.10	3.05
(B)	Development Agencies	13.01	2.67	0.43	-	24.67
(C)	Hospitals and other Charitable Institutions	-	-	-	0.10	5.59
(D)	Other Institutions	5.17	12.44	10.03	28.46	1.02
Total		19.12	15.76	11.91	30.66	34.33
Percentage of growth over previous year		-	-	-	157	11.97
Assistance as percentage of Revenue expenditure		1.48	1.10	0.79	1.69	2.04

(Source: Detailed Appropriation Accounts)

The assistance to the local bodies and other institutions during 2004-05 had increased by 11.97 per cent compared to the previous year mainly as a result of increased assistance to development agencies.

ii) Delay in furnishing Utilisation Certificates: At the end of March 2005, Utilisation Certificates (UCs) relating to Rs.94.28 crore in respect of grants released up to September 2004 and due by March 2005 from seven departments were outstanding as detailed below:

Table 15

Sl. No.	Department	Period	Number of Utilisation certificates not received	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2004-05	47	23.57
2.	School Education	1982-83 to 2004-05	644	27.28
3.	Co-operation	1967-68 to 2004-05	319	16.15
4.	Rural Development	1980-81 to 2004-05	2,255	20.34
5.	Agriculture	1999-2000 to 2004-05	9	6.92
6.	Art and Culture	2001-02 to 2004-05	11	0.01
7.	Social Security and Welfare	2000-01 to 2004-05	1	0.01
Total			3,286	94.28

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

iii) Delay in submission of accounts: To identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971, Government and Heads of departments are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions. On the basis of information available with Audit, annual accounts of bodies and authorities for 2004-05 and earlier years had not been received by the Accountant General as of November 2005 except eight District Rural Development Authorities (DRDA). The names of bodies and authorities, the accounts of which had not been received and the grants/loans received from the Government of India and the State Government during 2003-04 and 2004-05 are detailed in **Appendix-VI**.

1.8 Assets and liabilities

In the government accounting system, comprehensive accounting of fixed assets like land and buildings etc. owned by Government is not done. However, government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by the Government. **Appendix - II** gives an abstract of such liabilities and the assets as on 31 March 2005, compared with the corresponding position on 31 March 2004. While the liabilities in this statement consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government

and the cash balances. *Appendix-II* shows that while the liabilities increased by 9.69 per cent, the assets increased by 13.65 per cent. Liabilities had full back up of assets as defined. The liabilities of Government of Nagaland depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to retiring state employees, guarantees/letters of comforts issued by the State Government. *Appendix-V* depicts the time series data on State Government finances for the period 2000-05.

1.8.1 Investments and returns:

As on 31 March 2005, Government had invested Rs.73.41 crore in its statutory corporations, Government companies, joint stock companies and co-operative Societies. Government's return on this investment was nil during last five years. With an average interest rate of 12.36 per cent being paid by Government on its borrowings, the average annual subsidy amounted to 12.36 per cent and the implicit subsidy during the period 2000-05 was Rs.37.63 crore.

Table 16 - Return on Investment

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Investment (Rs. in crore)	51.04	53.87	58.47	69.36	73.41	61.23
Returns (Rs. in crore)	0.00	0.00	0.00	0.00	0.00	0.00
Percentage of returns	0.00	0.00	0.00	0.00	0.00	0.00
Average interest rate paid by Government	13.75	12.83	11.30	11.66	12.26	12.36
Difference between interest rates and return	13.75	12.83	11.30	11.66	12.26	12.36
Implicit subsidy (Rs. in crore)	7.02	6.91	6.61	8.09	9.00	7.52

1.8.2 Loans and advances by State Government:

In addition to investments in co-operatives, corporations and companies, Government has also been providing support in terms of loans and advances to many of these parastatals. Total outstanding balance as on 31 March 2005 was Rs.35.07 crore. Interest received on such loans had varied from 1.56 per cent to 8.57 per cent during 2000-05 (Table 17). Total implicit subsidy during 2000-05 on such loans was Rs.21.07 crore.

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

(Rupees in crore)

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Opening Balance	41.49	52.39	48.04	42.96	41.23	45.22
Amount advanced during the year	17.35	3.43	2.33	5.08	0.34	5.71
Amount repaid during the year	6.45	7.78	7.42	6.81	6.50	6.99
Closing Balance	52.39	48.04	42.96	41.23	35.07	43.94
Net addition	10.90	(-) 4.35	(-) 5.09	(-) 1.73	(-) 6.16	(-) 1.29
Interest received	0.73	0.93	0.75	0.89	3.27	1.31
Interest received as percent to loan advance	1.56	1.85	1.65	2.11	8.57	3.15
Average Interest paid by the State (per cent)	13.75	12.83	11.30	11.66	12.26	12.36
Difference between interest paid and received (per cent)	12.19	10.97	9.65	9.55	3.69	9.21
Implicit subsidy	5.06	5.75	4.64	4.10	1.52	4.21

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

As of 31 March 2005, there were nine such departmentally managed commercial and quasi-commercial undertakings under the control of Government of Nagaland. However, the preparation of *proforma* accounts for these units up to 2004-05 was in arrears for periods ranging from 1971-72 to 2004-05.

The failure of the Heads of Departments and the managements of the undertakings, in timely preparation of the *proforma* accounts was repeatedly commented upon in the earlier Reports of the Comptroller and Auditor General of India. Yet, there was no improvement in the position. The details are shown in Chapter-VI (Commercial) of the Report.

1.8.4 Management of cash balances: It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) and overdraft from Reserve Bank of India has been put in place. The State has resorted to WMA facilities for 53 days during 2004-05 as against six days in the previous year. As regards overdraft, the State Government has used this facility for 3 days only in 2004-05 against 365 days in the previous year, depicting improvement in cash management.

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

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
<i>(Rupees in crore)</i>						
Ways and means advance						
Taken in the year	245.47	304.61	656.80	44.55	297.35	309.76
Outstanding	69.29	40.00	-	-	7.07	23.27
Interest paid	0.54	0.93	1.77	0.63	0.48	0.87
Number of days	136	188	311	6	53	139
Overdraft						
Taken in the year	208.57	363.82	349.55	-	57.02	195.79
Outstanding	99.30	177.63	5.23	5.23	2.32	57.94
Interest paid	20.60	0.52	0.71	0.13	0.33	4.46
Number of days	56	73	158	365	3	131

1.8.5 Undischarged liabilities

Fiscal liabilities – public debt and guarantees: The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits as may from time to time

be fixed by the Act of its Legislature. However, no such law has been passed by the State, to lay down any such limit. Table 20 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, revenue receipts and own resources and the buoyancy of these liabilities with respect to these parameters.

Table 19 - Fiscal Liabilities-Basic Parameters

	(Value: Rupees in crore and ratio in per cent)					
	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Fiscal Liabilities ^b	1429.93	1695.93	2102.22	1924.41	2146.29	2088.95
Rate of Growth	24.78	18.60	23.96	(-) 8.46	11.53	12.89
Ratio of Fiscal Liabilities to						
GSDP	42.60	44.80	49.10	39.80	39.30	42.30
Revenue Receipts	114.00	128.00	156.10	81.60	116.70	114.10
Own Resources	1672.80	1603.00	1984.30	1486.50	1374.00	1599.40
Buoyancy of Fiscal Liabilities to						
GSDP	1.906	1.431	1.843	*	0.887	0.991
Revenue Receipts	2.286	3.312	14.185	*	*	0.976
Own Resources	2.727	0.783	181.045	*	0.558	(-) 0.508

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

* Rate of growth of fiscal liabilities was negative.

Overall fiscal liabilities of the State increased from Rs.1,429.93 crore in 2000-01 to Rs.2,146.29 crore in 2004-05 at an average rate of 12.89 per cent during 2000-05. However, the ratio of these liabilities to GSDP decreased from 42.60 per cent in 2000-01 to 39.30 per cent in 2004-05. These liabilities stood at 1.17 times of its revenue receipts and 13.74 times of its own resources.

The fiscal liabilities have grown at the same rate as the State's GSDP, revenue receipts and own resources. Average buoyancy of these liabilities with respect to GSDP was 0.99 indicating that for each one per cent increase in GSDP, fiscal liabilities were growing at the rate of 0.99 per cent.

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

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

	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Weighted Interest Rate	13.75	12.83	11.30	11.66	12.26	12.36
GSDP Growth	13.00	13.00	13.00	13.00	13.00	13.00
Interest spread	(-)0.75	0.17	1.70	1.34	0.74	0.64

Another important indicator of the debt sustainability is the net availability of the borrowed funds after payment of principal and interest. Table 21 below gives the position of receipt and re-payment of internal debt and other fiscal liabilities of the State over the last five years. The net funds available from the total receipts on account of public debt, loans and advances from Government of India and other debt receipts (including public account) declined from 5.98 per cent in 2000-01 to (-) 17.17 per cent in 2004-05. This is due to increased interest payments and repayment of loans from borrowed funds.

This indicates a very dangerous trend as the Government of Nagaland has to borrow money to repay its earlier liabilities.

Table 21 - Net Availability of Borrowed Funds

(Rupees in crore)						
	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Internal debt						
Receipt	163.05	224.23	238.58	393.93	256.22	255.20
Repayment(Principal + Interest)	127.34	267.79	180.55	211.80	247.15	206.93
Net Fund Available	35.71	(-) 43.56	58.03	182.13	9.07	48.28
Net Fund Available (<i>per cent</i>)	21.90	(-) 19.43	24.32	46.23	3.54	15.31
Loans and Advances from Government of India						
Receipt	49.58	62.01	447.67	(-) 397.15	163.92	65.21
Repayment (Principal + Interest)	63.66	86.73	76.61	164.81	171.21	112.60
Net Fund Available	(-) 14.08	(-) 24.72	371.06	(-) 561.96	(-) 7.29	(-) 47.40
Net Fund Available (<i>per cent</i>)	(-) 28.40	(-) 39.86	82.89	141.50	(-) 4.45	30.33
Other obligations						
Receipt	192.03	143.31	242.88	186.99	111.21	175.28
Repayment (Principal + Interest)	189.47	159.77	168.68	210.70	204.24	186.57
Total liabilities						
Receipt	404.66	429.55	929.13	183.77	531.35	495.69
Payments	380.47	514.29	425.84	587.31	622.60	506.10
Net receipts	24.19	(-) 84.74	503.29	(-) 403.54	(-) 91.25	(-) 10.41
Net Funds Available (<i>per cent</i>)	5.98	(-) 19.73	54.17	(-) 219.59	(-) 17.17	(-) 39.27

1.9 Management of deficits

1.9.1 Fiscal imbalances: The deficit in Government accounts represents the gap between its receipts and expenditure. The nature of the deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to its fiscal health. The revenue deficit of the State, which in turn indicates the excess of its revenue expenditure over revenue receipts, increased from Rs.36.13 crore in 2000-01 to Rs.159.37 crore in 2002-03, the revenue surplus *ie*, excess of revenue receipts over revenue expenditure was Rs.546.80 crore in 2003-04 which came down to Rs.154.89 crore in 2004-05 (Table 22).

Table 22 - Fiscal Imbalances-Basic Parameters

(Value:Rupees in crore and ratio in <i>per cent</i>)						
	2000-01	2001-02	2002-03	2003-04	2004-05	Average
Revenue deficit(-)/surplus (+)	(-) 36.13	(-) 102.58	(-) 159.37	546.80	154.89	80.72
Fiscal deficit (-)/surplus (+)	(-) 271.43	(-) 336.96	(-) 494.97	157.40	(-) 218.39	(-) 232.87
Primary deficit(-)/surplus(+)	(-) 94.34	(-) 136.49	(-) 280.39	392.14	31.23	(-) 17.57
RD/GSDP	(-) 1.08	(-) 2.71	(-) 3.72	*	*	(-) 1.50
FD/GSDP	(-) 8.09	(-) 8.89	(-) 11.56	*	(-) 3.99	(-) 6.51
PD/GSDP	(-) 2.81	(-) 3.60	(-) 6.55	---	---	(-) 2.59
RD/FD	13.31	30.44	32.20	*	*	---

(Negative figures indicate deficit)

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

There was a fiscal deficit of Rs.218.39 crore in 2004-05 indicating reversal of the surplus which accrued in the previous year.

1.10 Fiscal ratios

The finances of a State should be sustainable, flexible and non-vulnerable. Table 23 below presents a summarized position of the State government finances over 2000-2005, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and captures its important facets.

Table 23 - Indicators of Fiscal Health (in per cent)

Fiscal Indicators	2000-01	2001-02	2002-03	2003-04	2004-05	Average
I. Resource Mobilisation						
Revenue Receipts/GSDP	37.40	34.95	31.45	48.77	33.64	37.24
Revenue Buoyancy	0.834	0.432	0.130	5.785	(-) 1.696	1.10
Own tax/GSDP	1.38	1.65	1.45	1.42	1.43	1.46
II. Expenditure Management						
Total Expenditure/GSDP	45.68	44.05	43.19	45.66	37.76	43.27
Revenue Receipts/Total Expenditure	85.75	84.22	85.49	81.45	82.07	83.80
Revenue Expenditure/ Total Expenditure	0.86	0.84	0.85	0.81	0.82	0.84
Plan Expenditure/Total Expenditure	29.50	28.29	31.56	33.73	32.54	31.12
Capital Expenditure/Total Expenditure	14.82	14.33	18.45	17.75	18.38	16.75
Development Expenditure/Total Expenditure	56.96	55.69	55.42	58.03	56.36	56.49
Buoyancy of TE with RR	1.40	1.60	6.39	0.26	0.30	1.99
Buoyancy of RE with RR	1.21	1.89	3.28	0.27	0.32	1.39
III. Management of Fiscal Imbalances						
Revenue surplus(+)/deficit(-) (Rs. in crore)	(-) 36.13	(-) 102.58	(-) 159.37	546.80	154.89	80.72
Fiscal deficit(-)/surplus(+) (Rs. in crore)	(-) 271.43	(-) 336.96	(-) 494.97	157.40	(-) 218.39	(-) 232.87
Primary deficit(-)/surplus(+) (Rs. in crore)	(-) 94.34	(-) 136.49	(-) 280.39	392.14	31.23	(-) 17.57
Revenue deficit/Fiscal deficit	13.31	30.44	32.20	*	*	---
IV. Management of Fiscal Liabilities (FL)						
Fiscal Liabilities/GSDP	42.64	44.75	49.09	39.77	42.98	43.85
Fiscal Liabilities/RR	114.02	128.04	156.08	81.55	116.68	119.27
Buoyancy of FL with RR	2.29	3.31	14.18	(-) 0.11	(-) 0.52	3.83
Buoyancy of FL with OR	2.727	0.783	181.045	(-) 0.381	0.558	36.95
Interest spread	(-) 0.75	0.17	1.70	1.34	0.74	0.64
Net Fund Available	5.98	(-) 19.73	54.17	(-) 219.59	(-) 17.17	(-) 39.27
V. Other Fiscal Health Indicators						
Return on Investment	0.00	0.00	0.00	0.00	0.00	0.00
BCR (Rs. in crore)	(-) 296.20	(-) 974.63	(-) 555.96	247.88	(-) 386.32	(-) 393.05
Financial Assets/Liabilities	1.05	0.97	0.95	1.17	1.21	1.07

*There was Revenue surplus.

The ratio of revenue receipts to GSDP and its buoyancy, which were on a declining trend during 2000-03 increased substantially during 2003-04 owing to increase in central tax transfers and Grants-in-aid from the Government of India. The ratio again dipped to 33.64 per cent in 2004-05. The ratio of own tax to GSDP, however, was stable during the last five years. The negative balance from current revenues (BCR) increased from (-) Rs.296.20 crore in 2000-01 to (-) Rs.386.32 crore in 2004-05 indicating increased dependence on external resources for plan and development expenditure.

1.11 Impact of Government Policies

Appendix-VII depicts the progress achieved in different socio-economic sectors during 2004-05 as compared to 2002-03 and 2003-04 according to information furnished by the Directors, Chief Engineers etc., of various departments of the State Government.

CHAPTER – II

ALLOCTIVE PRIORITIES AND APPROPRIATION

CHAPTER - II

ALLOCATIVE PRIORITIES AND APPROPRIATION

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.

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

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act, and ensure that the expenditure require 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 : 78 (75 Grants and 3 Appropriations)
Total Provision and Actual Expenditure**

Table No.2.1

(Rupees in crore)

Provision	Amount	Expenditure	Amount
Original	3031.46	Revenue	1697.70
Supplementary	180.49	Capital ¹	932.40
Total gross provision	3211.95	Total gross expenditure	2630.10
Deduct estimated recoveries in reduction of expenditure	19.29	Deduct actual recoveries in reduction of expenditure	13.07
Total net provision	3192.66	Total net expenditure	2617.03

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	1561.80	305.89	1443.06	254.64
Capital ²	642.65	701.61	379.77	552.63
Total Gross	2204.45	1007.50	1822.83	807.27
Deduct recoveries in reduction of expenditure	19.29	---	13.07	---
Total : Net	2185.16	1007.50	1809.76	807.27

The summarised position of actual expenditure, excess and savings during 2004-2005 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 ³	Saving (-) Excess (+)
Voted	I Revenue	1467.20	94.60	1561.80	1443.06	(-) 118.74
	II Capital	554.54	85.39	639.93	379.43	(-) 260.50
	III Loans and Advances	2.71	---	2.71	0.34	(-) 2.37
	Total Voted	2024.45	179.99	2204.44	1822.83	(-) 381.61
Charged	IV Revenue	305.40	0.50	305.90	254.64	(-)51.26
	V Capital	---	---	---	---	---
	VI Public Debt.	701.61	---	701.61	552.63	(-)148.98
	Total Charged	1007.01	0.50	1007.51	807.27	(-)200.24
	Appropriation to Contingency Fund	---	---	---	---	---
Grand Total		3031.46	180.49	3211.95	2630.10	(-)581.85

(Source: Appropriation Accounts)

The overall saving of Rs.581.85 crore was the net result of excess of Rs.28.82 crore in 19 cases of grants and one case of appropriation and saving of Rs.610.67 crore in 56 cases of grants and two cases of appropriations.

2.3 Fulfilment of Allocative Priorities

Appropriation by Allocative Priorities

2.3.1 Out of overall savings of Rs.581.85 crore, major savings of Rs.551.80 crore (95 per cent) occurred in 29 Grants/Appropriations as mentioned below:

² Capital includes Loans and Advances and Public Debt.

³ These are gross figures before adjustment of recoveries in reduction of expenditure viz. Revenue expenditure Rs.13.07 crore and Capital expenditure NIL.

Table No.2.4

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Actual expenditure	Savings
1.	12-Treasuries and Accounts Administration (Capital-Voted)	5.00	---	5.00	---	5.00
2.	18-Pensions and other Retirement Benefits (Revenue-Voted)	176.45	3.00	179.45	133.83	45.62
3.	27-Planning Machinery (Capital-Voted)	23.32	---	23.32	11.17	12.15
4.	28-Civil Police (Capital-Voted)	13.23	---	13.23	---	13.23
5.	28-Civil Police (Revenue-Voted)	252.56	---	252.56	248.00	4.56
6.	33-Youth Resources and Sports (Capital-Voted)	13.08	9.19	22.27	7.95	14.32
7.	34-Art and Culture and Gazetteers Unit (Revenue-Voted)	3.91	4.71	8.62	3.44	5.18
8.	35-Medical, Public Health and Family Welfare (Capital-Voted)	55.16	---	55.16	42.43	12.73
9.	36-Urban Development (Capital-Voted)	21.16	2.99	24.15	13.95	10.20
10.	37-Assistance to Municipalities and Development works in Towns (Revenue-Voted)	7.46	0.75	8.21	0.88	7.33
11.	39-Tourism (Capital-Voted)	---	16.68	16.68	7.12	9.56
12.	43-Social Security and Welfare (Revenue-Voted)	29.11	16.72	45.83	33.78	12.05
13.	50-Animal Husbandry and Dairy Development (Revenue-Voted)	25.66	5.67	31.33	26.73	4.60
14.	53-Industries (Revenue-Voted)	25.02	7.96	32.98	21.62	11.36
15.	54-Mineral Development (Capital-Voted)	4.49	2.50	6.99	3.21	3.78
16.	55-Power Projects (Capital-Voted)	58.81	22.09	80.90	44.42	36.48
17.	56-Road Transport (Capital-Voted)	13.84	---	13.84	7.54	6.30
18.	58-Roads and Bridges (Capital-Voted)	128.17	---	128.17	76.37	51.80
19.	59-Irrigation and Flood Control (Capital-Voted)	5.64	0.50	6.14	1.24	4.90
20.	60-Water Supply Schemes (Revenue-Voted)	17.83	2.99	20.82	17.78	3.04
21.	60-Water Supply Schemes (Capital-Voted)	63.30	1.14	64.44	43.86	20.58
22.	64-Housing (Capital-Voted)	30.35	0.75	31.10	18.07	13.03
23.	65-SCERT (Revenue-Voted)	5.40	2.40	7.80	3.91	3.89
24.	66-Sericulture (Revenue-Voted)	5.30	5.64	10.94	5.37	5.57
25.	72-Wasteland Development (Revenue-Voted)	31.21	---	31.21	17.66	13.55
26.	75-Servicing of debt (Revenue-Charged)	300.91	---	300.91	249.62	51.29
27.	75-Servicing of debt (Capital-Charged)	701.61	---	701.61	552.63	148.98
28.	77-Development of under Developed Areas (Capital-Voted)	15.36	10.42	25.78	12.58	13.20
29.	78-Information Technology and Technical Education (Capital-Voted)	4.52	3.00	7.52	---	7.52
		2037.86	119.10	2156.96	1605.16	551.80

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

The saving under 60-Water supply scheme was stated to be due to (i) ban imposed by the Government in release of medical reimbursement bills and leave encashments, (ii) utilisation of funds for clearance of pending bills, charging to stock, (iii) non-receipt of materials from suppliers before closing of March supplementary accounts and (iv) deduction of departmental charges by the Finance Department.

The saving under 72-Wasteland Development was stated to be due to (i) non-receipt of sanction from the Government and (ii) short receipt of State share.

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

In 57 cases, savings exceeded Rs.50 lakh in each case and also by more than 10 per cent of the total provision. Details are given in *Appendix-IX*.

Excess over provision during 2004-05 requiring regularisation

2.3.2 The excess of Rs.25.45 crore under Revenue Section and Rs.3.37 crore under Capital Section as detailed in *Appendix-X* require regularization under Article 205 of the Constitution.

Excess over grants in previous years not regularised

2.3.3 According to Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a Grant/Appropriation regularised by the State Legislature. However, it was noticed that excess expenditure of Rs.2011.27 crore reported during 1991-92 to 2003-04 except 1992-93 and 1993-94 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of November 2005. Details of such excess eg, number of Grants/Appropriations and amount involved therein requiring regularisation are given below:

Table No. 2.5

(Rupees in crore)

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	Amount involved
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63,65,69,70,35,36,72	152.27
2	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
3.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47,48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
4.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40,46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
5.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48,55,60,64,65,67,71,74,76,36,53,62,68,75	241.09

6.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43,44,46,47,49,55,57,58,60,62,64,66,76	263.80
7.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42,45,46,51,58,60,64,67,68,69,74,75,76	167.14
8.	2000-01	17	13,33,35,37,38,41,47,49,50,55,57,58,59,61,64,74,76	51.81
9.	2001-02	16	18,38,40,43,49,52,58,62,64,72,75,14,32,34,68,70	27.98
10.	2002-03	19	16,18,22,28,35,38,42,43,49,58,61,62,64,65,67,69,73,74,76	723.75
11.	2003-04	32	1, 4, 7, 8, 9, 10, 12, 14, 19, 22, 27, 29, 31, 32, 34, 35, 38, 42, 44, 47, 48, 51, 55, 56, 58, 62, 64, 69, 74, 76, 77, 78	230.79
		Total:-		2011.27

(Source: Appropriation Accounts)

Original budget and supplementary provisions

2.3.4 Supplementary provisions (Rs.180.49 crore) made during the year constituted 6 per cent of the original provision (Rs.3031.46 crore) as against 11 per cent in the previous year.

Unnecessary/excessive/insufficient supplementary grants

2.3.5 Supplementary provision of Rs.82.26 crore made in 30 Grants/Appropriations during the year proved unnecessary in view of aggregate savings of Rs.218.05 crore as detailed in *Appendix - XI*.

In 40 Grants/Appropriations, supplementary grants and appropriation of Rs.126.91 crore were obtained without any additional requirement, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.246.35 crore. Details of these cases are given in *Appendix - XII*.

In 9 Grants/Appropriations supplementary provisions of Rs.15.17 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.16.11 crore as per details given in *Appendix - XIII*.

Persistent savings

2.3.6 In 24 grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 per cent or more of the provision. Details are given in *Appendix-XIV*.

Significant excess

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

Expenditure without provision

2.3.8 According to rules, expenditure should not be incurred on a scheme/service without provision of funds. It was noticed that expenditure of

Rs.47.96 crore was incurred in seven cases as detailed in *Appendix - XVI* without provision having been made in the original estimates/supplementary demands.

Anticipated savings not surrendered

2.3.9 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 17 Grants/Appropriation, the amount of available savings of Rs.1 crore and above in each Grant/Appropriation not surrendered aggregated Rs.264.85 crore. Details are given in *Appendix-XVII*.

Surrender in excess of savings

2.3.10 In 27 Grants/Appropriations the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual savings of Rs.85.91 crore, the amount surrendered was Rs.125.21 crore resulting in excess surrender of Rs.39.30 crore. Details are given in *Appendix-XVIII*. The irregularities persisted in the absence of any action taken by the Government departments on similar instances of budgetary irregularities which have been reported from year to year in Chapter II of the Audit Reports.

Trend of Recoveries and Credits

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

During 2004-05, the actual recoveries (Rs.13.07 crore) were less than the estimated recoveries (Rs.19.29 crore) by Rs.6.22 crore. This was the net result of less recoveries of Rs.7.19 crore in 10 grants, and excess recovery of Rs.0.97 crore in two grants. Details are given in *Appendix* to the Appropriation Accounts.

Non-receipt of explanations for savings/excess

2.3.12 After the closure of accounts each year, the detailed Appropriation Accounts showing the Final Grant/Appropriation, the actual expenditure and the resultant variations are sent to the Controlling Officers (COs) who are required to explain the variation in general and those under important sub-heads in particular. The COs were to furnish promptly all such information to the Sr. Deputy Accountant General (A&E) for preparation of Appropriation Accounts.

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

Non-reconciliation of departmental figures of expenditure

2.3.13 Financial rules require that the departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). Such reconciliation enables the departmental officers to monitor the progress of expenditure and ensure timely detection of misclassification, wrong bookings, fraud, defalcation, etc. Out of 78 controlling officers, the expenditure in respect of six aggregating Rs.136.26 crore pertaining to 2004-05 remained unreconciled.

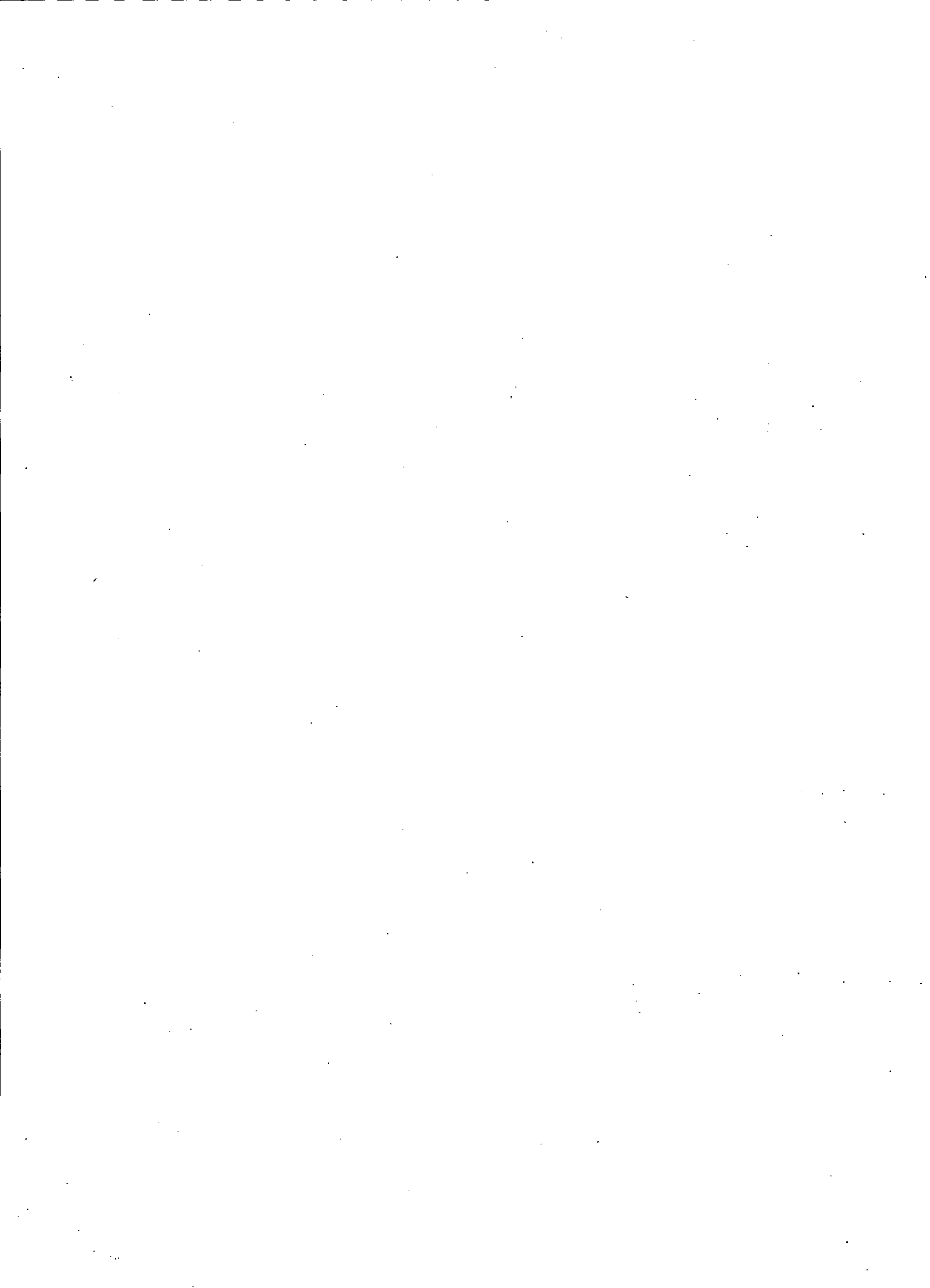
The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from eight *per cent* in 2002-03 to five *per cent* of the total expenditure in 2004-05 as shown below:

Table No.2.6

(Rupees in crore)

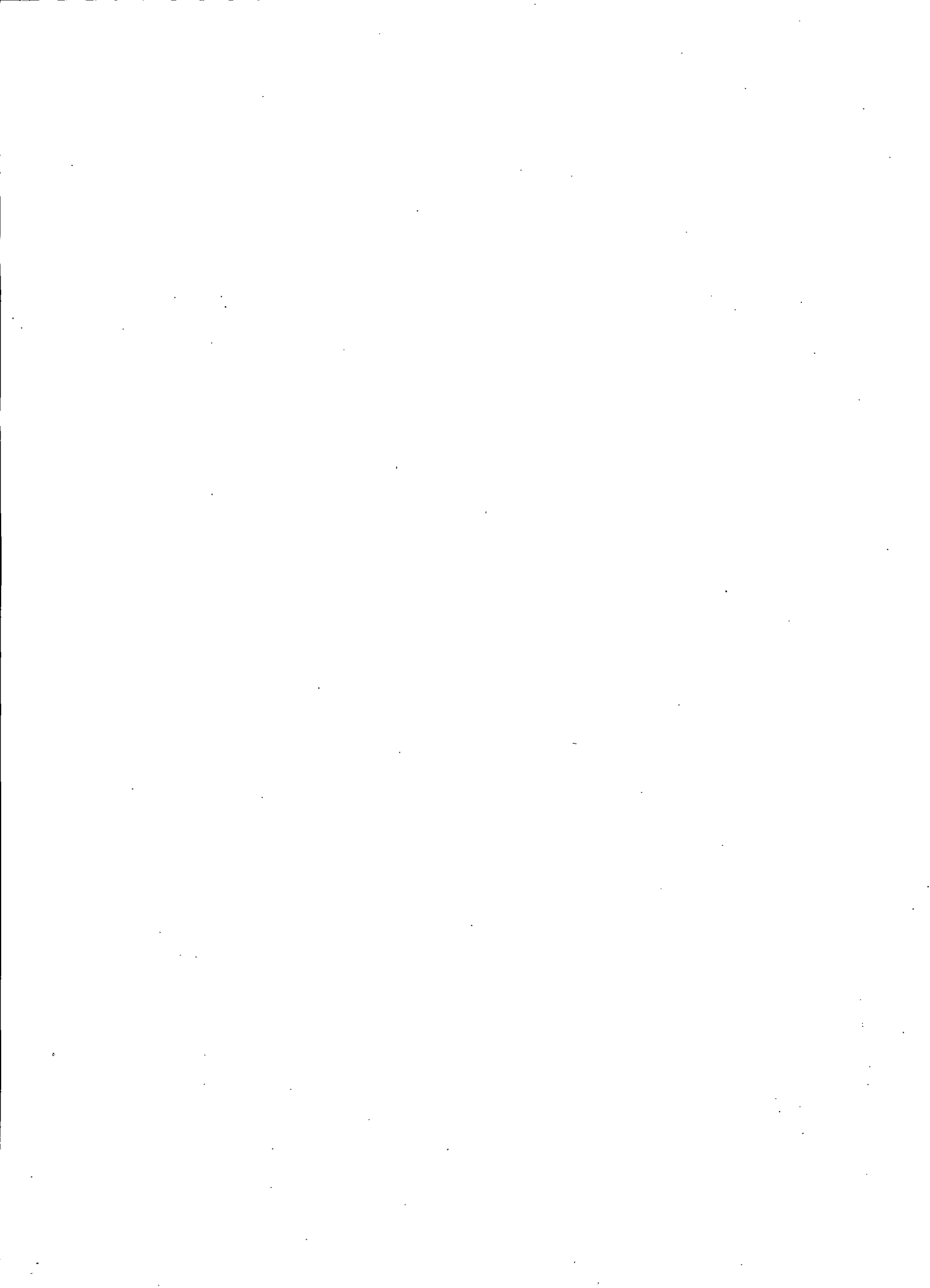
Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved
2002-03	76	8	8	252.40
2003-04	79	9	12	294.71
2004-05	78	6	5	136.26

(Source: Appropriation Accounts)



CHAPTER – III

PERFORMANCE AUDIT (CIVIL)



CHAPTER - III

PERFORMANCE AUDIT

PUBLIC WORKS DEPARTMENT

3.1 Pradhan Mantri Gram Sadak Yojana (PMGSY)

Pradhan Mantri Gram Sadak Yojana (PMGSY) was taken up in 2000-01 as a Centrally Sponsored Scheme with the aim of providing all weather roads to habitations in rural areas. At the launch of the scheme, there were 189 eligible unconnected habitations, out of which only 114 eligible habitations were connected by roads under this programme upto March 2005. Under PMGSY, construction of 139 new roads sanctioned for an amount of Rs.84.50 crore and upgradation of 47 existing roads sanctioned for an amount of Rs.41.96 crore during 2000-05 were undertaken. Of this, construction of 119 new roads including five roads not permissible under the scheme, at a cost of Rs.32 crore and upgradation of 41 existing roads at a cost of Rs.37.58 crore had been completed.

Inadequate planning, non adherence to the guidelines in determining the priority criteria, inadequacies in contract management, irregularities in execution of works, financial irregularities and inadequate quality control measures led to non-achievement of the objectives/targets of the Programme.

Highlights

Against an eligible 189 habitations unconnected at the commencement of the programme only 114 habitations were connected by roads as on March 2005.

(Paragraph 3.1.9)

Expenditure of Rs.10.01 crore was incurred for connecting habitations already connected by roads.

(Paragraph 3.1.15)

Expenditure of Rs.15.78 crore was incurred for upgradation of existing roads in districts where unconnected habitations still exist.

(Paragraph 3.1.16)

PMGSY funds amounting to Rs.28.13 lakh could not be accounted for by DRDA, Mokokchung and Executive Engineer, PWD (R&B), Wokha.

(Paragraph 3.1.21)

Payment of Rs.1.67 crore was made to the contractors before actual execution of works resulting in undue benefits to contractors.

(Paragraph 3.1.28)

Works valued at Rs.85.72 lakh were executed without provision in the sanctioned estimates.

(Paragraph 3.1.29)

Introduction

3.1.1 Rural road connectivity is an important component of rural development. In the State of Nagaland 6807.47 km (56 *per cent*) rural roads out of the total road length of 12,225.62 km existed before the launching of PMGSY.

The PMGSY Scheme was launched by Government of India as a *cent per cent* Centrally Sponsored Scheme (CSS) in December 2000 with the objective to provide road connectivity through all weather roads to habitations with population of 1000 and above by 2003 and habitations with population between 500 and 999 by 2007. In respect of hill states including Nagaland there was also a provision to connect habitations with population of 250 and above by 2007. In Nagaland the implementation of PMGSY was started in 2000-01. All ongoing works under erstwhile Basic Minimum Services (BMS) were also included in the PMGSY from 2000-01.

Revised guidelines for implementation of PMGSY were received in January 2003 and November 2004.

Out of a total of 1,049 habitations identified, 834 habitations (80 *per cent*) were already connected by all weather roads prior to the launching of the scheme. The habitations to be covered under PMGSY were as follows:

72 habitations with population of 1000 and above.

61 habitations with population between 500 and 999.

56 habitations with population between 250 and 499.

The remaining 26 habitations were not eligible under PMGSY.

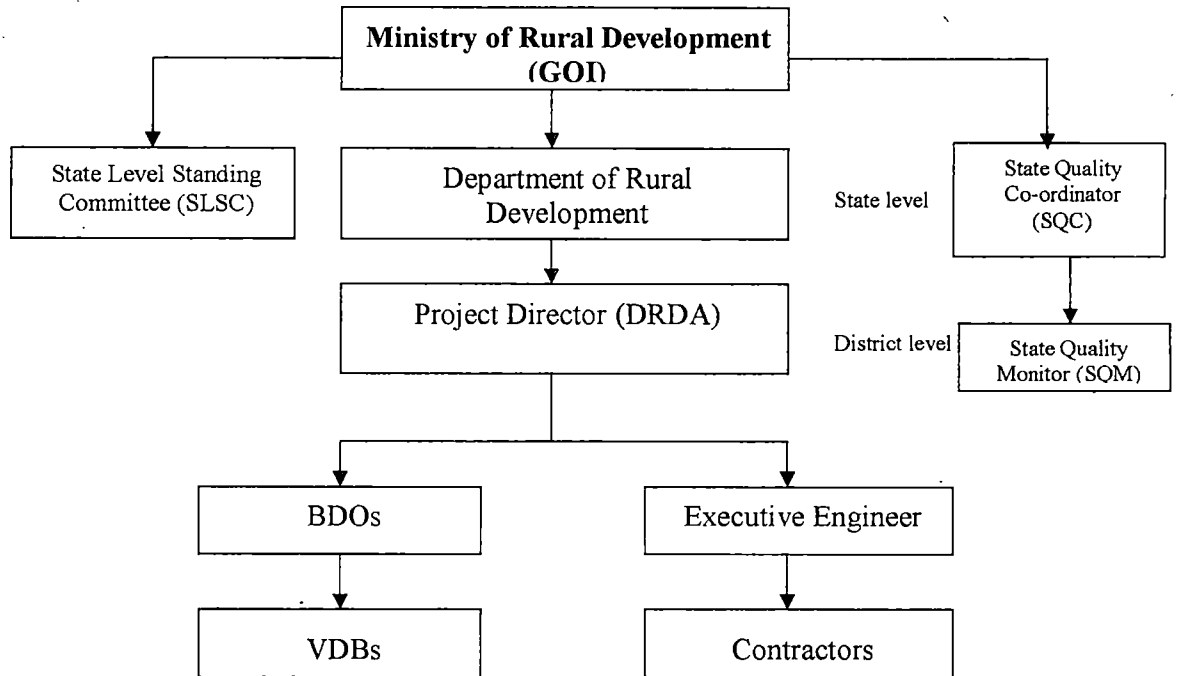
The new road length required to be constructed to achieve the target set under PMGSY was 1,576.03 km.

Organizational set-up

3.1.2 At the time of launching the PMGSY, the Department of Rural Development (RD) was the nodal department for monitoring the programme and the fund received from Government of India was to be transferred through the respective Project Director, District Rural Development Agency (DRDA) to the Block Development Officers (BDOs) and Executive Engineers in all the eleven districts from time to time.

For the implementation of PMGSY the following organizational structure existed till March 2003.

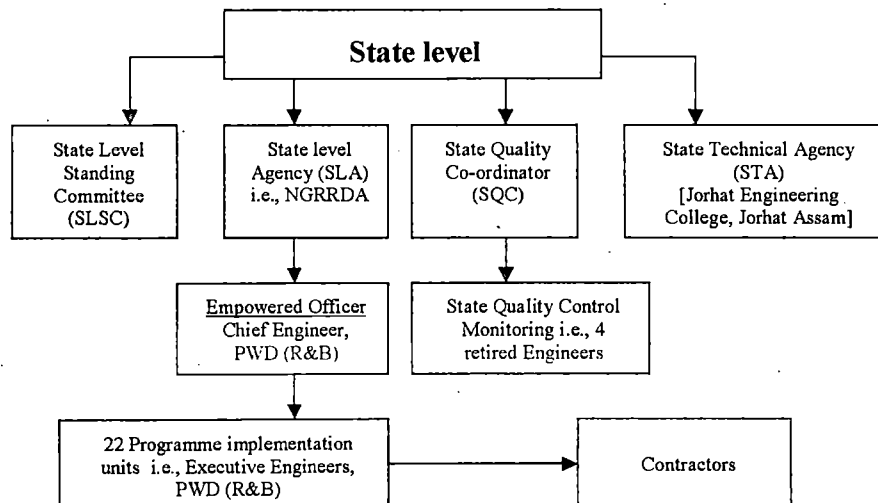
Chart No. 1



According to the revised guidelines the State Level Agency namely Nagaland Rural Road Development Agency (NGRRDA) was constituted in April 2003 which is monitoring the entire programme.

The following organizational set up exists in Nagaland from April 2003 onwards.

Chart No. 2



Scope of audit

3.1.3 In Nagaland, out of 11 districts, the performance of PMGSY from 2000-01 to 2004-05 was reviewed in five districts¹ (45 per cent) during February-May 2005. Out of total expenditure of Rs.81.94 crore (upto March 2005) test check was conducted for Rs.44.94 crore (55 per cent). The relevant records maintained by the Chief Engineer, Programme Implementing Unit i.e., Executive Engineer, PWD (R&B), Rural Development Department and District Rural Development Agency (DRDA) were also examined.

Audit Objectives

3.1.4 The main objectives of the review were to ascertain whether:

- the quantum of road construction assessed was realistic before launching of PMGSY;
- the targets were fixed after adequate and systematic planning to achieve the programme objective;
- appropriate administrative and financial controls were designed and implemented to secure optimum utilisation of funds;
- road works were taken up in consonance with the District Rural Road Plans (DRRP)/core net work;
- there was adequate technical input and whether the programme was implemented economically, efficiently and effectively;
- the quality control mechanism was effective;
- the monitoring system evolved was adequate and effective for achieving the desired objectives.

Audit Criteria

3.1.5 The criteria set out for achieving the above objectives were:

- Data on number of unconnected habitations as well as the total road work involved for providing connectivity.
- On-Line Management and Monitoring System (OMMS) to monitor the utilisation of fund.
- District Rural Road Plans, Core Net Work, Detailed Project Reports etc.
- Estimates, sanctions and approved specification.
- Quality tests conducted by State Quality Monitors/National Quality Monitors and follow up action.
- Controls exercised to give effect to target and priorities.

¹ Peren, Wokha, Phek, Mokokchung and Zunheboto.

Audit Methodology

3.1.6 The performance audit began with an entry point conference (23 February 2005) attended by the Commissioner/Secretary, Public Works Department besides other implementing officers. This was supplemented by discussion between senior officers of the Department and the Accountant General (Audit). At the end, an exit conference (27 July 2005) which was attended by the Secretary and other officers responsible for implementation of the scheme was held and the review was finalised after taking into account the points put forth by the department during the exit conference.

Data, information etc. collected from the office of the Chief Engineer, Rural Development Department, Programme Implementing Units (PIUs), District Rural Development Agencies (DRDAs) were analysed and results thereof are incorporated in the form of audit findings as brought out in the succeeding paragraphs.

Financial arrangement

3.1.7 For 2000-01, funds were released by the Ministry of Rural Development in two parts, one for incomplete works under Basic Minimum Services (BMS) as additional central assistance and the other for new proposals under PMGSY.

From 2001-02 onwards funds for the programme were made available to District Rural Development Agency (DRDA)/State Level Agency (SLA) by the MoRD, Government of India. However, as per the revised guidelines issued in January 2003, the funds were transmitted directly to the accounts of the Nagaland Rural Road Development Agency (NGRRDA) by the Ministry of Rural Development, Government of India.

Programme Performance

Financial Performance

3.1.8 The phase-wise release of funds by Government of India and expenditure incurred during 2000-05 are given below:

Table 3.1.1 *(Rupees in crore)*

Phase	Year	Value of proposals	Amount sanctioned	Amount released	Expenditure up to March 2005
I	2000-01	19.75	19.75	19.75	19.75
II	2001-03*	47.76	47.76	47.76	47.50
III	2003-04	21.44	21.44	21.44	14.69
IV	2004-05	37.51	37.51	18.00	Nil*
Total		126.46	126.46	106.95	81.94

(Source: Departmental figures)

* Phase II covered both the years 2001-02 and 2002-03.

* There was no expenditure in 2004-05 as the amount sanctioned was released in March 2005.

It would be seen from the above that against sanction of Rs.126.46 crore accorded by the Government of India only Rs.106.95 crore were released, against which expenditure of Rs.81.94 crore only could be incurred in implementation of the programme as of March 2005.

Physical Performance

Comparison in terms of number of habitations connected

3.1.9 According to the approved core net work, there were 189 eligible habitations unconnected at the time of launching the PMGSY. Upto March 2005, 114 eligible habitations out of 189 were connected by roads under PMGSY, as per details given below:

Table 3.1.2

	Habitation of population sizes			
	Above 1000	500 - 999	250 - 499	Total
Number of Eligible unconnected habitations before launching the programme	72	61	56	189
Number of eligible unconnected habitations benefited upto March 2005	60 (83 %)	34 (56 %)	20 (36 %)	114 (60 %)
Number of habitations in which projects are ongoing	12 (17.%)	4 (6 %)	4 (7%)	20 (11 %)
Number of habitations where work yet to be started	---	23 (38 %)	32 (57 %)	55 (29 %)

(Source: Departmental and core net work figures)

Comparison in terms of road mileage completed

3.1.10 Under PMGSY against the target of 1,576.03 km new road, 851.61 km (54 per cent) roads including 700 km road under BMS were completed. Besides, 365.50 km existing roads were also upgraded upto March 2005. Details are as below:

Table 3.1.3

Name of district	No. of eligible unconnected habitation before launching the PMGSY having population size				No. of habitation connected having population size upto March 2005				New road length required for connectivity (km)	Total road length constructed upto March 2005	
	Above 1000	500-999	250-499	Total	Above 1000	500-999	250-499	Total		New connectivity (km)	Up-gradation (km)
(1) Dimapur	1	5	3	9	1	4	1	6	80.50	41.50	37.50
(2) Kohima and Peren*	7	9	12	28	5	3	3	11	180.00	79.14	42.00
(3) Mokokchung	9	3	1	13	9	3	1	13	81.50	118.50	66.00
(4) Mon	8	11	2	21	8	9	2	19	101.00	106.50	53.00
(5) Phek	6	6	4	16	6	4	2	12	149.50	114.50	54.00
(6) Tuensang, Longleng, Kiphire**	31	11	6	48	22	1	1	24	583.37	197.37	21.00
(7) Wokha	8	5	13	26	7	3	2	12	182.00	87.00	26.00
(8) Zunheboto	2	11	15	28	2	7	8	17	218.16	107.10	66.00
Total	72	61	56	189	60	34	20	114	1576.03	851.61	365.50

(Source: Departmental figures)

* Peren and Kohima district were separated during 2003

** Tuensang, Longleng and Kiphire district separated during 2003.

Against 38 new connectivity and 21 upgradation works during phase II, III and IV approved between 2001-02 and 2004-05, 20 new connectivity and six upgradation works remained incomplete as on March 2005, although Rs.12.38 crore had already been incurred on these incomplete works.

A statement showing the overall position of the State with regard to the proposals submitted and sanctioned/implemented as on March 2005 is given in *Appendix-XIX*.

Inadequate Planning

3.1.11 According to the guidelines issued in December 2000, District Rural Road Plans (DRRPs) are required to be prepared showing the habitations (block-wise), the existing status of road connectivity, the proposed new construction as well as roads requiring upgradation. The plans so prepared would be subject to close technical scrutiny so as to arrive at the most economical cost of achieving the targets. According to the guidelines, the core net work is required to be prepared for identifying the roads to be constructed/upgraded to ensure that each eligible habitation is provided with access (all weather road connectivity) to essential socio-economic services. It will consist of the existing roads as well as all the roads proposed for new connectivity under PMGSY.

As mentioned in para 3.1.13, no comprehensive planning was carried out to determine the quantum of work to be done under PMGSY. This is also reflected in the following paragraphs.

Execution of works prior to preparation of District Rural Road Plans (DRRPs)

3.1.12 For the year 2000-01 (phase I), the Government of India released Rs.19.75 crore to Government of Nagaland. Out of Rs.19.75 crore, Rs.7 crore was meant for incomplete works under Basic Minimum Service (BMS) and Rs.12.75 crore for new proposals under PMGSY.

In the month of March 2001, 26 existing roads were selected for upgradation during phase-I at the cost of Rs.12.75 crore. As per the guidelines of PMGSY, priority is to be given to connect the unconnected habitations. In disregard to the guidelines and without obtaining prior approval of DRRP (approval of DRRP was received only in the month of June-August 2001), these upgradation works were carried out by incurring an expenditure of Rs.12.75 crore.

Discrepancy between the District Rural Road Plans and the approved Core Net work

3.1.13 The details of the habitations to be connected under PMGSY were determined on the basis of district rural road plans (June–August 2001) and the approved core net work (December 2002).

The following discrepancies between district rural road plans and approved core net work were noticed in audit.

Table 3.1.4

Agencies	Total no. of habitation	Total No. of habitation Connected	Total no. of habitations unconnected having population of					Total road length required for new connectivity
			Above 1000	500-999	250-499	Below 250	Total	
DRRPs (August 2001)	1054	959	26	29	29	11	95	1786.50 km
Approved core net work (December 2002)	1049	834	72	61	56	26	215	1576.03 km

(Source: Departmental figures)

On the discrepancies being pointed out, the Chief Engineer, PWD (R&B), Kohima while admitting the existence of discrepancies stated (October 2005) that the matter has been taken up with the Government of India for approval to carry out the modifications. Approval from the Government of India is yet to be received (November).

No comprehensive survey was conducted by the Rural Development Department and PWD for the purpose of identifying habitations to be covered under PMGSY. The number of eligible unconnected habitations before launching PMGSY was compiled on the basis of information received from other Government departments and district authorities.

Non-compliance with the Priority Criteria

3.1.14 As per the criteria mentioned in the guidelines, priority was to be given to new connectivity to all unconnected habitations and upgradation work was to be carried out only in those districts where all habitations have road connectivity.

The department did not follow the criteria of priority mentioned in the guidelines. The audit observations arising as a result of test check carried out in five of the 11 districts are mentioned below:

Expenditure of Rs.10.01 crore was incurred for connecting habitations which were already connected by roads.

3.1.15 Test check of records revealed that expenditure of Rs.10.01 crore had been incurred for construction of five new roads for connectivity to five habitations i.e., Tepun, Niroyo, Thezatse, Metsale and Mollen, in respect of three selected districts i.e. Peren, Wokha and Phek. But as per the district rural road plans, these habitations were already connected by roads. Details are given below:

Table 3.1.5

Name of district	Year/Phase	Name of road	Length (in km)	Amount (Rs. in lakh)	Name of habitations connected
Peren	2001-03/ Phase II	Tenning to Tepun	11.00	174.03	Tepun
Wokha	2001-03/ Phase II	Kontsonyu to Niroyo	11.00	257.97	Niroyo
Phek	2001-03/ Phase II	BRO Road to Thezatse	9.00	244.30	Thezatse
	2003-04/ Phase III	Ketsapo to Metsale	20.00	203.65	Metsale
	2003-04/ Phase III	Wazeho to Mollen	10.200	120.89	Mollen
Total:			61.200	1000.84	

(Source: Departmental figures)

Chief Engineer, PWD (R&B) stated (April 2005) that the habitations in question have been shown as connected by Fair Weather Roads in the district rural road plans but actually these were unconnected. The reply is not tenable since district rural road plans were prepared by the Rural Development Department and PWD (R&B) and the same were approved by the governing bodies of the respective District Rural Development Agencies. This is also substantiated by the fact that the road from Ketsapo to Metsale (2003-2004) was constructed under BMS as detailed in Para 3.1.19.

Thus, expenditure of Rs.10.01 crore for new connectivity of those habitations already connected by roads was against the norms of the PMGSY Scheme.

Expenditure of Rs.15.78 crore was incurred for upgradation of existing roads in those districts where unconnected habitations existed

3.1.16 During test check of records it was noticed that in respect of four selected districts i.e., Peren, Wokha, Phek and Zunheboto, expenditure of Rs.15.78 crore had been incurred for upgradation of 167 km of existing roads during 2000-05 whereas 38 habitations still remained unconnected. Details are given below.

Table 3.1.6

Name of district	Total no. of eligible unconnected habitation	Expenditure incurred for up gradation								Total no. of unconnected habitation exists after Phase III
		Phase-I		Phase-II		Phase-III		Total		
		Length (in km)	Amount (Rs. in lakh)	Length (in km)	Amount (Rs. in lakh)	Length (in km)	Amount (Rs. in lakh)	Length (in km)	Amount (Rs. in lakh)	
Peren	27	10	75.00	-	-	-	-	10	75.00	14
Wokha	26	11	82.50	15	165.10	8	85.03	34	332.63	11
Phek	16	20	150.00	34	305.70	3	31.50	57	487.20	2
Zunheboto	28	24	180.00	42	503.09	-	-	66	683.09	11
Total	97	65	487.50	91	973.89	11	116.53	167	1577.92	38

(Source: Departmental figures)

On this being pointed out, the Chief Engineer, PWD (R&B), Kohima (April 2005) stated that the priority criteria could not be strictly followed.

Thus, expenditure of Rs. 15.78 crore incurred for upgradation of existing roads in those districts, where unconnected habitations still exist, was against the criteria/norms given in the scheme guidelines.

Failure in providing connectivity to the unconnected habitations with a population of 1000 persons and above within the specific period

3.1.17 The primary objective of the PMGSY is to provide connectivity by an "All Weather Road" (AWR) to the unconnected habitations in the rural areas in such a way that habitations with population of 1000 persons and above are linked by the year 2003 and habitation with a population of 250 persons and above, in hill states by the year 2007.

At the end of year 2005, out of 72 unconnected habitations having population of more than 1000 persons, only 60 habitations were connected by roads leaving 12 unconnected, whereas expenditure of Rs.37.58 crore had been incurred for upgradation of existing roads. The district wise position is given below.

Table 3.1.7

Name of district	No. of unconnected habitation having population above 1000 before launching PMGSY	No. of habitation connected upto March 2005	Remained unconnected	Expenditure incurred for up gradation of exiting roads (Rs. in lakh)
Dimapur	01	01	---	395.41
Kohima and Peren	07	05	02	393.92
Mokokchung	09	09	---	777.12
Mon	08	08	---	612.00
Phek	06	06	---	455.69
Tuensang, Kiphire & Longleng	31	22	09	192.72
Wokha	08	07	01	247.60
Zunheboto	02	02	---	683.09
Total :-	72	60	12	3757.55

(Source: Departmental figures)

Expenditure of Rs.2.44 crore incurred on providing connectivity to ineligible habitations under PMGSY

3.1.18 Expenditure of Rs.2.44 crore had been incurred for construction of one road namely BRO Road to Thezatse (Phek district) on providing connectivity to 'Thezatse' habitation whose population is below 250 persons which is the minimum required population for being eligible for connectivity under PMGSY.

Expenditure of Rs. 78.99 lakh incurred for work already done under Basic Minimum Services (BMS)

3.1.19 Scrutiny of records in Phek district revealed that a link road between Phugui-Metsale-Ketsapo-Ruzazho of 51.00 km length had been constructed by the Rural Development Department through the Village Development Board (VDB) under BMS. For this work, Rs.35 lakh had been spent from the PMGSY fund during 2000-01 (phase-I).

The road from Ketsapo to Metsale of length 15.00 km had been undertaken as new connectivity again with a sanctioned amount of Rs.2.04 crore during 2003-04 (phase-III) and Rs.78.99 lakh was paid to the contractor up to March 2005. This was for the same work which was already done by village

development board under BMS. (Also mentioned in Para 3.1.15).

Since both the habitations (Ketsapo and Metsale) were connected by the roads constructed by the Rural Development Department during phase I, therefore, the basis on which the same work undertaken by the PWD, (R&B), during phase – III for the same habitations is not clear. This resulted in extra expenditure of Rs.78.99 lakh, which needs investigation/justification.

Fund management

Unspent balance

3.1.20 With the constitution of Nagaland Rural Road Development Agency (NGRRDA), all funds lying with different District Rural Development Agencies were required to be transferred to the accounts of NGRRDA.

In respect of one district i.e. Kohima, an amount of Rs.4.48 lakh lying with the Project Director, District Rural Development Agency, Kohima since April 2003 had not been transferred to the accounts of Nagaland Rural Road Development Agency (till March 2005).

Non accounting of PMGSY fund

3.1.21 The Project Director, District Rural Development Agency, Mokokchung had received Rs.27,12,500 from Directorate, Rural Development, Kohima for construction of incomplete roads under Basic Minimum Service (BMS). This was not reflected in the pass book as well as cash book of the office of Project Director, District Rural Development Agency, Mokokchung. In the absence of relevant records the chances of the funds having been misappropriated cannot be ruled out, and needs investigation.

Again, the Project Director, District Rural Development Agency, Wokha had released Rs.3,80,89,635 to the Programme Implementing Unit (PIU) i.e. Executive Engineer, PWD (R&B), Wokha during 2001-04, out of which only an amount of Rs.3,79,89,635 was reflected in the cash book and pass book of Executive Engineer, PWD (R&B), Wokha. Scrutiny of counterfoils of cheques issued by the Project Director, District Rural Development Agency, Wokha revealed that an amount of Rs.1 lakh was drawn in favour of Executive Engineer, PWD (R&B), Wokha. This was pointed out in audit, but no satisfactory reply could be furnished. In the absence of proper explanation the chances of the money having been misappropriated cannot be ruled out, and needs investigation.

Diversion of interest earned on PMGSY fund

3.1.22 As per para 8.4 of the PMGSY guidelines, the interest earned was not to be diverted to any other programme even on a temporary basis.

Scrutiny of records of PMGSY in respect of two districts i.e. Wokha and Phek revealed that amounts of Rs.0.96 lakh and Rs.0.34 lakh earned as interest were diverted for meeting of office expenses and other programmes run by District

Rural Development Agency (DRDA).

Contract Management

Delay in completion of work

3.1.23 Para 13 of the guidelines (December 2000) of PMGSY, stipulates that the work be completed within a period of nine months and, in case the period of execution was likely to be adversely affected by monsoon or other factors, the time period for execution was to be suitably determined but was not to exceed 12 calendar months in any case. Further, as per para 13 (iv) of the guidelines, the period provided in the Notice Inviting Tender (NIT) was to be strictly enforced. Since timely execution of the work was very important, action was to be taken against the contractors in cases of delay, as per the contract provisions.

Accordingly, provision was made in the contract that for each day of delay in completion of works, the contractor was required to pay as compensation an amount equal to a maximum of one *per cent*, as may be decided, on the value of incomplete work after the stipulated date of completion subject to a maximum of 10 *per cent* of the tendered value of the work.

Test check of records revealed that in respect of six works (Wokha-1, Peren-1, Phek-2 and Mokokchung-2) there were delays in completion ranging from 38 days to 395 days, but the department did not levy the penalty amounting to Rs.44.75 lakh. In none of the cases could the request letters of the contractors seeking extension of time be made available to Audit. Details are shown in *Appendix-XX*.

In reply, the department stated (April and October 2005) that the works could not be completed due to the rainy season, washing away of approach road etc. The reply is not tenable since the weather conditions were already taken into account at the time of issuing work orders.

Non-deduction of tax on work contracts

3.1.24 As per the Nagaland Sales Tax Act 1967, as amended from time to time, sales tax on work contracts is to be deducted at the time of payment of bills at the rate prescribed by the Government from time to time. With effect from 1 April 2001 (Notification dated 27 March 2001) the rate of tax on work contracts was 8 *per cent* after allowing deduction at the rate of 25 *per cent*. The rate of tax was reduced to 2 *per cent* without allowing any deductions with effect from 1 August 2002 (Notification dated 16 July 2002).

Test check of records of five selected districts revealed that the total amount of Rs.20.95 crore was paid to the contractors during 2001-04 for construction/up gradation of roads without deduction of tax on work contracts worked out to Rs.61.52 lakh. Details are as below:

Table 3.1.8

Name of district	No. of roads	Payment made (Rs. in lakh)	Tax on work contracts (Rs. in lakh)
Wokha	05	582.50	14.52
Peren	03	430.68	10.38
Phek	02	75.00	4.26
Mokokchung	04	458.60	12.20
Zunheboto	04	547.95	20.16
Total	18	2094.73	61.52

(Source: Departmental figures)

Thus, due to non-deduction of tax on work contracts at the time of payment of bills as provided, there was shortfall in collection of Government revenue amounting to Rs.61.52 lakh for which no responsibility had been fixed.

Non-deduction of Security Deposits

3.1.25 According to the terms of the contract and agreement made with the contractors, security deposits were to be deducted (at the rate 5 per cent) from each running bill, and the amount so deducted was to be released after six months from the date of successful completion of the works.

During test check of records in respect of works undertaken in five selected districts (i.e., Wokha, Peren, Mokokchung, Zunheboto and Phek) under PMGSY, it was noticed that in respect of the following four works, deductions of Rs.11.29 lakh on account of security deposits were not made at all.

Table 3.1.9

Sl. No.	Name of work	Amount paid to the contractor	Security deposit deductible but not deducted
1.	Phek to Ketsapo	Rs.60,00,000	Rs.3,00,000
2.	New Peren to Chalkot	Rs.66,96,327	Rs.3,34,816
3.	Alichen to Mangmetong	Rs.23,77,873	Rs.1,18,893
4.	Satakha to Sukhai	Rs.75,00,000	Rs.3,75,000
	Total	Rs.2,25,74,200	Rs.11,28,709

(Source: Departmental figures)

Non-deduction of security deposit was thus an indirect benefit passed on to the contractors.

Short recovery of cost of the materials from the contractor

3.1.26 When materials are issued to contractors in the interest of work, the cost of materials should be recovered from the contractors at the market rate or issue rate plus storage charge, whichever is higher.

During test check of records it was noticed that bitumen amounting to Rs.15.54 lakh (including carriage charge) was issued to the contractor in respect of one road i.e. New Peren to Chalkot (Peren district). The department had recovered only Rs.8.04 lakh from the contractor. However, no recovery rates were fixed by the department. In the absence of recovery rates, the

department should have at least recovered the cost of materials at the rate paid by the department.

Thus, due to short recovery of the cost of materials from the contractors, Government suffered a loss of Rs.7.50 lakh, for which action for fixing of responsibility/recovery was yet to be taken.

Irregular release of Defect Liability Security (DLS)

3.1.27 According to the para 15.2 of revised guidelines (January 2003), the roads constructed under the programme are expected to be of very high standard, requiring no major repairs for at least five years after completion of construction. In order to realise this objective, a suitable clause relating to performance guarantee/routine maintenance was to be included in the contract documents.

As per the terms of the agreements made with the contractor, 5 per cent of the total value of work done was to be deducted as 'Defect Liability Security (DLS)' from the running account bills and retained by the Department for a period of two years called Defect Liability Period.

During test check of records it was noticed that in respect of three road works, an amount of Rs.28.07 lakh being defect liability security deducted from the contractor's bills had been released even before expiry of the liability period. Details are given below:

Table 3.1.10

Name of work and district	Date of commencement of work	Date of completion of work	Amount of DLS deducted (Rs.)	Due Date of release as per agreement	Date of release of DLS
NH 61-Longjang (Mokokchung)	28.2.2002	08-04-04	8,73,004	07-04-06	21-12-04
VK to Akuluto (Zunheboto)	28.2.2002	15-06-03	10,70,250	14-06-05	23-11-04
NH 61-Rotomi (Zunheboto)	28.2.2002	29-04-03	8,63,800	29-04-05	23-11-04

(Source: Departmental figures)

The release of defect liability security before expiry of liability period was irregular.

Irregularities in execution

Payment made to the contractors without execution of works

3.1.28 During test check of records it was seen that in respect of two road works an amount of Rs.1.46 crore was paid to the contractor during 2002-03 on the basis of records of measurement. Further cross verification of measurement books (MB), running bill etc. of the concerned roads with the physical verification reports of the National Quality Monitor (November 2003) revealed that certain items of works valued at Rs.21 lakh were not executed whereas final bills had been passed and paid. Details are given

below:

Table 3.1.11

Name of Road	Date of visit by NQM	Status of works in progress, completed as per physical verification report of NQM		Details of payment made				
		Item of work	Quantities of work completed	R/A Bill No. and date Total amount paid	Amount paid for the items		Amount paid with out execution of works.	
					Quantities of work for which payment made	Amount for the quantity of works paid (Rs.)	Quantities for which payment made without execution of works	Amount paid (Rs.)
Satakha to Sukhai	25.11.03	Sub base (GSB)	Nil	4 th and final R/A bill dated 12.8.02 (Rs. 75,00,000)	22500 sqm	86,873	22500 sqm	86,873
Chizami to Choba	24.11.03	Base Course	3 Km	3 rd & final bill date 26.4.02 (Rs. 70,57,845)	10 KM (2812.25 sqm)	17,12,238	1968.57 sqm	5,13,675
		WBM Grading No. 2	6 Km		10 Km (2207.68 cum)	14,08,243	883.08 cum	8,88,740
		CD Works	3 nos		4 nos.	3,89,416	1 no	97,354
		Carpeting	Nil		5362.50 sqm	5,13,191	5362.50 sqm	5,13,191
Total				1,45,57,845				20,99,833

(Source: Departmental figures)

Again, Rs.6.24 crore was paid to the contractors in respect of five roads on the basis of record of measurements during 2002-04. Further cross verification of measurement books (MB), running bills etc. of the concerned roads with the physical verification report of the National Quality Monitor (November 2002, November 2003 and September 2004) revealed that certain items of work valued at Rs.1.67 crore were not carried out during the time of payment. Details shown in *Appendix – XXI*.

However, the National Quality Monitor in their subsequent inspections reported (September 2004) that the above mentioned items of works had since been carried out in respect of two roads (i.e., Pfutsero-Chetaba and BRO-Thezatse). Scrutiny of final bills in respect of other three roads revealed that the items of works were carried out subsequently.

Thus, payment of Rs.1.67 crore was made before actual execution of works and resulted in undue benefit being extended to the contractors.

In reply, the Department stated (October 2005) that the National Quality Monitor hurriedly carried out inspection during November 2003 covering three districts in three days and the reports may not be as per the exact details of the works. The reply is not tenable since the reports of the National Quality Monitor were neither rectified nor challenged.

Works executed without provision in the sanctioned estimate

3.1.29 Test check of records revealed that expenditure of Rs.85.72 lakh had been incurred on items of works executed in respect of the following four roads for which no provisions were made in the Detailed Project Report (DPR) and sanctioned estimates. National Quality Monitor while pointing out the fact

had not suggested the necessity for these works. Details are given below.

Table 3.1.12

Name of work/ name of district	Items of works were not included in the estimate but executed	Expenditure incurred (in Rs.)	Remarks
NEC Road to Shankitong (Wokha)	Jungle clearance, cutting of trees, earth work etc.	45,26,693	Instead of base course (non-bituminous) works these works were executed.
Phek Lanyee to Phek Village (Phek)	Base Course (non-bituminous) Grade I	6,26,564	Against the provision of Grade III, both Grade-I and Grade III works were executed.
Satakha to Sukhai Road (Zunheboto)	Collection and supply of stone boulder (15 cm – 30 cm) etc. Laying of stone soiling etc.	3,24,025 6,07,500	Work executed without any provision in the DPRs.
V.K. to Akuluto (Zunheboto)	Retaining Wall	24,86,833	Against 43 no CD structures 27 CD structures constructed, the balance amount was utilised in this work.
Total:-		85,71,615	

(Source: Departmental figures)

Expenditure of Rs.85.72 lakh was thus beyond the sanctioned estimates and approved DPR and was, therefore, irregular.

The Chief Engineer, PWD (R&B), Kohima stated (April and October 2005) that during the actual execution of works, it was noticed that some essential items of work had not been included in the sanctioned estimate. Accordingly, considering the exigencies the same were executed within the sanctioned estimate.

The reply is not tenable as neither the National Quality Monitor nor any competent authority pointed out the exigency.

Defective execution of works resulted in wasteful expenditure

3.1.30 According to the para 8.4 (vi) of the guidelines, in hilly states, the estimates for construction of roads were required to be prepared in two parts, the first part consisting of formation cutting, slope stabilization, protection works and drainage, cross drainage works. If black topping in the 2nd stage was intended, it was to be taken up after two rainy seasons had elapsed to ensure adequate stabilization of slide slopes. The 2nd stage was to include the water bound macadam (WBM) layers and bitumen layer. The State Government also recommended (October and November 2001) that a gestation period of one whole monsoon is to be provided for stabilization and settlement of soil for any newly cut roads. Therefore, only formation cutting and cross drainage works were to be included for all works under new connectivity.

During test check of records it was noticed that during Phase-II, two new road works namely Kontsonyu to Niroyo Road (Wokha) and BRO Road to Thezatsé Road (Phek) were taken up at a cost of Rs.2.58 crore and Rs.2.44 crore respectively. The Detailed Project Reports (DPRs) approved by

the State Technical Agency (STA) included gravel surface bitumen (GSB) & water bound macadam (Grade II and III) works apart from formation cutting, drainage, cross drainage works. The works commenced from 10 June 2002 and 28 February 2002 and were completed on 17 January 2004 and 4 February 2004 respectively and total amount of Rs.1.80 crore (Rs.0.98 crore + Rs.0.82 crore) had been incurred on 'Gravel Surface Bitumen' and 'Water Bound Macadam' works.

While cross checking the records i.e. measurement books, running account bills, DPR etc with the physical verification reports of the National Quality Monitor (November 2003 and October 2004), it was noticed that the estimates did not include some important items of works like protection walls, shoulder proper and adequate cross drainage structures in respect of both the road works. As a result land slides had taken places in several locations. Due to soil erosion the road way width was reduced and rendered the road unsafe for traffic. Further, the construction of BRO Road to 'Thezatse' road had not connected the habitation Thezatse situated 15 km away.

The estimates instead of including gravel surface bitumen (GSB) and water bound macadam works should have included adequate cross drainage structures and protection works and the alignment of BRO – Thezatse road should be extended from nine km to 15 km to connect the habitation.

The department, contrary to the guidelines and recommendation of the Government, carried out the works up to water bound macadam layers before stabilization and settlement of slope. Had the works been provided with adequate protection works and cross drainage structures the land slips and land erosion could have been avoided. Thus, expenditure of Rs.1.80 crore on execution of gravel surface bitumen & water bound macadam works had not serve any useful purpose.

In reply, the department stated (April.2005) that as per suggestion of the National Quality Monitor (November 2003) the necessary rectification works have been carried out in respect of Kontsonyu to Niroyo road whereas in respect of BRO to Thezatse road though the proposal was prepared for the entire road but the Cabinet Sub Committee, Government of Nagaland approved only nine km and accordingly it was sanctioned by the Ministry of Rural Development, Government of India. The reply is not tenable as inclusion of gravel surface bitumen & water bound macadam works before stabilisation, settlement of slope in a hilly state like Nagaland was not allowed in the guidelines or by the State Government.

Approved items of works not executed

3.1.31 Para 11.1 of the guidelines provides that after the project proposals have been cleared and technical sanction has been accorded, the Executive Agency would invite tenders. All the projects scrutinized by the State Technical Agency (STA) and cleared by the Ministry were to be put to tender as such, and no changes were to be made in the work without prior approval of the National Rural Road Development Agency.

Test check of records revealed that one road in Zunheboto district i.e., Satoi to Tsuruho (5.240 Km) was sanctioned (February 2004) at a cost of Rs.1.05 crore and the approved Detailed Project Report (DPR) included the items of preparatory works, base course, gravel surface bitumen, culverts etc. It was seen in audit that an amount of Rs.1.04 crore was paid to the contractor against execution of preparatory work, culverts and retaining wall. The items of work like base course, gravel surface bitumen, slab culverts were not carried out and the value of these items of works (Rs.37.26 lakh) was spent on preparatory works, culverts etc. While doing so, the department did not obtain approval of the higher authority. The details are given below:

Table 3.1.13

Sl No.	Item of work	As per DPR and estimate (Rs.)	Actual execution (Rs.)	Excess (+)/ Less (-) Execution (Rs.)
(i)	Preparatory works	55,23,664	74,31,819	(+) 19,08,155
(ii)	Drain	1,67,041	1,48,423	(-) 18,618
(iii)	Base Course	2,98,287	Nil	---
(iv)	GSB	26,03,232	Nil	---
(v)	Sign Board	52,400	Separately done	---
(vi)	Survey/Investigation	52,400	- do -	---
(vii)	Hume Pipe Culvert	9,99,000	16,96,441	(+) 6,97,441
(viii)	RCC slab culvert	8,25,000	Nil	---
(ix)	Retaining wall	---	11,39,194	(+) 11,39,194
	Total	1,05,21,024	1,04,15,877	37,26,172

Thus, expenditure of Rs.37.26 lakh was incurred in excess of estimate on some items of works, and other items of work required for an all weather road like base course, gravel surface bitumen and slab culverts were not executed, leading to non achievement of the objective.

Irregular execution of works over Detailed Project Reports (DPRs)

3.1.32 The detailed project report was to be prepared in consultation with the Village Level Committee/Council based on proper survey and was to be as per the specification of Rural Road Manual subject to scrutiny and approval by the State Technical Agency (STA).

Para 11.1 of the guidelines also provided that after the project proposals had been cleared and technical sanction accorded, the executive agency would invite tenders. All the projects scrutinized by the STA and cleared by the Ministry, would be tendered as such and no changes were to be made in the work without prior approval of the Authority.

Test check of records revealed that an amount of Rs.89.96 lakh was paid against the approved cost of Rs.46.68 lakh in respect of three works. The executions of cross drainage works were carried out in excess of the quantities provided in the approved detailed project report. The quantum of works executed in excess of the approved detailed project report ranged from 121 per cent to 367 per cent. These excess quantities were not approved by the competent authority. The details are given below:

Table 3.1.14

Sl. No.	Name of Road	Approved CD as per DPRs		Execution of CD works		Percentage of excess quantities executed in excess of DPRs	Excess (Rs. in lakh)
		Qty	Amount (Rs. in lakh)	Qty	Amount (Rs. in lakh)		
1.	Ngam to Lalong	24	25.68	29	40.23	121%	14.55
2.	NH 61 to Salulemang	12	12.48	34	31.17	283%	18.69
3.	NH 61 to Longjang	6	8.52	22	18.56	367%	10.04
Total:			46.68		89.96		43.28

(Source: Departmental figures)

Thus, expenditure of Rs.43.28 lakh in excess of the sanctioned and approved cost was in violation of the guidelines.

Execution of work in excess of requirement resulted in excess expenditure

3.1.33 According to the Rural Road Manual, the carriage way width of road should generally be three meters. Accordingly, estimates/detailed project reports were prepared and approved by the competent authority.

Test check of records, however, disclosed that in respect of five road works (Phek-2, Mokokchung-2, Zunheboto-1) execution of certain items of works valued at Rs.33.68 lakh had been done in excess of the approved/required quantities. Details are given below:

Table 3.1.15

Name of road	Items of work	Quantity required to be executed	Quantity executed	Excess executed	Amount for excess
Asukho-Lochomi Yezami	WBM grading No.2	2475.00 cum	2925 cum	450 cum	5,80,050
	- do - No.3	2475.00 cum	2756 cum	281 cum	3,75,697
Kilingmen to Asangma Road	- do - No.2 and consolidation	1125.00 cum	1806.70 cum	681.70 cum	4,15,052
	Carriage on above	1125.00 cum	1086.70 cum	681.70 cum	73,624
	Collection and supply of stone and consolidation	289.55 cum	699.00 cum	409.45 cum	2,21,656
	Carriage charge	289.55 cum	699.00 cum	409.45 cum	44,221
NH-61 to Longjang	Carpeting	45,000 sqm	51,971.25 sqm	6971.25 cum	7,66,838
Phek to Ketsapo	WBM Grading No. 1	2400 cum	3201.60 cum	801.60 cum	3,61,522
NEC to Sakraba	WBM Grading No. 1	600 cum	1102.95 cum	502.95 cum	5,29,103
Total					33,67,713

In reply the department stated (October 2005) that strict adherence to the sanctioned detailed project reports could not be followed in all cases since the existing road conditions were badly deteriorated and thus works were executed as per the site requirement on the basis of approved working estimates.

The reply is not acceptable because deviation from approved detailed project reports needed to be approved by the competent authority.

Execution of works using material other than that specified

3.1.34 According to the para 8.4 of the guidelines, the road constructed under PMGSY must meet the technical specification standard as given in the Rural Road Manual. Accordingly, the detailed project reports were prepared and approved as per MOST specifications.

During test check it was noticed that in respect of four road works (Wokha-2, Phek-2) the materials used were not as per the prescribed standards & specifications. The prescribed quality control tests were also not conducted. The reports of the National Quality Monitor (August-November 2003) disclosed that the Programme Implementing Unit (PIU) admitted that due to non-availability of specified materials, locally available material worth Rs.2.10 crore were used.

In reply (October 2005), the department admitted that locally available materials were used and in several cases rectification works had been carried out.

Quality Control Assurance

3.1.35 According to the guidelines, all works were to be effectively supervised since quality of works was very important. The Quality Control Register prescribed by the National Rural Road Development Agency (NRRDA) shall invariably be maintained for each of the road works. Payment shall not be made to the contractor unless the tests are found satisfactory. For this, a three-tier quality monitoring mechanism is envisaged under the PMGSY viz, the programme implementing unit i.e. Executive Engineer, PWD (R&B) of each division, the State Quality Monitor (SQM) and the National Quality Monitor (NQM) as the 1st, 2nd and 3rd tier system respectively.

Test check revealed that no Quality Control Register was maintained in respect of roads works undertaken under PMGSY in five districts (i.e., Peren, Wokha, Phek, Mokochung and Zunheboto) selected for review. The department also failed to establish any laboratory for conducting quality control test at District Programme Implementing Unit (DPIU) level as on March 2005.

In the absence of these basic records/facilities it is not clear as to how the Rural Road Development Agency (NGRRDA) could ensure that the works carried out under the scheme were as per the desired quality/standards.

The Additional Chief Engineer, PWD (R&B), Kohima had been nominated (September 2002) as State Quality Coordinator (SQC) alongwith four retired Engineers as State Quality Monitors (SQMs).

During 2000-05, 82 roads works (i.e., 35 new connectivity and 47 upgradations) had been completed under PMGSY by the PWD (R&B) but the State Quality Monitor inspected only nine road works (11 per cent), whereas National Quality Monitor (NQM) inspected 62 road works (76 per cent), which proved that the State Quality Monitors were not functioning

satisfactorily.

Other points of interest

Maintenance of roads executed under PMGSY

3.1.36 As per guidelines, the rural roads constructed/upgraded under PMGSY will be maintained by the State Government. Though the State Government signed an undertaking to this effect, no fund provision was made on this account.

Test check revealed that expenditure of Rs.9.23 lakh and Rs.4.50 lakh had been incurred during 2003-04 from PMGSY funds for maintenance of roads constructed under PMGSY by the Project Director, District Rural Development Agency, Zunheboto and Wokha respectively. This was not permissible as per the guidelines.

Monitoring and Evaluation

3.1.37 There is a PMGSY Cell constituted in the office of the Chief Engineer, PWD (R&B), for monitoring and coordinating the programme. However, no evaluation study of the scheme was carried out by the State Government.

Conclusion

3.1.38 The performance audit of the PMGSY revealed the following:

- Inadequate planning before launching the scheme and execution of projects before approval led to non-adherence to the priorities set in PMGSY.
- There were wide variations between data projected in the district rural road plans and approved core net work, due to which the magnitude of the work to be done under programme was not assessed in an objective manner.
- Deficient contract management led to time overrun, execution of substandard work and undue benefits being extended to contractors.
- Inspections carried out by the State Quality Monitors (SQMs) were inadequate and did not serve any useful purpose.

Recommendations

3.1.39 The following recommendations are made:

- Prioritisation of roads as per the guidelines should be strictly followed so as to achieve the objectives of the programme.
- The terms and conditions of the contract need to be strictly enforced. The contract agreements should contain specific provisions for release of payment only after the compulsory inspection of work done.

- Adequate trainings, workshops etc., should be conducted for officials engaged in implementation of PMGSY.
- The Quality Control Progress Registers should be maintained by the District Programme Implementation Unit (DPIU) and a well equipped laboratory should be established at the district programme implementation unit level for quality control tests.
- State Quality Monitors should inspect the works more frequently to ensure that the works are carried out as per the prescribed standards.

TRANSPORT AND COMMUNICATION DEPARTMENT

3.2 Working of Nagaland State Transport

Nagaland State Transport (NST) was established as a department of the State Government in December 1964 to provide reliable and affordable transport services to the public. However, due to under utilization of fleet, low vehicle productivity, delay in tariff revision, excess expenditure on purchases, inefficient ticket management system and non-functioning of departmental retreading plant etc., the department sustained losses to the tune of Rs.60.79 crore during 2000-05 which accumulated to Rs.164.63 crore as on March 2005.

Highlights

Nagaland State Transport (NST) suffered accumulated loss of Rs.164.63 crore as on March 2005.

(Paragraph 3.2.7)

Expenditure of Rs.2.35 crore had been incurred on salaries of idle crew on account of off-road buses.

(Paragraph 3.2.12)

The department suffered a loss of potential revenue of Rs.2.12 crore due to decrease in vehicle productivity of buses on road from 132.53 km to 112.52 km.

(Paragraph 3.2.13)

The department incurred expenditure of Rs.13.78 crore on excess staff and shortfall of potential revenue amounting to Rs.50.72 crore due to low staff productivity.

(Paragraph 3.2.17 & 3.2.18)

Loss of revenue amounting to Rs.72.62 lakh due to delay in approval and implementation of revised tariff.

(Paragraph 3.2.19)

The department incurred excess expenditure of Rs.1.77 crore on purchase of tyres, tubes and flaps from local firms instead of from manufacturers' authorised dealers.

(Paragraph 3.2.20)

6.02 lakh tickets valued at Rs.6.53 crore were not accounted for by three stations.

(Paragraph 3.2.30)

Introduction

3.2.1 Nagaland State Transport was established in December 1964 as a department of the State Government of Nagaland with the objective to provide well co-ordinated, reliable and affordable transport service to the public. The department is presently operating public transport services both inside and outside the State on 81 bus routes covering 23,214 kms.

Organisational set up

3.2.2 The Commissioner-cum-Secretary, Department of Transport and Communication is the administrative head of the organisation. At the department level, General Manager is the over all head to oversee the functioning of the department. There are four Divisional Administrative Offices headed by Divisional Managers (DM) and ten operating stations headed by Assistant General Manager (AGM)/Station Superintendents (SS).

Scope of audit

3.2.3 The working of Nagaland State Transport for the period from 2000-01 to 2004-05 was covered in audit. Records of the office of the General Manager (GM), Additional Chief Engineer (Auto), four operating stations (Dimapur, Kohima, Mokokchung and Wokha) out of ten and two divisional workshops (Kohima and Mokokchung) out of four were test checked (65 per cent of total expenditure of Rs.111.95 crore) during February-May 2005.

Audit objectives

3.2.4 The main objectives of the review were to find out whether:

- a well coordinated, affordable and reliable transport service exists in the State.
- economy has been observed in all respects.
- efficiency in operational performance is ensured.

Audit criteria

3.2.5 For fulfillment of the above objectives, working of the State Transport was assessed by applying the following criteria:

- data/information collected from the State Transport authority, and analysis thereof.
- All India averages and averages for similar regions as published by ASRTC (Association of State Road Transport Corporation) and CIRT (Central Institute of Road Transport), Pune for operational performance and staff productivity.

Audit Methodology

3.2.6 The performance audit began with audit engagement through an entry point conference (22 February 2005) attended by the Commissioner/Secretary, State Transport and Communication Department and other officers. This was supplemented by discussions between senior officers of the Department and the Accountant General (Audit). At the end, an exit conference (18 October 2005) attended by the Secretary and other subordinate officers responsible for operation of State Transport system was held. The audit comments were finalised after taking into account the points put forth by the department during the exit conference.

The data, information etc. collected from the office of the General Manager, Additional Chief Engineer and operational stations were analysed and results thereof in the form of audit findings are given in the succeeding paragraphs.

Financial position and working results

3.2.7 The accounts of the department were in arrears for 16 years as on March 2005. Though the Nagaland State Transport is a public utility service, the function of the department is quasi-commercial in nature. An officer deputed from time to time since 1982-83 from Directorate of Treasuries and Accounts is entrusted with the responsibility to keep accounts of the department. As far as proforma accounts are concerned, the department stated (October 2005) that matter has been taken up with the State Government for engaging private firms specializing in preparation of proforma accounts in order to clear the backlog. The reply of the Government is still awaited. The proforma accounts for the period covered by the review are yet to be prepared. It would, however, be seen from the working results prepared by the department that the department had incurred losses amounting to Rs.60.79 crore during the period 2000-01 to 2004-05 and the operating income during this period was not sufficient even to cover its employees cost. The accumulated loss as on 31 March 2005 worked out to Rs.164.63 crore. The details are given in **Appendix-XXII**.

Budget provision and expenditure

Table 3.2.1

(Rupees in crore)

Year	Total		Excess (+) Saving (-)
	Budget provision	Expenditure	
2000-01	18.30	18.28	(-) 0.02
2001-02	20.14	20.35	(+) 0.21
2002-03	24.89	25.11	(+) 0.22
2003-04	25.14	25.61	(+) 0.47
2004-05	22.60	22.60	---
Total:	111.07	111.95	

(Source: Appropriation Account)

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

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. The department stated that effort is on for regularization of the excess expenditure made from 2001-02 onwards.

Revenue targets and achievement

3.2.9 Target *vis-à-vis* collection of revenue during the period from 2000-05 were as under:

Table 3.2.2 *(Rupees in crore)*

Year	Target		Collection	Shortfall (-)/Excess (+) (with reference to the revised target)	
	Original	Revised		Amount	Percentage
2000-01	5.28	4.83	5.10	(+) 0.27	6
2001-02	6.47	6.60	5.10	(-) 1.50	23
2002-03	7.25	6.65	5.52	(-) 1.13	17
2003-04	7.25	6.00	5.75	(-) 0.25	4
2004-05	8.54	6.88	6.75	(-) 0.13	2

(Source: Departmental figures)

It was noticed that except for 2001-02, every year the initial target fixed had to be lowered. The gap between the lower revised target and achievement in collection of revenue ranged from 2 *per cent* to 23 *per cent* of the revised target during 2001-05. The department stated that initial fixation is done based on a projection made and subsequently on review (normally done every year by November/ December), the physical and financial performance parameters and the actual revenue generated are taken into account to fix the revised target for the year.

Operational Performance

3.2.10 The operational performance of the department as seen in audit was not satisfactory. The findings of audit emerging from a review of the working of the Nagaland State Transport are discussed below. The operational performance of the department as reflected through selected parameters is given in *Appendix-XXIII*.

Vehicular strength and age profile

3.2.11 The fleet strength of Nagaland State Transport was 184 buses as at the end of 31 March 2000. During 2001-05, 147 new buses were added and 85 buses were condemned leaving a balance of 246 buses as on 31 March 2005. The fleet strength and age-wise position of buses of the department for the five years up to 2000-05 is given below:

Table 3.2.3

	2000-01	2001-02	2002-03	2003-04	2004-05
1. Number of buses held at the beginning of the year	184	171	152	165	203
2. Number of buses acquired	27	17	13	47	43
3. Number of buses removed from the fleet	40	36	--	9	--
4. Effective fleet strength at the close of the year	171	152	165	203	246
5. Age-wise analysis at the end of the year	No./ percentage	No./ percentage	No./ percentage	No./ percentage	No./ percentage
a) Age over 8 years	36 (21)	---	---	11 (5)	21 (8)
b) 4-8 years	30 (18)	46 (30)	76 (46)	88 (44)	105 (43)
c) Less than 4 years	105 (61)	106 (70)	89 (54)	104 (51)	120 (49)

(Source: Information obtained from the Department)

The age norm laid down by the ASRTU (Association of State Road Transport Undertakings) was that 60 per cent of the fleet strength should be less than four years old. During the years 2002-03, 2003-04 and 2004-05 NST had only 89, 104 and 120 buses less than four years old against the norm of 99, 121 and 148 buses respectively.

Fleet utilisation

3.2.12 Fleet utilisation is the ratio of the buses on road to the average fleet held by the department. According to a recommendation made by the Association of State Road Transport Undertakings, 92 per cent of fleet should be road worthy (90 per cent in operation and two per cent kept in reserve and off road buses should not exceed eight per cent of the total fleet). It was observed in audit that against this norm the road-worthy buses varied from 57 to 63 per cent and off road buses represented 37 to 43 per cent of the total fleet (detailed in *Appendix-XXIII*). Due to low fleet utilisation there was adverse effect on vehicle productivity as discussed in the next paragraph.

The expenditure on pay and allowances of idle drivers and conductors with reference to the number of off road buses for the period 2000-05 was Rs.2.35 crore.

The department stated (April 2005) that buses remained off road during the period 2000-05 mainly due to mechanical defects.

Vehicle productivity

3.2.13 Vehicle productivity indicates the average revenue earning kilometers covered by each vehicle per day. The department had not fixed any norm in this regard. The vehicle productivity of Nagaland State Transport buses for the period from 2000-01 to 2004-05 declined from 132.53 km to 112.52 km (detailed in *Appendix-XXIII*).

Due to decrease in vehicle productivity there was loss of potential revenue of Rs.2.12¹ crore calculated on the basis of vehicle productivity of 2000-01 i.e., 132.53 km.

Audit analysis revealed that one of the major reasons for decline of vehicle productivity was that no route-wise survey was conducted by the department before operating a service to ascertain the economic viability of the routes. The department while accepting the facts stated (October 2005) that no procedure for ascertaining the economic viability of routes at initiation and subsequent intervals was in place, and that many routes had to be started not solely on economic considerations.

Fuel efficiency

3.2.14 Fuel efficiency is measured in terms of kilometers run per litre (KMPL) of fuel. High Speed Diesel (HSD) is the main fuel utilized in the operation of fleet. Nagaland State Transport had fixed the norm of fuel efficiency of buses at 3.5 km per litre. Based on operational data submitted to Audit by the department, it was noticed that the average fuel efficiency during 2000-04 was below the norms (detailed in *Appendix-XXIII*), varying from 3.04 to 3.35 km per litre. The excess consumption of HSD compared to the norm adopted by the department worked out to 5.62 lakh litres valued at Rs.92.55 lakh during the four years from 2000-04. The department stated (March 2005) that high consumption of HSD was due to bad road conditions. However, the reply given by the department is not tenable as during 2004-05, road condition remaining the same, fuel efficiency increased to 3.66 KMPL.

Performance of tyre

3.2.15 As tyres form an important item of cost, proper records need to be maintained to ensure effective control on their utilisation. The department had fixed norms of tyre performance in kms as 18,000 kms for new tyres and 10,000 km for retreaded tyres.

Test check of records of 522 tyre cards pertaining to the period from 2000-01 to 2004-05 made available to Audit, revealed that 166 new tyres and 302 retreaded tyres were removed even before achieving the minimum norms prescribed and for the balance 54 tyres, required information on their performance (such as date of fitting, date of removal, life covered etc.) was not recorded in the tyre card or any other register. The details of 468 cards (166+302) are given below:

Year	VP	Revenue (in lakh)	Potential loss
2001-02	132.37	510.00	$(510 + 132.37 \times 132.53) - 510 = 0.62$
2002-03	127.28	552.00	$(552 + 127.28 \times 132.53) - 552 = 22.77$
2003-04	118.47	575.00	$(575 + 118.47 \times 132.53) - 575 = 68.24$
2004-05	112.52	675.70	$(675.70 + 112.52 \times 132.53) - 675.70 = 120.16$
			Total :- Rs.211.79

Revenue collection during the year divided by vehicle productivity of the year, multiplied by vehicle productivity of 2000-01.

Table 3.2.4

New tyres			
Range of kms performed	No. of tyres	Total km. Performed	Percentage to total tyres
Less than 10,000	56	21,42,710	33.73
10,001 to 15,000	22		13.25
15,001 to 18,000	88		53.02
Total	166		

Retreaded tyres

Range of Kilometers performed	No. of tyres	Total Kms. Performed
Below 10,000	302	18,96,613

Compared to the prescribed norm, short performance of 166 new tyres and 302 retreaded tyres comes to 19,68,677 kms. [(166 x 18,000 + 302 x 10,000) - (21,42,710 + 18,96,613)] which is equivalent to 109 new tyres valued at Rs.5,11,253/- (at the rate Rs.4,690 per tyre).

Route analysis

3.2.16 The department had 64 operating routes as on April 2000. During the period from 2000-01 to 2004-05 the department introduced 17 new routes. Before operating new routes no survey was conducted to assess the occupancy ratio and its viability.

Manpower**Staff utilisation**

3.2.17 The department had not fixed any norm of staff strength required per vehicle under different categories.

The table below indicates the vehicle-staff ratio and staff productivity of the department for the five years from 2000-01 to 2004-05.

Table 3.2.5

	2000-01	2001-02	2002-03	2003-04	2004-05
Average number of vehicles on road	86	89	96	111	131
Effective kilometres operated (in lakh)	41.60	43	44.60	48	53.80
Staff strength					
a) Driver	215 (2.50)	215 (2.42)	215 (2.24)	214 (1.93)	223 (1.70)
b) Conductor	151 (1.76)	151 (1.70)	151 (1.57)	151 (1.36)	151 (1.15)
c) Station staff	226 (2.63)	226 (2.54)	226 (2.35)	209 (1.88)	268 (2.05)
d) Workshop and maintenance	326 (3.79)	326 (3.66)	326 (3.40)	326 (2.94)	277 (2.12)
e) Administration	132 (1.53)	132 (1.48)	132 (1.38)	132 (1.19)	131 (1)
Total	1050	1050	1050	1032	1050
(Staff bus ratio)	(12.21)	(11.80)	(10.94)	(9.30)	(8.02)
All India average	7.26	7.46	7.03	---	---
Staff productivity (Kms per worker/day)	10.85	11.22	11.64	12.74	14.04
All India average	34.10	32.73	34.15	---	---

It would be seen from above table that the staff strength per vehicle on fleet operated by the department varied from 8.02 to 12.21. From the above figures it was also evident that despite a 64 *per cent* increase in the average number of vehicles on road the number of drivers and conductors had remained the same. The staff bus ratio though improving was still higher compared to the All India average of staff bus ratio 7.03 to 7.46.

Taking into account the All India yardstick, expenditure incurred on excess staff during the five years amounted to *Rs.13.78 crore (detailed in *Appendix-XXIV-A*).

Staff productivity

3.2.18 Staff productivity is the total effective kilometers operated for a period by total mandays paid for. The productivity of staff was low varying from 10.85 to 14.04 kms/day during the five years compared to the All India average (Hill region) of 32.73 to 34.15 kms/day. Due to low staff productivity there was shortfall of potential revenue amounting to *Rs.50.72 crore (detailed in *Appendix-XXIV-B*).

The department had not reviewed the matter for effective utilisation of manpower.

Financial management

Tariff revision

3.2.19 Section 67 of the Motor Vehicle Act 1988, empowers the State Government to fix the rate of fares from time to time for its buses. The State Government revises the tariff based on the proposal submitted by the department.

During the period covered under the review, the fare was revised only once with effect from March 2001 by the department according to the directions of the Government despite operational cost increasing manifold due to increased cost of fuel and other related expenditure.

Test check revealed that a fare revision proposal was submitted (October 2000) by the department and was approved (February 2001) by the Government after a delay of 135 days. This resulted in loss of potential revenue to the extent of Rs.10.56 lakh.

The department made another proposal (February 2003) for revision of fares due to increase in cost of fuel and other consumable materials. The proposal was pending with the Government and the same proposal was sent again on 25 November 2004 and was approved by Government (January 2005) but has not yet been implemented (October 2005) resulting in further loss of potential revenue of Rs.62.06 lakh upto March 2005. Details are given in the table below:

* All India average during 2003-04 and 2004-05 is not available. However, All India average of 2002-03 has been taken into account for calculation for these years.

Table 3.2.6

Year of revision	Date of proposal	Date of approval	Effective date	Total delay in days	Loss of revenue (Rs. in lakh)
2000-01	4.10.2000	17.2.2001	1.3.2001	135	10.56
2002-03	28.2.2003	---	---	---	---
2004-05	25.11.2004	January 2005	1.2.2005	Not yet implemented	62.06 (calculated upto 3/05)

(Source: Information furnished by department)

Test check in audit revealed that in addition to the delay in revising the tariff

- No data on overall cost structures as well as per-route analysis was prepared.
- No procedure for updating of cost structure was followed.
- No linkage of cost structure with that of tariff was maintained.

Analysis revealed that during 2000-04 against the increase in fuel cost by 52 per cent bus fare increased by 5 per cent resulting in wide gap between operational cost and revenue generation. Thus, due to delay in revising the tariff, the Government had to suffer a loss of potential revenue of Rs.72.62 lakh during 2000-05.

Excess expenditure on purchase of tyres, tubes and flaps

3.2.20 General Manager, NST proposed in July 1998, April 1999 and January 2001 bulk procurement of tyres, tubes and flaps etc. from the company authorised dealers in Guwahati, as the price charged by the local firms were more than double the rate offered by the authorised firms. But contrary to the proposal, NST on the instruction (September 1998 and March 2001) of Transport and Communication Department, Government of Nagaland continued to procure these materials from the local firms at exorbitant prices.

Test check of procurement of records of General Manager, NST, Dimapur revealed that 1,770 tyres, 5,956 tubes and 7,305 flaps were procured in bulk from local firms during 2000-01 to 2002-03 instead of manufacturers authorized outlets. This resulted in extra expenditure of Rs.1.77 crore, as shown below:

Table 3.2.7

Quantity	Purchased from Dimapur based suppliers		Rate of company authorised dealer of Guwahati		Difference (Rs in lakh)
	Rate (in Rs.)	Total (including tax) (Rs. in lakh)	Rate (in Rs.)	Total (including tax) (Rs. in lakh)	
Tyre 1770	11214	214.36	4870.53	89.66	124.70
Tube 5956	1197	76.99	526.36	32.60	44.39
Flaps 7305	282	22.25	184.00	13.98	8.27
Total		313.60		136.24	177.36

Loss due to disposal of condemned vehicles without observing codal provisions

3.2.21 Transport and Communication Department, Government of Nagaland issued (June 1998) instructions that condemned vehicles are to be disposed off through sealed tenders/quotations for which proper advertisement has to be made in the local as well as in the national newspapers.

Test check of records revealed that during 2000-01 to 2003-04, 93 condemned vehicles (reserved price Rs.95,28,075) were earmarked for disposal by the General Manager, Nagaland State Transport as per allotment order issued by the Government without calling of tenders to selected allottees on deposit of the reserved price. Following this, only 18 vehicles (valued Rs.16,26,844) could be disposed of at reserved price and for the remaining 75 number of vehicles (valuing Rs.79,01,241) the allottees failed to turn up. Of these, 67 vehicles were later disposed of at the reassessed reserve price of Rs.44.55 lakh as against initial reserve value of Rs.72.26 lakh. There was no fixed method for re-assessment of reserved price. The remaining eight buses (Reserve price Rs.6.75 lakh) had not been disposed of till date.

Thus, due to non-observance of the prescribed procedure in the first instance and even when the selected allottees failed to turn up, no remedial measures were taken to dispose off the condemned vehicles in time. Had this been done, Nagaland State Transport would have availed the benefits of competitive rates on disposal of the vehicles and thereby loss of potential revenue of Rs.34.46 lakh (Rs.72.26 lakh – Rs.44.55 lakh + Rs.6.75 lakh) could have been avoided.

Arrears of revenue

3.2.22 Nagaland State Transport as of March 2005, had outstanding revenue of Rs.37.66 lakh receivable from different sources which remained unrealized till the date of audit as detailed below:

Table 3.2.8

Sl No.	Name of debtor	Amount due (Rs. in lakh)	Period
1	Hire Charges of Buses from different parties	14.39	2000-05
2	Commission from Railway Authority on deposit of Sale proceeds of Railway tickets	23.27	2000-05
Total		Rs.37.66	

(Source: Data furnished by department)

Excess expenditure on fabrication of bus bodies – Rs.89.53 lakh

3.2.23 General Manager (GM), Nagaland State Transport, Dimapur invited tenders (April 2000 for 2000-02 and November 2002 for 2002-04) for fabrication of bus bodies of newly acquired chasis.

The purchase committee (2000-02) while observing wide difference between the rates offered by the 1st and 2nd lowest tenderer recommended the mean rate

of the two on the grounds of better quality work. The department, accordingly carried out fabrication works of 27 bus bodies in 2000-01 and 30 bodies in 2001-02 through four agencies other than the lowest at the mean rate (enhanced by 3 per cent to 15 per cent from the lowest rate). The reasons for enhancement of rates and the basis on which it had been worked out were not on record. It was also not clear as to how the enhancement of rate would improve the quality of work.

Again, the purchase committee (2002-04), while by-passing the rates offered by the first, second and third lowest tenderers (out of 13 valid tenders) recommended the highest rates of 'X' on the ground of reputation, though no information as regards expertise or reputation of the firm was found on record. The department, however, flouted the purchase committee's recommendation and distributed the works of 35 and 40 bus bodies during 2002-03 and 2003-04 respectively among eight different tenderers on their rates, much higher than the first, second and the third. The action of the department was unjustified as it was not in the financial interests of NST.

Due to non-acceptance of lowest rates in carrying out fabrication works during the period from 2000-01 to 2003-04, Government incurred excess expenditure of Rs.89.53 lakh. The details are tabulated in *Appendix-XXV*.

Non deduction of tax at source resulting in loss of revenue to the State Government

3.2.24 The Government of Nagaland (Finance Department) vide their Notifications/Orders issued from time to time, prescribes the rates of Nagaland Sales Tax to be deducted at source by Government Departments from suppliers/contractors bills.

Test check of records of the General Manager, NST, Dimapur revealed that Government suffered loss of revenue to the tune of Rs.5.91 lakh for non-deduction of tax at source on works valued at Rs.1.42 crore. The department stated that deduction of tax on works contract was not done due to non receipt of any Government directions in this regard. The reply of the department is not tenable as ignorance of a statutory Government order leading to loss of revenue does not absolve a Government department of its responsibilities.

Utilisation of traffic earnings

3.2.25 The Financial Rules provide that all revenue received on behalf of the Government are to be deposited without delay into the Government account. On test check of cash abstract of four² offices for the month of February, 2005 it was noticed that in contravention of the said provisions, traffic earnings amounting to Rs.48.29 lakh were utilized for meeting expenditure on account of fuel, spare parts etc. and for payment of loan to the staff. Till April 2005 the amount of Rs.48.29 lakh had not been recouped and deposited to Government account.

² Kohima, Dimapur, Mokokchung, & Wokha.

Misappropriation of traffic earning

3.2.26 As per information furnished and analysis of the closing balance of the cash book (February 2005) it was noticed that Rs.9.95 lakh misappropriated by the cashier remained unrecovered till February 2005.

Lack of financial control both at the station and Headquarter (GM's Office) level led to the above cases of diversion and misappropriation of traffic earnings. Non-observance of codal provisions like regular physical verification of the cash balance by authorized officers and retention of heavy cash balance in hand also contributed to the above.

Discrepancies in receipt and issue of fuel

3.2.27 Cross verification of the records of the General Manager, Dimapur and receiving centre, Kohima revealed that there was short issue of HSD from Central Depot., Dimapur by 2,68,113 litres valued at Rs.54.82 lakh than that recorded in the issue register during the period from 2002-03 to 2004-05. No steps were taken to reconcile the discrepancy upto October 2005. Records for the period from 2000-01 to 2001-02 were not made available to audit.

Total 3.2.9

Year	2002-03	2003-04	2004-05	Total
	Litres	Litres	Litres	Litres
Issued by GM/NST	26,3989	2,65,284	3,05,840	8,35,113
Received by Kohima station	1,98,000	2,07,000	1,62,000	5,67,000
Short accountal	65,989	58,284	1,43,840	2,68,113
Rate	Rs.16.64 per litre	Rs.21.69 per litre	Rs.21.69 per litre	
Amount	Rs.10,98,056	Rs.12,64,180	Rs.31,19,889	54,82,125

(Source: Information obtained from the department)

During the exit conference the department admitted the facts and stated (October 2005) that this issue requires investigation for which the department has already called for detailed information from the concerned stations.

Performance of workshop

Non disposal of idle spare parts

3.2.28 Material management is necessary to have adequate stock of materials of proper quality for smooth functioning of the maintenance work. Procurement of material of right quality, right quantity at the right time is necessary to control the ever increasing costs of material. Proper assessment should be done before procurement of materials. Further, the materials which became obsolete during the course of time, non moving items, materials credited as scrap are required to be disposed of through auction immediately.

Scrutiny of records of spare parts maintained by Central Workshop, Dimapur revealed that the spare parts valuing Rs.39.94 lakh purchased by the department prior to 2002 had become obsolete (since May 2002) due to

phasing out of old model vehicles. The purchases were made without assessing the trend of utilisation. The department stated that due to frequent change in the model of the buses these spare parts became obsolete.

The department further stated (October 2005) that all obsolete parts weighing 6,010 kgs had been disposed off on weight rate of Rs.460 per quintal for Rs.27,646. Thus, due to procurement of materials in advance without assessing the requirement, decision to phase out vehicle models and delay in disposal of idle stock, Government suffered loss of Rs.39.66 lakh (Rs.39.94 lakh – Rs.0.28 lakh).

Non-functioning of tyre retreading plant

3.2.29 The department set up (July 1990) its “Tyre Retreading Plant” at a cost of Rs.12 lakh at Central Workshop, Dimapur for retreading used tyres departmentally. The plant stopped functioning with effect from November 1995 due to breakdown of compressor machine. Since then, without any attempts being made to put the plant in operation, tyre retreading was done in private workshops at much higher rates than that of in the departmental plant. The number of tyres retreaded during 2000-01 to 2004-05 and actual expenditure incurred as well as the cost of tyres if retreaded departmentally (as per the report of technical purchase committee of State transport department dated 26 April 2002) is shown below:

Table 3.2.10

(Rupees in lakh)

Year	Number of tyres retreaded	Expenditure incurred	Expenditure if retreaded departmentally (@ of Rs.2582 per tyre)	Difference
2000-01	1100	42.50	28.40	14.10
2001-02	1319	50.86	34.06	16.80
2002-03	1581	55.46	40.82	14.64
2003-04	1325	38.26	34.21	4.05
2004-05	1612	47.06	41.62	5.44
Total		234.14	179.11	55.03

(Source: Information obtained from the department)

It is seen from the above that failure of the department to revive its retreading plant led to an excess expenditure of Rs.55.03 lakh from 2000-01 to 2004-05. Considering the fact that the new plant was set up at a cost of Rs.12 lakh, the repairs could have been done at much lower price. In view of the big difference (Rs.55.03 lakh) between the cost incurred to get the tyres retreaded outside and the cost incurred in the retreading plant, immediate steps should have been taken to carry out the repairs.

Other points

System deficiency in printing, stock keeping and issue of bus tickets

3.2.30 Test check of records of printing of tickets, issue and stock keeping revealed the following irregularities and system deficiencies:

No system of periodical physical reconciliation of the tickets printed, issued and lying in stock was in vogue.

No system to ensure the correctness of revenue earned on the basis of tickets issued was existed.

It was seen in audit that passenger tickets were centrally printed by the General Manager, Nagaland State Transport, Dimapur and issued to several operating stations for use. No stock register was, however, maintained either in the issuing office or at the operating stations in respect of issue and receipt of printed tickets.

Further scrutiny revealed that tickets issued to passengers did not contain details of bus number, points of destination, date of journey, fare charges etc. As a result any check on fare realised and deposited to Government account could not be verified from the counter foils of used ticket books.

Cross verification of records (2000-01 to 2004-05) of the General Manager (GM), Dimapur and three operating stations (Dimapur, Mokokchung and Kohima) revealed that 6.02 lakh tickets valued at Rs.6.53 crore issued by the GM to those three stations during the period from 2000-01 to 2004-05 were not accounted for by the latter. Possibility of misuse/fraudulent use of these tickets as well as other tickets which could not be checked due to incomplete records cannot be ruled out.

Environment Audit

3.2.31 Under Section-20 of Air (Prevention and control of pollution) Act, 1981, the State Government shall, in consultation with the State Board, give directions to the concerned authority in charge of registration of motor vehicles under the Motor Vehicles Act, 1988, to ensure standards for emission from automobiles. The Motor Vehicles Act, 1988, *inter-alia* provides for prevention and control of air pollution from automobiles which constitute a major source of pollution. It was noticed in audit that there was no auto emission testing machine installed in the department. Hence, no pollution test certificates were issued to any NST buses except for the new buses received from the manufacturer with pollution test certificate. Incidentally, consumption of HSD in Nagaland State Transport was 4271 litres per day during 2004-05.

Non conduct of Auto Emission tests can have detrimental effects on the health of the people as also on animal life, vegetation and property.

Monitoring and control

3.2.32 With a view to ascertain the adequacy of action taken at various levels and to ensure proper functioning of the department, it is desirable that an effective monitoring and control system should be in place at each level in the department. From the above paragraphs it is evident that the system of monitoring is weak. Effective steps need to be taken urgently to strengthen the monitoring and control system in the department.

Conclusion

3.2.33 The department had incurred operational losses every year and performed poorly in all the operational areas. The poor performance of the department was mainly attributable to –

- Lack of adequate supervision and monitoring due to absence of effective management information systems.
- Financial mismanagement especially in ticket management, purchases at exorbitant prices and losses in sale of condemned vehicles.
- Poor operational performance such as low vehicle productivity, low tyre efficiency, poor fleet utilisation, low staff utilisation, low staff productivity and absence of effective system to review the performance.
- No specific system to revise the tariff periodically so as to include increased operational cost in the tariff.

Recommendations

3.2.34 Following recommendations are made:

- ✓ The monitoring, control and reporting mechanism should be strengthened to ensure proper evaluation and reporting on economy, efficiency and effectiveness of the functioning of the various units.
- ✓ In order to improve financial viability of the department
 - Effective steps need to be taken to overhaul the system of ticket management. Specific steps need to be taken to ensure numerical control over the printing, issue and balance of the tickets and its reconciliation with the revenue earned by the department.
 - Prescribed procedure needs to be followed for the condemnation and disposal of old/condemned vehicles.
 - Steps should be taken to get timely approval of tariff revision so as to incorporate the increased cost elements in the tariff structure as and when they arise.
 - The accounting wing of the department should be strengthened and immediate steps should be taken to clear the arrears in preparation of accounts in prescribed format.

- ✓ In order to improve the operational performance
 - Target for operational parameters such as fleet utilisation, vehicle productivity, fuel efficiency, tyre performance and route analysis need to be set, monitored and enforced.
 - The functioning of the department should be reviewed at regular interval to ensure well-coordinated, affordable and reliable services to the public.

DEPARTMENT OF FOOD AND CIVIL SUPPLIES

3.3 Food Security, Subsidy and Management of Foodgrains

Food security entails procurement of foodgrains from farmers at the minimum support price and distribution to the beneficiaries with the aim of providing foodgrains to economically weaker sections of the society at subsidised price. Due to delay in identification of beneficiaries, short lifting of foodgrains, delay/non-distribution of foodgrains, non-issue of ration cards, undue benefit to millers by allowing less recovery of atta from wheat etc., the basic objective of benefiting the poor and vulnerable sections of the society could not be achieved satisfactorily. In the absence of proper records and monitoring on the working of stockists, fair price shops etc. the extent and genuineness of the benefits accruing to the targeted beneficiaries could not be verified.

Highlights

Delay in identification by the Government resulted in denial of benefits to 28,000 families living below the poverty line (BPL) for 16 months.

(Paragraph 3.3.9)

Delay in identification of Antyodaya families resulted in extra burden of Rs.2.23 crore to the beneficiaries.

(Paragraph 3.3.11)

6,278.37 MT foodgrains involving subsidy of Rs.3.95 crore were lifted and shown as distributed to families living below poverty line (BPL) who had no ration cards, and therefore diversion of foodgrains to the open market cannot be ruled out.

(Paragraph 3.3.14)

90 per cent recovery of atta against the prescribed norms of 93 per cent resulted in undue benefit to the millers as well as extra burden of Rs.60.66 lakh to BPL families.

(Paragraph 3.3.22)

Introduction

3.3.1 Food security entails procurement of foodgrains from the farmers at the minimum support price, storage and distribution to the targeted beneficiaries through Fair Price Shops (FPS). Procurement of foodgrains within the State

serves the twin objectives of providing price security to the farmers and ensuring food security to the people.

The Government of Nagaland is involved in operation of various foodgrains based schemes introduced by the Government of India under the Targeted Public Distribution System (TPDS) launched in June 1997.

Under this, three main schemes were implemented –

Below Poverty Line (BPL) population are to be provided foodgrains as per norms/ scales at the subsidized price in order to ensure food security to economically weaker sections of society.

Antyodaya Anna Yojana (AAY) was launched in December 2000 by the Government of India to ensure food security to the poorest of the poor by providing wheat and rice at the rate of Rs.2 per kg and Rs.3 per kg respectively. The families under Antyodaya Anna Yojana were selected out of the families living below poverty line. In Nagaland, this scheme was implemented from October 2001 onwards.

Annapurna scheme was launched (April 2000) by the Government of India with the aim to provide food security to those senior citizens who remained uncovered under the National Old Age Pension Scheme (NOAPS). Under this scheme, 10 kg of rice are to be provided free of cost every month to senior citizens.

Besides the above schemes, the department is also implementing a scheme for the Above Poverty Line (APL) population, where ration cards are issued and the distribution is made through permit holders appointed by the Government of Nagaland.

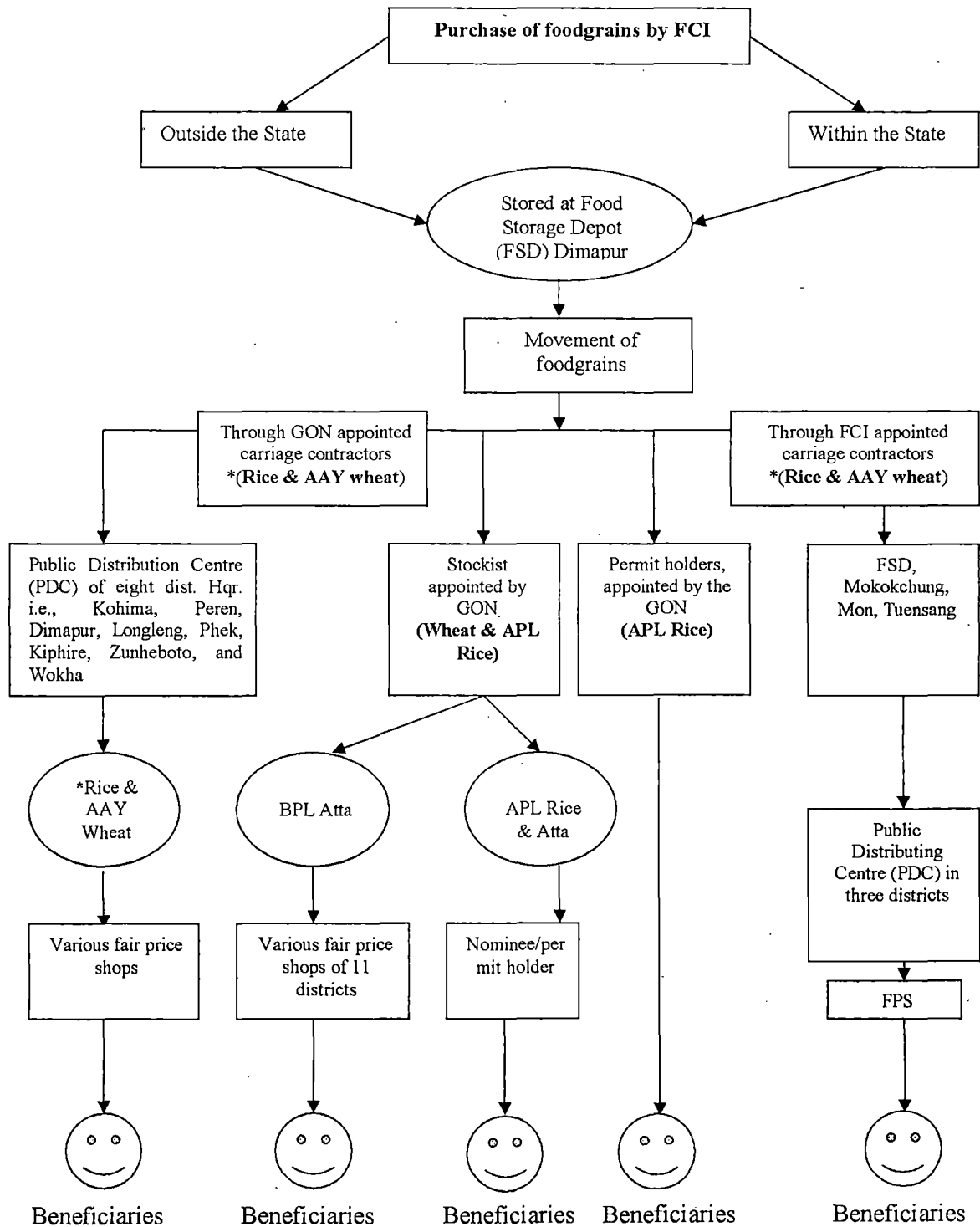
Organisational-set up

3.3.2 The Food Corporation of India (FCI) is responsible for the purchase, storage and movement of foodgrains. The Government of India allocates foodgrains to the State, based on requirement. The State Government is responsible for lifting of foodgrains from the Food Corporation of India depots and distribution to the beneficiaries through Fair Price Shops and also through selected stockists/nominees/permit holders.

The implementing agency is the Food and Civil Supplies Department. The Department has a three tier set up headed by the Secretary, Food and Civil Supplies Department. The Directorate based at Dimapur is headed by the Director and 11 district level offices headed by seven Assistant Directors of Supply (ADS), three Superintendents of Supply (SOS) and one Inspector.

Chart No. 1

Flow chart showing procurement and distribution of foodgrains



* Rice includes rice distributed under BPL, AAY and Annapurna Schemes.

Scope of audit

3.3.3 The performance audit covered the period from 2000-01 to 2004-05. Out of 11 districts, 73 Public Distribution Centres (PDC) and 408 Fair Price Shops (FPS), three districts,¹ nine public distribution centres and 30 fair price shops covering 34 per cent of the total quantity handled in the State, were selected for sample test check.

Audit Objectives

3.3.4 The main objectives of the performance audit were to:

- examine the economy and efficiency of procurement of the foodgrains by the FCI and the State.
- assess the effectiveness of distribution arrangements to ensure that all targeted people have access to foodgrains.
- ascertain the leakages, diversion and pilferages of foodgrains, transportation bottlenecks, vigilance arrangements, monitoring and inspection mechanism.
- analyse the pattern of off take of foodgrains and to evaluate the resultant welfare gains.

Audit Criteria

3.3.5 The criteria for assessing the achievement of the objectives were as under:

- Instructions issued by the Food Corporation of India, State Government and Government of India.
- Principles laid down by the Government of India for identification of beneficiaries.
- Prescribed scale of issue of foodgrains to the beneficiaries.
- Take off of foodgrains against allotment/ requirement.
- Instructions of the State Governments for distribution of the foodgrains to the beneficiaries.

Audit Methodology

3.3.6 The performance audit began with audit engagement by an entry conference (15 July 2005) attended by the Secretary, Food and Civil Supplies Department and other subordinate officers. This was supplemented by discussions between senior level officers of the Department and the Accountant General (Audit). At the end, an exit conference was held

¹ Kohima, Dimapur and Mokokchung

(7 October 2005) which was attended by the Secretary and other officers responsible for implementation of the schemes. The review was finalised after taking into consideration the points put forth by the department during the exit conference.

The data, information etc. collected from the office of the Director, Food and Civil Supplies, district supply offices, public distribution centres and fair price shops were analysed and audit findings arising therefrom are given in the succeeding paragraphs.

Physical performance

3.3.7 There was short lifting of 18.25 MT rice against allotment made for the beneficiaries living below the poverty line during 2000-01.

There was short lifting of six MT wheat against allotment made for the beneficiaries under Antyodaya Anna Yojana during 2003-04.

There was delay ranging from one to 32 months in lifting and distribution of rice under Annapurna scheme during the period 2000-2003

Procurement

3.3.8 There was no decentralized procurement system in Nagaland upto 2003-04. The Department of Food and Civil Supplies, in collaboration with the Food Corporation of India (FCI), launched a paddy procurement programme in November 2004. Under the programme, paddy (common grade) was being procured at Minimum Support Price of Rs.560 per qtl through private agencies appointed by the State from four identified surplus pockets of the State. The payment to the farmers for paddy was made by the State appointed agencies. Further, the appointed agencies arranged for milling of paddy and supplied the Custom Milled Rice (CMR) to the Food Corporation of India at the rate fixed by the Government of India for Nagaland. The payment for rice was made by the Food Corporation of India to the agencies. Thus, the State Government had no financial involvement in respect of procurement of paddy/rice. During the kharif marketing season 2004-05, the agencies procured 15,982.32 MT paddy and 10,708.15 MT Custom Milled Rice (CMR) was supplied to Food Corporation of India (FCI).

Identification of Targeted Beneficiaries

Delay in identification of families living Below Poverty Line (BPL)

3.3.9 Identification of beneficiaries was to be made by conducting surveys involving Gram Panchayats/Sabhas/Village Councils/Town Committees etc. to ensure that only persons belonging to the target group were selected.

The Expert Group appointed by the Planning Commission projected 1,24,000 families living below the poverty line comprising of 40.86 per cent of the total population of Nagaland as on 1 March 2000. The State Government, however, could not identify 1,24,000 families below the poverty line in time and

considered only 96,000 families under below the poverty line from April 2000 to July 2001. The Government/department could identify the remaining 28,000 below poverty line families only from August 2001 onwards i.e., after a period of 16 months. The details are given below:

Table No. 3.3.1

Year	Period	BPL families to be identified as per the Expert Group	State Government identified BPL families	No. of BPL families deprived of
2000-01	4/2000 to 3/2001	1,24,000	96,000	28,000
2001-02	4/2001 to 7/2001	1,24,000	96,000	28,000

(Source: Departmental figures)

Admitting this fact, the department stated (October 2005) that the process of identification of these families done by the Rural Development Department was exhaustive and time consuming resulting in delay in identification.

Thus, due to non-identification of families living below poverty line in time, 28,000 families were deprived of the benefits under the scheme from April 2000 to July 2001.

Population as per census 2001 was not considered

3.3.10 The Expert Group considered only 1,24,000 'Below Poverty Line' families which comprise 40.86 per cent of the population as on March 2000 i.e., 16.84 lakh population considering 5.57 members in each family.

As the population of Nagaland State as per census 2001 was 19.90 lakh, taking into account the basis of the Expert Group methodology mentioned above, 1,45,984 families should come under below poverty line. No survey was conducted by the Government/department for the identification of actual number of families living below poverty line.

Extra burden of Rs.2.23 crore due to delay in identification of Antyodaya families

3.3.11 According to the Antyodaya Anna Yojana Guidelines (issued in December 2000), the State Government was required to complete the identification of beneficiaries within a period of two months so that allocation of food grains could be made by Government of India to the State Government for distribution to the Antyodaya families through fair price shops.

For Nagaland, the expert group limited the number of Antyodaya families to 18,900 which was revised to 28,500 in June 2003 and identification of additional 9,600 (i.e. 28,500-18,900) was to be completed within one month. Again, the Government of India expanded this scheme to 37,600 families with effect from August 2004.

Test check of records revealed that the department could not identify the Antyodaya families within the time frame prescribed by Government of India. Details are as under:

Table No.3.3.2

Guidelines/ instructions issued	Number of Antyodaya families to be identified	Prescribed date of identification	Number of Antyodaya families identified	Month by which identification completed	Delay
December 2000	18,900	Two months upto March 2001	18,900	September 2001	Six month
June 2003	9600 (Additional)	One month upto July 2003	9,600	November 2003	Four months
March 2004	9100 (Additional)	Upto July 2004	Not identified (upto March 2005)	---	Eight months (upto 3/05)

(Source: Departmental figures)

There were delays ranging from four to eight months in identification of Antyodaya families, and as a result the beneficiaries had to purchase the food grains at the rate prescribed for families living below the poverty line. The details are given below:

Table No. 3.3.3

No. of families to be benefited	Period	No. of month	Quantity of foodgrains for each family		Difference in rate for BPL & AAY		Extra cost (Rs.)			
			Rice (Kg.)	Wheat (Kg.)	Rice (Rs. Per Kg.)	Wheat (Rs. Per Kg.)	Rice (Rs.)	Wheat (Rs.)	Total amount (Rs.)	
18,900	4/01 to 6/01	3	15	5	3.15	4.65	26,79,075	13,18,275	39,97,350	
18,900	7/01 to 9/01	3	20	5	3.15	4.65	35,72,100	13,18,275	48,90,375	
9,600	8/03 to 11/03	4	28	7	3.15	4.65	33,86,880	12,49,920	46,36,800	
9,100	8/04 to 3/05	8	28	7	3.15	4.65	64,20,960	23,69,640	87,90,600	
								Total :-	2,23,15,125	

(Source: Departmental figures)

Thus, the Antyodaya families had to bear an extra burden of Rs.2.23 crore due to purchase of foodgrains at the rate prescribed for families living below poverty line instead of the rate fixed under the Antyodaya Anna Yojana (AAY) owing to delay in identification of these beneficiaries by the department.

The department admitted (October 2005) that there was delay in identification of Antyodaya families which resulted in delay in implementation of the scheme:

Issue of Ration Cards

3.3.12 Distinct ration cards were required to be issued to beneficiaries living below poverty line, above poverty line, Antyodaya families and Annapurna beneficiaries who were to be issued foodgrains as per the norm (rate and quantity) prescribed. Accordingly, the department printed distinct ration cards

(each time for two financial years) and transferred them to the concerned district officers for issuing to the identified beneficiaries. The following points were noticed in audit:

Less issue of Ration Cards to the beneficiaries living Below Poverty Line (BPL)

3.3.13 During test check of records it was noticed that 87,503 and 99,743 ration cards were issued to the district officers² for the period 2000-01 and 2001-03 respectively. But the total number of beneficiaries for whom foodgrains were lifted during these periods could not be covered through issue of ration cards during 2000-2003. Details of ration cards printed, issued and number of beneficiaries are as below:

Table No. 3.3.4

Year for which BPL Ration cards printed	No. of ration cards printed	Total No. of ration cards issued	Beneficiaries identified		No. of beneficiaries without having Ration cards
			Period	Total no.	
2000-01	1,00,000	87,503	4/2000 to 3/2001	96,000	8,497
2001-02	1,00,000	99,743	4/2001 to 7/2001	96,000	---
			8/2001 to 9/2001	1,24,000	24,257
			10/2001 to 3/2002	1,05,100	5,357
2002-03	---	99,743	4/2002 to 3/2003	1,05,100	5,357

(Source: Departmental figures)

Some identified beneficiaries living below poverty line were thus not issued distinct BPL ration cards.

On this being pointed out in audit, the department stated (October 2005) that during 2000-01 due to oversight only 87,503 was mentioned as issue of ration cards instead of 96,292. The department also stated that ration cards were issued between August-September 2001 from old stock. The reply of the department is not tenable since test check of records in respect of three districts revealed that there was less issue of ration cards in comparison to identified BPL beneficiaries, as given below:

² Additional Director of Supply (ADS), Supdt. of Supply (SOS).
The decrease in BPL beneficiaries is due to 18,900 beneficiaries being covered under Antyodaya Anna Yojana.

Table No. 3.3.5

Name of district	Ration card issued		Beneficiaries identified		No. of beneficiaries without having ration cards
	Year	Nos.	Period	No.	
Dimapur	2000-01	12,000	4/2000 to 3/01	14,138	2,138
	2001-02	14,138	4/01 to 7/01	14,138	---
			8/01 to 9/01	17,918	3,780
			10/01 to 3/02	15,138	1,000
2002-03	14,138	4/02 to 3/03	15,138	1,000	
Mokokchung	2000-01	10,000	4/2000 to 3/01	12,320	2,320
	2001-02	13,070	4/01 to 7/01	12,320	---
			8/01 to 9/01	15,495	2,425
			10/01 to 3/02	13,070	---
2002-03	13,070	4/02 to 3/03	13,070	---	
Kohima	2000-01	6,900	4/2000 to 3/01	10,500	3,600
	2001-02	11,250	4/01 to 7/01	10,500	---
			8/01 to 9/01	13,315	2,065
			10/01 to 3/02	11,250	---
2002-03	11,250	4/02 to 3/03	11,250	---	

(Source: Departmental figures)

Lifting of foodgrains from Food Corporation of India (FCI) for Below Poverty Line families without issuing ration cards to them

3.3.14 Test check of records of the Directorate revealed that 6,278.37 MT foodgrains were lifted from Food Corporation of India and were shown as distributed in utilisation certificates during 2000-03 to those families living below poverty line to whom no ration cards were issued. Details are as below:

Table No. 3.3.6

Year	Foodgrains lifted and shown as distributed			Requirement of foodgrains			Qty. of foodgrains lifted for those beneficiaries to whom no Ration cards issued (MT)		
	No. of beneficiaries for which foodgrains lifted	Rice (MT)	Wheat (MT)	Total (MT)	No. of beneficiaries to whom Ration cards issued	Rice (MT)		Wheat (MT)	Total (MT)
2000-01	96,000	18,461.75	4560.00	23021.75	87503	15,750.54	5,250.18	21,000.72	2,021.03
2001-02	96,000 (4/01 to 7/01)	24,185.00	5,937.00	30122.00	96,000 (4/01 to 7/01)	22,198.88	5,909.72	28,108.60	2,013.40
	1,24,000 (8/01 to 9/01)				99,743 (8/01 to 3/02)				
	1,05,100 (10/01 to 3/02)								
2002-03	1,05,100	35448.00	8688.00	44136.00	99743	33,513.65	8378.41	41,892.06	2,243.94
Total :-		78,094.75	19,185.00	97,279.75		71,463.07	19538.31	9,1001.38	6,278.37

(Source: Departmental figures)

Thus, 6,278.37 MT foodgrains involving subsidy amounting to Rs.3.95 crore (details in **Appendix-XXVI**) were lifted and shown as distributed to families living below poverty line during 2000-03 without issuing ration cards to them. The possibility of diversion of food grains to the open market cannot be ruled out in these cases.

Issue of Antyodaya Ration Cards without requirements

3.3.15 Test check of records revealed that 1,450 ration cards were issued (13 August 2003) to the Superintendent of Supply (SOS), Dimapur for 1,400 additional Antyodaya families identified in the district. Further scrutiny revealed that 200 Antyodaya Ration Cards were issued to Civil Supply Officer, Nuiland, Dimapur in January 2004 without any requirement and the same were not accounted for in the stock register. The possibility of misutilisation of these ration cards could not be ruled out.

On this being pointed out by Audit the department stated (October 2005) that 200 Antyodaya Anna Yojana ration cards issued against Civil Supply Officer (CSO), Nuiland was incorrectly entered twice. The reply of the department is not tenable because it was not merely a case of the same issue being entered twice in the records, but 200 additional Antodaya Anna Yojana ration cards being issued at later date without any requirement.

Distribution of foodgrains

Foodgrains not distributed as per the scale prescribed by the Government of India

3.3.16 There were excess lifting of rice and short lifting of wheat during 2000-05 in comparison to requirement assessed.

Below Poverty Line (BPL)

3.3.17 Year-wise position of requirement and lifting foodgrains are as below:-

Table No. 3.3.7

(Quantity in MT)

Year	Requirement			Lifted and shown as distributed			Short (-) Excess (+)		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2000-01	17280.00	5760.00	23040.00	18461.75	4560.00	23021.75	(+) 1181.75	(-) 1200.00	(-) 18.25
2001-02	23812.00	6313.00	30125.00	24185.00	5937.00	30122.00	(+) 373.00	(-) 376.00	(-) 3.00
2002-03	35313.60	8828.40	44142.00	35448.00	8688.00	44136.00	(+) 134.40	(-) 140.40	(-) 6.00
2003-04	34238.40	8559.60	42798.00	34376.00	8416.00	42792.00	(+) 137.60	(-) 143.60	(-) 6.00
2004-05	32088.00	8022.00	40110.00	32232.00	7872.00	40104.00	(+) 144.00	(-) 150.00	(-) 6.00
Total	142734.00	37483.00	180215.00	144702.75	35473	180175.75	(+) 1970.75	(-) 2010	(-) 39.25

(Source: Departmental figures)

There was excess lifting of rice varying from 134 MT to 1,181.75 MT and short lifting of wheat varying from 140.40 MT to 1200 MT during 2000-05 in comparison to requirement. Thus, it was evident that the foodgrains were not distributed to the beneficiaries as per the scale/norms fixed by the Government of India.

Further, there was less allotment, lifting and distribution of total quantity of foodgrains in comparison to the requirement varying from three MT to 18.25 MT. Thus, some beneficiaries were getting less foodgrains under this scheme or were not getting foodgrains at all.

Antyodaya Anna Yojana (AAY)

3.3.18 Year wise position of requirement and lifting of food grains are as below:-

Table No. 3.3.8

Year	Requirement			Lifting			(In MT) Short (-) / Excess (+)		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	2268.00	567.00	2835.00	2280.00	555.00	2835.00	(+) 12.00	(-) 12.00	--
2002-03	6350.40	1587.60	7938.00	6384.00	1560.00	7944.00	(+) 33.60	(-) 27.60	(+) 6.00
2003-04	7425.60	1856.40	9282.00	7456.00	1826.00	9282.00	(+) 30.40	(-) 30.40	---
2004-05	9576.00	2394.00	11970.00	9600.00	2376.00	11976.00	(+) 24.00	(-) 18.00	(+) 6.00
Total	25620.00	6405.00	32025.00	25720.00	6317.00	32037.00	(+) 100.00	(-) 88.00	(+) 12.00

(Source: Departmental figures)

There was excess lifting of rice varying from 13 MT to 33.60 MT and short lifting of wheat varying from 12 MT to 30.40 MT in comparison to requirement assessed. Thus, it is evident that foodgrains were not distributed to Antyodaya families as per the scale prescribed by Government of India. Further, 6 MT foodgrains were lifted in excess of requirement of beneficiaries identified, during 2002-03 and 2004-05.

The department stated (October 2005) that there was no specific scale and Government of India allots the required quantity of foodgrains which is a combination of rice and wheat. The quantity of rice and wheat lifted may vary to some extent but in any case does not exceed the quota given by Government of India. The reply is not tenable since Government of India prescribed specific scales for rice and wheat.

Delay in lifting and distribution of foodgrains**Annapurna Scheme**

3.3.19 During test check of records it was noticed that there were delays in lifting and distribution of rice varying from one month to 32 months under Annapurna scheme as detailed below:

Table No. 3.3.9

Year	No. of beneficiaries	Allotment quantity (MT)	Lifting and distribution			Delay
			Period	Quantity (MT)	Month in which rice lifted	
2000-01	2600	312.00	4/2000 to 3/2001	312.00	3/2001	1 to 11 months
2001-02	6727	807.24	4/2001 to 9/2001	403.62	11/2001	2 to 8 months
			10/2001 to 3/2002	403.62	9/2002	7 to 12 months
2002-03	6727	807.24	4/2002 to 3/2003	807.24	11/2004	20 to 32 months

(Source: Departmental figures)

Thus, during 2000-01, the entire annual requirement of rice for the senior citizens (aged 65 years and above) was lifted and distributed to them at the end of the year, in March 2001.

Similarly, for 2002-03, the entire quantity of rice was lifted and distributed 20 months later.

In response to an audit query, the department stated (October 2005) that beneficiaries under Annapurna scheme are scattered throughout the State and it is practically not possible to distribute rice monthly to the beneficiaries since hiring of vehicle to carry small quantity of rice to distant village was not cost effective. During 2002-03 rice for the beneficiaries could not be lifted due to expiry of the validity period.

The reply is not tenable as the issue of rice in bulk at one time at the end of the period had caused undue hardship to the beneficiaries and did not further the objective of the scheme.

Antyodaya Anna Yojana (AAY)

3.3.20 Test check of the records of Kohima district revealed that there were delays varying from three months to eight months in distribution of foodgrains under Antyodaya Anna Yojana. Details are as below:

Table No. 3.3.10

Sl. No.	Months for which allotment made	Month in which foodgrains distributed	Delays
1	September 2002	April 2003	six months
2	October 2002	April 2003	five months
3	November 2002	April 2003	four months
4	December 2002	April 2003	three months
5	September 2003	June 2004	eight months
6	October 2003	June 2004	seven months

(Source: Departmental figure)

Delay in distribution of foodgrains to Antyodaya families resulted in non-achievement of the objectives of the scheme.

Non distribution of atta to the beneficiaries living Below Poverty Line

3.3.21 During test check of records (utilisation certificates etc.) revealed that 45 MT of atta for the period from February to June 2001 could not be lifted from the stockists in respect of one public distribution centre i.e., Chephobozou, Kohima district due to ongoing repairing work of godown, and the same was disposed off to the public.

Thus, 45 MT of atta earmarked for beneficiaries living below poverty line were diverted to open market. Also Rs.2.07 lakh being the differential cost was not recovered from the stockist.

On this being pointed out in audit, the department stated (October 2005) that the matter had been taken up with the stockist for recovery of the differential cost but final recovery details were yet to be received.

Undue benefits to millers resulting in extra burden of Rs.60.66 lakh on BPL families

3.3.22 According to norms, 93 per cent is to be the recovery of atta from wheat. But the State Government fixed the percentage of recovery of atta from wheat at 90 per cent only. This resulted in less recovery of atta and undue benefit of Rs.61.83 lakh to millers. In addition, due to less recovery of atta the price at the fair price shop was also increased by Rs.19 per quintal. Details are as under:

Table No. 3.3.11

Year	Quantity of wheat lifted by stockist	Recovery of atta at 93% (according to prescribed norms)	Recovery of atta at 90% (fixed by the State Government)	Less recovery of atta compare to norms prescribed	Cost of less recovery of atta @ Rs.581 ³ per qtl	(Quantity in Quintal)
						Escalation in cost due to less recovery of atta (Rs.)
2000-01	45600.00	42408.00	41040.00	1368.00	794808.00	Cost of atta at 90% recovery 523/90 =Rs. 5.81 per Kg Cost of atta at 93% recovery i.e.,523/93 =Rs. 5.62 per kg. Escalated price 5.81-5.62 = Rs 0.19/kg.
2001-02	59370.00	55214.10	53433.00	1781.10	1034819.10	
2002-03	86880.00	80798.40	78192.00	2606.40	1514318.40	
2003-04	84160.00	78268.80	75744.00	2524.80	1466908.80	
2004-05	78720.00	73209.60	70848.00	2361.60	1372089.60	
Total	354730.00	329898.90	319257.00	10641.90	6182943.90	

Test check of records revealed that 3,19,257 quintal atta had been distributed to families living below poverty line during 2000-05 at the enhanced price which resulted in extra burden of Rs.60.66 lakh to beneficiaries.

Excess handling charge amounting to Rs.24.98 lakh paid to stockist

3.3.23 As per clause 14 of the deed of agreement executed between the department and the stockist during the year 2002-05 in respect of wheat for beneficiaries living below the poverty line, the stockist was to run the business at his own risk and cost at the handling commission of Rs.10 per quintal.

2,49,760 quintal of wheat was handled by the stockists during 2002-05. The department, however, allowed handling charge of Rs.20 per qtl instead of Rs.10 per qtl as per the deed of agreement. This resulted in payment of excess amount of Rs.24.98 lakh to the stockist as handling charge.

On this being pointed out in audit, the department stated (October 2005) that through oversight agreement form meant for wheat in respect of families living above poverty line was used for wheat for families living below poverty line. The reply of the department is not tenable since as per deed of agreement of both categories the rate of handling charge allowed was Rs.10 per qtl. Steps need to be initiated to recover the excess payment made to the stockist.

³ CIP of 100 kg wheat	Rs.415
Milling charge	Rs.108
Cost of 90 kg of atta (at 90% recovery)	Rs.523
Cost of 100 kg of atta	Rs.581

Avoidable expenditure of Rs.19.22 lakh on transportation of Rice for beneficiaries living Below Poverty Line

3.3.24 Scrutiny of records in respect of transportation charge for carrying rice for beneficiaries living below poverty line revealed that the allotted quantity of rice for Longleng district was lifted from a distant food storage depot (FSD) located at Dimapur instead of food storage depot, Mokokchung, which is nearest to the various distribution centres of Longleng District. The lifting and carrying of 56,813.60 qtl rice for Longleng District from a distant food storage depot resulted in extra burden of Rs.19.22 lakh to the Government (details in *Appendix-XXVII*).

Hill Transport Subsidy (HTS)

3.3.25 Hill Transport Subsidy is reimbursable by the Government of India on actual expenditure incurred by the State towards the cost of transportation of foodgrains under Antyodaya Anna Yojana and rice for beneficiaries living below the poverty line. The cost of transportation from the base station identified by Food Corporation of India to the fair price shop is to be reimbursed in full by Government of India. Out of 73 Public Distribution Centres (PDCs) in the State, only 11 public distribution centres are eligible for reimbursement of hill transport subsidy.

Under Antyodaya Anna Yojana (AAY), the State Government incurs 100 *per cent* of transportation cost, whereas in the case of rice for beneficiaries living below the poverty line a part of the transportation cost (Rs.35 per qtl) is being collected from the beneficiaries.

Non-settlement of Hill Transport Subsidy (HTS) claim in respect of transportation of foodgrains under Antyodaya Anna Yojana (AAY)

3.3.26 The Director of Food and Civil Supplies has submitted the Hill Transport Subsidy (HTS) claim for Rs.34.98 lakh to the Food Corporation of India (FCI), acting on behalf of Government of India for the period October 2001 to August 2003, during December 2002 to March 2005 for settlement (details in *Appendix-XXVIII*). But the said claim is yet to be cleared by the FCI (September 2005). The department's funds are thus locked up with the FCI.

Reasons for non clearance of claims for reimbursement of hill transport subsidy were neither found on record nor stated.

Non submission of claim of Hill Transport Subsidy (HTS) for rice in respect of beneficiaries living Below the Poverty Line (BPL)

3.3.27 Test check of records revealed that against total transportation cost of Rs.3.56 crore, the department paid Rs.1.78 crore to the carriage contractors during 2000-05 for lifting rice in respect of 11 public distribution centres eligible for reimbursement of hill transport subsidy. The total liability of transportation cost and the actual payment made to the carriage contractors are given below:

Table No. 3.3.12

Years	Total quantity of rice lifted in respect of 11 PDC (qtl.)	Total amount of claim in respect of transportation charge (Rs.)	50 per cent of transportation charge paid (Rs.)
(1)	(2)	(3)	(4)
2000-01	83,793.60	41,84,160	20,92,080
2001-02	1,09,600.50	58,13,614	29,06,807
2002-03	1,65,432.00	89,60,352	44,80,176
2003-04	1,60,528.00	86,94,288	43,47,144
2004-05	1,48,056.00	79,77,120	39,88,560
Total	6,67,410.10	3,56,29,534	1,78,14,767

(Source: Departmental figures)

The department was required to meet the full cost of transportation of foodgrains before the claim for reimbursement of expenditure could be preferred. The State paid only 50 per cent of the transportation charge (Rs.1.78 crore) as detailed above. Had the department paid the balance of Rs.1.78 crore of transportation charges, a claim for Rs.3.56 crore as hill transport subsidy could have been preferred on Government of India.

Thus, due to improper planning in making payment, the department failed to claim subsidy amounts of Rs.3.56 crore from the Government of India.

Distribution of foodgrains to the people living Above Poverty Line (APL)

Assessment of allotment and lifting the foodgrains

3.3.28 Year-wise position of allotment and lifting of foodgrains is given below:

Table No. 3.3.13

Year	Allotment		Lifting and distributed		Short (-) / Excess (+)	
	Rice	Wheat	Rice	Wheat	Rice	Wheat
2000-01	115560.00	18480.00	2375.24	---	(-) 113184.76	(-) 18480.00
2001-02	115560.00	18480.00	334.40	12320.00	(-) 115225.60	(-) 6160.00
2002-03	50947.00	22556.00	4470.02	22556.00	(-) 46476.98	---
2003-04	37332.00	47500.00	21308.28	47500.00	(-) 16023.72	---
2004-05	44040.00	78000.00	19010.29	78000.00	(-) 25029.71	---
Total	363439.00	185016.00	47498.23	160376		

(Source: Directorate records)

There was short lifting of rice during 2000-05 and short lifting of wheat during 2000-02. On this being pointed out in audit, it was stated (October 2005) by the department that higher Central Issue Price (CIP) than the market price and inferior quality of foodgrains resulted in low off-take.

Short deposit of cost of ration cards for families living Above Poverty Line amounting to Rs.16.67 lakh

3.3.29 Scrutiny of stock register of ration cards revealed that, 1,52,903 number ration cards were issued during 2000-05 to different districts/centres from the Directorate office. An amount of Rs.13 was to be charged on the issue of each ration card. An amount of Rs.19,87,739 was to be received on this account.

However, only Rs.3,21,178 was deposited and the balance amount of Rs.16,66,561 was not deposited till the date of audit.

Non submission of utilisation certificates regarding distribution of APL wheat and rice

3.3.30 During test check of records of Director Food and Civil Supply, it was noticed that against the allotment of 1,85,016 MT wheat and 3,63,439 MT rice during 2000-05, 1,60,376 MT wheat and 47,498 MT rice were lifted by the State appointed stockist, while 1,47,788 MT wheat and 32,588 MT rice was shown issued on the basis of permits issued by the State Government.

In reply, the State Government stated (October 2005) that foodgrains of better quality were available in the open market at the APL rate which resulted in less lifting by the APL stockist.

Utilisation certificates were not furnished either by the stockists or by the permit holders appointed by the State Government. No response was, however, received from the State Government about outstanding utilisation certificates.

Function of Fair Price Shops (FPS)

3.3.31 408 Fair Price Shops (202 rural and 206 urban) are functioning in the State as of March 2005. Apart from this, all Village councils are also acting as fair price shops to facilitate easy collection by the rural beneficiaries.

During test check (August – September 2005) of 30 fair price shops in three districts⁴, the following common irregularities were noticed:

- None of the fair price shops as well as Village Councils were submitting monthly reports/returns to the concerned officers.
- Ration cards register and stock register were not maintained.
- Cash memos were not being issued to the consumers.
- None of the fair price shop owners is displaying the details of the foodgrains such as stock position, rate, number of ration card holders etc.

Quality control

3.3.32 Foodgrains supplied under Targeted Public Distribution system (TPDS) through fair price shops were required to be of good quality. The State Government was required to monitor supply and issue at every stage to ensure that foodgrains were of good quality.

The State Government has no mechanism/arrangement for checking of foodgrains supplied from Food Corporation of India to fair price shops.

⁴ *Kohima, Dimapur and Mokokchung.*

Monitoring and Evaluation

3.3.33 Vigilance committees were constituted at Fair Price Shops, Block and District level. Neither was any meetings held nor were periodical inspection/surprise checks conducted by the vigilance committees. “Task Force Teams” for surprise checks were also not constituted.

The department had not carried out any evaluation of the impact of the schemes either by themselves or through outside agency.

Thus, monitoring of distribution and of quality of foodgrains etc. by the vigilance committee was ineffective.

Conclusion

3.3.34 The purpose of implementation of various schemes under Targeted Public Distribution System (TPDS) is to provide food security to economically weaker and vulnerable sections of society at subsidised prices. Performance audit revealed the following deficiencies.

- Delay in identification of beneficiaries.
- Non issue of ration cards to identified beneficiaries in time.
- Extending of undue benefit to millers by allowing less recovery of atta from wheat resulting in extra burden to beneficiaries.
- Delay in lifting and distribution of foodgrains to the beneficiaries.
- Non existence of any mechanism for checking the quality of foodgrains supplied to the beneficiaries.
- Non-maintenance of records of the foodgrains lifted and distributed by the stockists and FPS.

The objectives of the targeted public distribution system could not be achieved due to these deficiencies in the system.

Recommendations

3.3.35 The following recommendations are made:

- ❖ Arrangements should be made for timely identification of targeted beneficiaries and distribution of foodgrains to them in time.
- ❖ An effective mechanism should be established for monitoring the working of stockists and fair price shops.
- ❖ Proper arrangement should be made for lifting the foodgrains from the nearest food storage depot, which will reduce the transportation cost.

- ❖ Foodgrains quality checking mechanism should be established and enforced.
- ❖ Proper records should be kept by Stockists and FPS of the foodgrains lifted and distributed.

The matter was reported to the Government; reply had not been received (November 2005).

CHAPTER – IV

AUDIT OF TRANSACTIONS

CHAPTER – IV

AUDIT OF TRANSACTIONS

POWER DEPARTMENT

4.1 Idle investment

Likimro Hydro Electric Project completed at a cost of Rs.215.88 crore (a cost overrun of Rs.169.07 crore) remained non operational for two and a half years after its commissioning resulting in the Department spending Rs.43.92 lakh on salary of idle staff besides losing out on potential revenues of Rs.20.40 crore.

Government of Nagaland in October 1988 sanctioned the Likimro Hydro-Electric Power Project at a cost of Rs.46.81 crore. The project comprising three generating units each of eight MW capacity and anticipated to generate net revenues of Rs.8.16 crore¹ per year was scheduled for commencement and completion by January 1989 and March 1993 respectively.

Test check (April 2005) of the records of the Executive Engineer (Electrical) Construction Division, Likimro revealed that the project commenced in 1990-91 and was completed in February 2002 at a cost of Rs.215.88 crore - a time and cost overrun of almost nine years and Rs.169.07 crore (361 per cent) respectively.

Generating units I and II were commissioned in February 2002 but broke down from August 2002 and September 2002 respectively while unit III is yet to be commissioned owing to a contractual dispute. The National Hydro Electric Power Corporation Ltd. inspected the project in March 2003 and reported that poor performance of indigenously sourced auxiliary systems coupled with engagement of operation and maintenance staff without adequate training were the reasons for the outage of the Power House. Apart from placing (August 2004) a revival proposal before the State Planning Board, nothing concrete was done by the Department as of April 2005 to re-commission/revive the project.

It was further noticed that 29 technical personnel deployed to operate and maintain units I and II remained idle since the units became non operational. From September 2002 to April 2005, the Department incurred an expenditure of Rs.43.92 lakh on pay and allowances of this staff.

Thus flawed execution, operation and maintenance of the project costing the public exchequer Rs.215.88 crore with considerable time and cost over run

¹ Rs. 8.16 crore = 72 Mega Unit (total power generation at 70% plant load factor less 0.5% auxiliary loss) per year @ Rs. 2.70 per unit less 58% system loss.

resulted in the venture failing to take off even two and a half years after its commissioning. The Department spent Rs.43.92 lakh on salary of idle staff besides losing out on potential revenues of Rs.20.40 crore² for the period from October 2002 to March 2005. Incidentally, it may be pointed out that Nagaland is a power deficit State and during 2004-05 alone, the State imported almost 100 *per cent* (300.92 MU) of its energy requirement at a cost of Rs.67.37 crore.

The Government in reply (September 2005) accepted the facts and stated that restoration and commissioning of all three units would be geared up and was expected to be completed by September 2005. The Government further stated that the idle staff were deployed for maintenance of transmission lines of the same Division. The reply of the State Government is not tenable as the staff was employed for this project and not for maintenance work which was to be handled by maintenance staff employed for the purpose. The Government reply is, however, silent about the resulting loss of revenue and the steps taken to train the workforce in operating and maintenance of hydel project.

HEALTH AND FAMILY WELFARE DEPARTMENT

4.2 Irregular diversion of funds

Central allocation of Rs.2.68 crore was diverted for salary payments in violation of the directives of the Government of India.

The Government of India (GOI) in May 2002³ while provisionally allocating Rs.10.35 crore for 2002-03 to Nagaland under the centrally sponsored scheme 'Family Welfare Programme' (FWP) laid down that expenditure for the schemes 'Rural Family Welfare Centres' (RFWC), 'Post Partum Centres' (PPC) 'Village Health Guide' (VHG) and 'Male Health Worker' (MHW) was not to be met from the allocation as these schemes stood transferred to the States from 2002-03 onwards.

Test check (July 2004) of records (November 2001 to July 2004) of the Director of Health Services, Nagaland revealed that against the provisional allocation of Rs.10.35 crore, Government of India actually released Rs.8.55 crore under the FWP in four installments to the State Government during 2002-2003. Out of this amount, the department, in violation of Government of India instructions, irregularly diverted Rs.2.68 crore towards salary payments of the staff and officers of RFWC (Rs.1.73 crore), PPC (Rs.0.25 crore) and MHW (Rs.0.70 crore). The diversion of as much as 31 *per cent* of the allocation received during 2002-03 impacted the implementation of the FWP in the State. This also had the effect of transferring Central resources allocated for improving the quality of life of the

² 2002-03-Rs.4.08 crore
2003-04-Rs.8.16 crore
2004-05-Rs.8.16 crore.

³ GOI, Ministry of Health and Family Welfare, Department of Welfare letter No. M.11018/1/2002-FWB dated 6 May 2002

State citizens to meet liabilities which the State Government should have borne from its own finances. This action of the Department was in clear violation of the directions received from Central Government.

In reply, (November 2005) the Government admitted the facts and stated that due to funds constraints, the Government could not provide fund to meet these expenditures during 2002-03.

4.3 Unproductive expenditure

The functioning of the State Public Health Laboratory, which cost taxpayers Rs.1.97 crore between April 2001 and June 2004, was ineffectual due to non-availability of a Public Analyst.

The 'State Food Laboratory' at Kohima was set up in 1983 under the Department of Health and Family Welfare. It was re-designated 'State Public Health Laboratory' (SPHL) in 1995. The main objective of the SPHL is to ensure the quality of food products in the State. Food Inspectors in the districts collect food samples and send them to the State Public Health Laboratory for analysis and in the event of any sample being found adulterated, legal action is required to be initiated against the offenders on the basis of report furnished by the Public Analyst (PA).

Test check (July 2004) of records (April 2001 to June 2004) of the State Public Health Laboratory and subsequent information collected (June 2005) revealed that during the years 2000 to 2005 the Laboratory had analysed 782 food samples, of which 38 were found adulterated, 28 were substandard and 15 were misbranded. The year-wise position was as below:

Table 4.1

Year	No. of samples analysed	No. of samples found		
		Adulterated	Substandard	Misbranded
2000	101	4	3	3
2001	101	4	1	2
2002	155	8	2	5
2003	160	6	2	4
2004	152	11	9	Nil
2005	113	5	11	1
Total	782	38	28	15

(Source: Data furnished by the State Public Health Laboratory)

It was further noticed in audit that during 2000-05 the State Public Health Laboratory did not have a Public Analyst (PA) on its roll. Under Section 13 of the Prevention of Food Adulteration Act 1954, and Rule 7 of the Prevention of Food Adulteration Rule 1955, only on receipt of the PA's report within a period of forty days from the date of receipt of samples to the effect that the food article is adulterated can the health authorities launch legal action/prosecution proceedings against the adulterators. Thus, the absence of a PA in the State Public Health Laboratory defeated the very purpose for

which the Laboratory was set up. The State Public Health Laboratory brought this deficiency to the notice of the Government (July 2001) and recommended for appointment of the PA on several occasions but no action was taken by the Government as of March 2005. The collection/analysis of food samples over the years therefore, had served no useful purpose. Against this backdrop, the outgo of Rs.1.97 crore between 1999-2000 and 2004-05 on salaries and other expenses at the Laboratory was an unproductive expenditure.

In reply (November 2005) the Government stated that steps are being initiated to activate the functions of State Public Health Laboratory.

4.4 Expenditure on idle staff

The Health and Family Welfare Department incurred an expenditure of Rs.25.45 lakh on pay and allowances of eight Para Medical Training Institute staff who were without work.

Para Medical Training Institute (PMTI), Kohima, was established (1970) under the Health and Family Welfare Department to impart training to various paramedical staff viz, pharmacists, laboratory technicians, health workers, faculties of various training institutes in the State and also to act as a State level apex institute of the Health and Family Welfare Department.

Scrutiny of records (April 2005) of the Principal, PMTI (July 2000 to March 2005) revealed that no training was conducted by the Institute since 2002-2003. The Health and Family Welfare Department, accordingly, shifted (July 2002) the faculty members (Medical Officers) to a Government hospital at Kohima (Naga Hospital). However, the Principal and other supporting technical staffs were retained in the Institute as on the date of audit (April 2005) without any assigned work and paid pay and allowances of Rs.25.45 lakh during the period from July 2002 to March 2005.

The Principal, PMTI had proposed to the Government on several occasions to revive the training function of the Institute but did not receive any response.

Thus, failure of the department to revive the functions of the Institute or utilise the services of the eight employees led to the expenditure of Rs.25.45 lakh incurred on the salary of eight idle staff¹ being infructuous.

On this being pointed out, the Principal, PMTI stated (August 2005) that unless and until the funds are made available with concrete direction from the competent authority the revival of the Institute is not possible.

In reply, (November 2005) the Government stated that various short term programmes were being conducted at the Institute. The reply is not tenable as these short term conferences/workshops of various programmes were mere

¹ Principal-one, lab Technician-one, Pharmacist-two, Demonstrator-one, Sanitary Inspector-one, lab attendant-one and lady Health visitor-one

utilisation of the space available and not related to the functions of the Institute.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.5 Diversion of funds

The Chief Engineer, Public Health Engineering Department (PHED), Kohima Division diverted Rs.2.05 crore meant for improvement of Water Supply Projects in Kohima town for purchase/repair of departmental vehicles.

Government of Nagaland sanctioned (June 2003) Rs.2.05 crore for water supply projects in Kohima town. Neither the project report nor the technical sanction of the project from the competent authority could be made available to Audit.

Test check (June 2004) of the records of the office of the Executive Engineer (PHED) Kohima revealed that, against the sanction of Rs.2.05 crore for water supply project in Kohima town, Chief Engineer, PHED initiated a proposal (August 2003) for procurement of 20 Mahindra Bolero GLX Invader diesels jeep, seven Tata trucks and two water tankers. The Joint Secretary, PHED conveyed (October 2003) approval of the same without the consent of the Finance Department. Accordingly, Chief Engineer, PHED issued (between October and November 2003) supply orders without observing any codal formalities, to three local firms for delivery of 21 Bolero jeeps, six tata trucks and two water tankers including fabrication works costing Rs.1.75 crore and also issued (November 2003) work orders for repair of existing 20 vehicles including tyre retreading (91 nos.) to another three local firms at a cost of Rs.0.30 crore. The entire payment of Rs.2.05 crore was made by the Executive Engineer, PHED, Kohima Division to the firms concerned between October 2003 and March 2004.

The diversion of funds to unauthorised purposes resulted in depriving the intended benefit of improved water supply to the people of Kohima town for which the funds were actually sanctioned.

In reply, (September 2005) the Government stated that, in anticipation of the Government of India sanctioning Rs.32.35 crore for the same purpose, the Department met their immediate requirement of procurement of vehicles and repairs. The reply is not tenable as the fund was utilised for purposes other than the purpose for which it was sanctioned.

PUBLIC WORKS (R&B) DEPARTMENT

4.6 Blocking of public funds

Injudicious procurement of components for six bailey bridges resulted in blocking of Rs.1.84 crore.

Chief Engineer, Public Works (R&B) Department in February 2000 issued a supply order to Garden Reach Ship Builders and Engineer's Ltd., Kolkata for components for six⁴ Bailey bridges for five PW (R&B) Divisions in Nagaland. The firm supplied the components costing Rs.1.84 crore between August 2000 and April 2003.

Test check (April 2005) of records of the office of the Executive Engineer, PWD (R&B) Division, Dimapur revealed that, the materials were received two to five years back and were lying unutilized and stored in the open outside the store compound, exposed to the vagaries of weather. The Divisional Officer in April 2005 had written to the Chief Engineer PWD(R&B) informing him about the Bailey bridge components lying in his store. However, no action has been taken and the position remained the same as of June 2005.

Thus, injudicious procurement of the Bailey bridges by the Chief Engineer, PWD (R&B) led to blocking of Rs.1.84 crore of public funds. Further, since the components were stored in the open, corrosion of the metal parts must have also set in raising doubts as to whether the equipment was still in condition to be put to its end use.

The matter was reported to the Government (May 2005). The reply is awaited (November 2005).

PUBLIC WORKS (R&B) AND INDUSTRIES & COMMERCE DEPARTMENTS

4.7 Unproductive expenditure

Deployment of staff without work entailed unproductive expenditure of Rs.72.43 lakh.

Test check (April 2005) of records (September 2002 to March 2005) of the Executive Engineer, PWD (R&B) Division, Dimapur revealed that the division during this period had on its roll 20 drivers and 13 handymen against a sanctioned strength of seven drivers and two handymen. The engagement of 13 drivers and 11 handymen in excess of the sanctioned strength could not be justified to Audit. Further, although the division had a fleet of three small cars and three trucks, two trucks were off road since 1994 and the third since 1997.

⁴ (1) Doyang bridge under R&B Division, Dimapur, (2) Kelcho bridge under South Division, Kohima, (3) Dzuu and Dzudza bridges under Construction Division, Chiephobozu, (4) Tizu bridge under Aghunato Division and (5) Tsiyi bridge under Tseminyu Division

Thus, even the sanctioned strength of seven drivers and two handymen was in excess of actual requirement as only three drivers were required for the division's three running vehicles. So the division had surplus manpower of 17 drivers and 13 handymen; the fact of which was never reported to higher authorities. Audit calculated that from September 2002 to March 2005, Rs.31.43 lakh⁵ was incurred on salaries even with reference to the excess staff *vis-à-vis* sanctioned strength.

Test check (August 2004) of records of the District Industries Centre (DIC), Tuensang revealed that the Bee Keeping Farm, Mangakhi and the Citronella Distillation Farm, Sotokur were defunct since 1995-96. Proposals for their revival were initiated by the DIC only in August 2004 on which further progress, as of March 2005, was still awaited. Despite the fact that the two farms had ceased all operations for the past eight years or so there was no evidence to indicate that the department on its part had even once considered productively redeploying the staff elsewhere. During 1995-96 to 2003-04, the actual expenditure incurred by the Bee Keeping and Citronella Distillation Farms on salaries, office expenditure, wages, etc. was Rs.20.68 lakh and Rs.20.32 lakh respectively, which was unwarranted considering that the farms were non-operational.

Thus, in the above cases the public exchequer was burdened with unproductive expenditure of Rs.72.43 lakh⁶ due to the laxity of field functionaries in bringing to the notice of their higher authorities the realities at the ground level. The fact that these situations continued undetected for years together was indicative of the absence of effective control and monitoring mechanisms in the concerned departments.

In response to the audit observation one Department (Industries and Commerce) stated (July 2005) that the farms could not run properly due to fund constraints. Reply from the Public Works Department had not been received.

The matter was reported to the Government (June 2005); reply is awaited (November 2005).

PUBLIC WORKS (HOUSING) DEPARTMENT

4.8 Irregular appointments

The Department irregularly appointed work charged staff and incurred expenditure of Rs.1.51 crore on wages defeating the Government's purpose of effecting economy in spending.

As an economy measure, Finance Department, Government of Nagaland in July 1990 discontinued all contingency appointments. In April 1993 it further

⁵ @ minimum salary of Rs.4245/- per month for driver and Rs.4199/- for handymen for 13 drivers and 11 handymen respectively for 31 months (September 2002 to March 2005).

⁶ Rs.72.43 lakh = Rs. (31.43+20.68+20.32) lakh

banned appointment of work charged staff, substitute appointees, contingency paid staff and casual workers and stipulated that the order was to be strictly complied with. Any officer violating the directive would invite “stern disciplinary action.” In June 1996, Government again imposed a complete ban on appointment of muster roll workers, work charged employees, khalasis etc. in view of the “difficult financial position of the State”.

Scrutiny of records (July 2004) of Central Division, Kohima and Central Division, Chiephobozou of the Works and Housing Department, revealed that work charged staff were appointed between April 1993 and May 2003 in contravention of Government orders and these persons were on continuous employment with the divisions from the dates of their appointment till the time of audit, i.e., July 2004. Further information obtained (October 2005) from one division revealed that a section of these work charged employees had been retained by the division as of March 2005.

The irregular employment of work charged staff in the above two divisions resulted in an outgo of Rs.1.51 crore* on wages defeating the Government’s purpose of effecting economy in expenditure. Further, since the divisions did not maintain a Job Register showing the work done by the work charged staff nor was the cost of their wages charged to any work as required under Para 43(a) of the Nagaland Public Works Accounts Code, their actual deployment and utility could also not be determined by Audit.

The matter was reported to Government in June 2005. The reply is awaited (November 2005).

4.9 Fictitious work

Rs.13.61 lakh was paid for a work which was commenced and completed even before the site was handed over to the contractor.

For construction of one type-D staff quarter, tenders were invited by the Executive Engineer, PWD (Housing) Central Division, Kohima on 12 March 2001. The work, to be completed within 12 months, was allotted on 28 March 2001 to a contractor at 140 *per cent* above the Nagaland PWD Schedule of Rates 1995 (Building) at a cost of Rs.13.61 lakh with the stipulation that work should commence from the 15th day of issue of work order or the date of handing over the site whichever was later.

Name of Division	Total number of work charged employees between April 1993 and May 2003		Expenditure on salaries of work charged staff	
			Calculated upto	Amount (Rs. in lakh)
	On roll in the Division as on May 2004	On roll of the Division as on March 2005		
Central Division, Kohima	140	Not available	May 2004	92.75
Construction Division, Chiephobozou	125	51	March 2005	58.27
Total	265	51		151.02

The Division took over the site of the proposed quarter from the Deputy Commissioner, Kohima in February 2002 and after site demarcation, jungle clearance and construction of approach road, handed over the plot to the contractor in August 2002.

Test check (July 2004) of records of Central Division, P.W.D (Housing) revealed that the contractor commenced the work in December 2001 and completed it on 28 March 2002. On 28 March 2002, (i) the final measurements of the work were taken (ii) contractor's bill for Rs.13.61 lakh passed on the authority of an undated completion certificate issued by the Sub Divisional Officer of the Division and (iii) Rs.9 lakh was paid to the contractor. The balance Rs.4.61 was paid on 28 November 2003.

As the site was handed over to the contractor only in August 2002, the work could not have commenced in December 2001 and been completed by March 2002. This discrepancy, the undated completion certificate and unusual despatch exhibited by the Division in taking final measurements, passing the final bill and making part payment of Rs.9 lakh, all in one day, indicates that Rs.13.61 lakh was paid for fictitious work.

On being requested (June 2005) for a joint inspection of the work site, the Executive Engineer stated (June 2005) that the work was actually executed in a different site due to delay in handing over the proposed site. The contention is not tenable as neither the divisional records nor the facts presented to Audit corroborate the statement.

The matter was reported to the Government (May 2005). The reply is awaited (November 2005).

INDUSTRIES AND COMMERCE DEPARTMENT

4.10 Expenditure on idle staff

The Department's failure to urgently address the issue of productive engagement of 88 repatriated staff resulted in nugatory expenditure of Rs.1.22 crore on the salaries of the staff.

In accordance with Government's decision, 88 gazetted and non-gazetted staff which included 49 weavers who were on deputation with the Nagaland Handloom and Handicraft Corporation Ltd. (NHHDC), were reverted back in April 2002 to their parent department, Industries and Commerce. They were temporarily attached to the District Industries Sub-Centre (DIC), Dimapur and directed to report there on or before 12 April 2002.

Since the workload of the DIC did not justify engagement of the repatriated staff the Deputy Director, DIC, Dimapur, sent a proposal on 16 April 2002 to the Director of Industries and Commerce to engage the weavers on a 'fixed task' basis. This would entail the DIC, Dimapur providing raw material, collecting the finished products and marketing them through the NHHDC.

The proposal was approved only in July 2003 and put in operation from September 2003. The 15-month delay in decision making and a further two months to implement the scheme after approval was accorded resulted in 49 weavers remaining idle for 17 months during which time Rs.51.32 lakh was incurred on their salaries.

Further, as of July 2004 (the month during which audit of DIC, Dimapur, was conducted), the remaining 39 repatriated staff temporarily attached to the Sub-Centre continued to be on its rolls even though the workload did not justify their deployment. Between April 2002 and July 2004, Rs.71.11 lakh was incurred on salaries of these 39 non-weaving employees.

Thus, the Department's failure to urgently address the issue of productively engaging the 88 repatriated staff resulted in their remaining without work for 17 to 27 months upto July 2004 and consequently, the expenditure of Rs.1.22⁷ crore spent on their salaries during this time was entirely unproductive.

The matter was reported to Government and the Department (July 2005). Their replies had not been received (November 2005).

4.11 Irregular grant of manpower subsidy

Manpower subsidy of Rs.21.10 lakh was given to 33 ineligible industrial units in violation of the policy.

Under the Nagaland State Industrial Policy, 2000 an industrial unit is eligible for manpower subsidy if the number of employees engaged is in excess of 20, of which at least 50 *per cent* comprise local tribal youth.

Test check (June 2004) of records of the Director of Industries and Commerce revealed that on the recommendation (November 2003) of the State Level Industrial Facilitation Committee, manpower subsidy totaling Rs.78.81 lakh was paid to 94 units, between April 2004 to May 2004, of which 33 units were ineligible for the grant as they employed less than 20 persons. The subsidy paid to the 33 ineligible units was Rs.21.10 lakh.

On this being pointed out (May 2005) the Government stated (August 2005) that the number of employees engaged in all the 33 units exceeds 20 including the manager/proprietor (self-employed). The contention contradicts the department's earlier written admission (June 2004) of lapse stated to have been committed through oversight. Moreover, the application seeking issuance of eligibility certificate for consideration of manpower subsidy submitted by the entrepreneurs clearly indicates that the number of employees engaged in all the 33 units do not exceed the required 20 persons.

⁷ Calculated at the minimum of the scale of pay of each post and the allowances applicable in April 2002 for 17 months in case of weavers and 27 months for others.

FISHERIES DEPARTMENT

4.12 Non realisation of outstanding loan

Failure to prefer reimbursement claim resulted in unauthorised expenditure of Rs.41.91 lakh and non realisation of loan and interest of Rs.21.87 lakh even after a lapse of four years.

The National Co-operative Development Corporation (NCDC) accorded sanction of financial assistance of Rs.40.07 lakh (March 2000) consisting of loan (Rs.39.45 lakh) and subsidy (Rs.0.62 lakh) to the Fisheries Department, Government of Nagaland for pisciculture development. The sanction stipulated that the State Government had to evolve the system for release of assistance, monitoring the implementation and to effect recovery on specific terms and conditions. This assistance would be released to the State Government by way of reimbursement to be claimed after release of assistance to the societies.

Test check (January 2005) of records (August 2001 to December 2004) of the Director of Fisheries, Kohima, Nagaland revealed that the Fisheries Department paid Rs.41.91 lakh between August 2001 and February 2002 to four registered co-operative Societies⁸ (loan: Rs.33.88 lakh, subsidy: Rs.0.86 lakh, and share Capital: Rs.5.32 lakh) without the consent of the Finance and Cooperation Departments. The amount of Rs.1.85 lakh being the societies share was also released by the State Government. As per the terms and conditions of the mortgage deed, the societies are liable to repay the principal amount and interest at the rate 13.75 per cent per annum in nine installments to be commenced from the year 2002. The Fisheries Department after releasing the amount, neither monitored the progress of the scheme nor realised the principal as well as the interest amount of loan (Rs.8.47 lakh + Rs.13.40 lakh) due as of June 2005. The Department also did not prefer reimbursement claim to NCDC till the date of audit (January 2005), the validity of sanction of which already expired on 31 March 2001.

Thus, due to failure of the department in preferring reimbursement claim, it had to bear unauthorised expenditure of Rs.41.91 lakh out of State funds for providing loan to beneficiaries. The Department also failed to effect recovery of an amount of Rs.21.87 lakh on principal and interest on the loan amount.

Government to whom the matter was reported (August 2005) stated in reply (November 2005) that the release of financial assistance to the beneficiaries was done as per condition laid down by NCDC, re-imburement of which has to be claimed. The reply is not tenable as the time period for claiming the reimbursement had already expired. Government, however, remained silent as to why re-imburement could not be claimed within the period of validity of sanction or its failure to realise the instalments of principal and interest from the beneficiaries.

⁸ (a) Aghabo MPCS Ltd., Zunheboto, (b) Ex. Soldier & Group MPCS Ltd., Dimapur
(c) Tholeibozou Youth MPCS Ltd., Kohima, (d) Longtho Fishery CS Ltd., Mokokchung.

PLANNING AND CO-ORDINATION (URBAN DEVELOPMENT) DEPARTMENT

4.13 Avoidable extra expenditure

Executive Engineer, Town Planning Works Division, Kohima incurred avoidable expenditure of Rs.23.50 lakh against the provisions of the approved contract due to lack of proper monitoring coupled with poor fund mobilisation for ongoing work.

Construction of a double storied Reinforcement Cement Concrete (RCC) Market Complex at Kiphire was awarded (October 2001) by the Executive Engineer, Town Planning Works Division, Kohima to contractor 'X' at Rs.99.50 lakh (100 *per cent* increase over the estimated cost of Rs.49.75 lakh). As per agreement the work was to be completed within 24 months from the date of issue of work order and no escalation of rate would be allowed during the period of execution of the said work. The contractor commenced the work in October 2001 and completed upto 75 *per cent* till September 2003. The contractor was paid Rs.67.04 lakh in eight running bills as of June 2004.

Test check (June 2005) of records of the Executive Engineer, Town Planning Works Division, Kohima for the period from August 2001 to March 2005 revealed that placement of funds for the work during the period was not commensurate with the progress of work. As a result, the contractor slowed down the pace of work in 2003 and claimed (September 2003) extension of time as well as enhancement of rate to 168 *per cent* above SOR 1995, as against 100 *per cent* above provided in the original contract, due to price escalation. The Executive Engineer, Town Planning Works Division, ignoring the contractual clause that barred escalation on any ground during the execution of the works, accepted the contractor's plea and prepared a revised estimate for Rs.1.23 crore allowing escalation on 75 *per cent* of the estimated value at 168 *per cent* above NPWD Schedule 1995, as claimed by the contractor, although 75 *per cent* of the works were completed by September, 2003 i.e., within the period of completion (October 2003) provided in the original contract. The revised estimate was approved in March 2005 by the Chief Engineer, PWD (Housing).

Thus, the action of the department in revising the estimate resulted in avoidable expenditure of Rs.23.50 lakh (Rs.123 lakh - Rs.99.50 lakh) not permitted by the terms of the contract.

Government in reply (November 2005) stated that, due to non payment of RA bills, contractors' money had been held up in the work for a long time. Considering the price escalation the contractor had to be content with, the department allowed the enhancement. The reply is not tenable as it went against the contractual clause.

4.14 Locking up of fund resulted in loss of interest

Executive Engineer, Town Planning Works Division, Kohima had drawn Rs.4.82 crore in advance of requirement and kept the same in Current Deposit Account for more than 15 months resulting in Government incurring an interest liability of Rs.35.11 lakh.

Rule 290 of the Central Treasury Rules provides that, money shall not be drawn in anticipation of demand unless it is required for immediate disbursement or to avoid lapse of budget grant. Finance Department, Government of Nagaland also issued (January 2001) instructions to all implementing DDOs that, drawals which are not required for immediate payment may be deposited to Civil Deposit and from time to time withdrawals may be made to facilitate payment therefrom.

Ministry of Urban Development, Government of India approved construction of 12 projects⁹ in Nagaland under the Centrally Sponsored Scheme "Special Development in North Eastern States" and released (between November 2003 and February 2004) 50 per cent of Central share (90 per cent of the project cost) on the approved projects.

Test check (June 2005) of the records of the Executive Engineer, Town Planning (Works Division), Kohima revealed that, under the said scheme, an amount of Rs.4.82 crore was drawn by the Division in March 2004 (50 per cent of central share) received against 12 projects. Out of the aforesaid amount, only Rs.1.11 crore (Rs.0.23 crore between March and November 2004 and Rs.0.88 crore between March and May 2005) was utilised against six projects¹⁰ and the balance of Rs.3.71 crore remained unutilised and was kept in a Current Deposit Account in SBI branch at Kohima as on June 2005. As per status report, the remaining six projects could not be started for various reasons such as non-availability of sites, non finalisation of tender, pending write off proposal for dismantling of old structure on the proposed site etc.

The Division, in violation of the provision of the Rules as well as Government order, locked up Rs.3.71 crore from the date of drawal till the date of audit (June 2005). This resulted not only in denial of the intended benefit to the common people but also to avoidable interest liability as the Government of Nagaland, resorts to borrowing for funding its other development activities. Had the Division deposited the unutilised fund into the Government account in

⁹ Constructions of:

(i) Town Hall, Peren, (ii) IAS Transit Accommodation, Kohima, (iii) Market Complex, Jalukie, (iv) Rest House, Wokha, (v) Guest House, Tobu, (vi) Walo Guest House, Mon (vii) Town Hall, Phek, (viii) Rostrum, Kiphire (ix) Town Hall, Pfutsero, Improvement of Town Roads, (x) Mon and (xi) Noklak and (xii) Widening and Improvement of Town Road, Kohima

¹⁰ Construction of:

(i) Town Hall, Peren, (ii) IAS Transit Accommodation, Kohima, (iii) Market Complex, Jalukie, (iv) Rest House, Wokha, (v) Widening and Improvement of Town Road Mon and (vi) Widening and Improvement of Town Road, Kohima

March 2004, instead of keeping it in the Current Deposit Account, the Government of Nagaland could have borrowed less from outside sources and thereby reduce the liability of payment of interest on loan to that extent.

Thus, due to unnecessary drawal of fund in anticipation of future demand or to avoid lapse of budget and their continued retention in current deposit, Government incurred an avoidable interest liability of Rs.35.11 lakh (calculated at Government borrowing rate of 6.14 *per cent* for the period from April 2004 to June 2005).

Government in reply (November 2005) stated that retention of fund was mainly due to the ambiguity in Government guidelines on various processes involved before taking up the works. It further stated that depositing of unutilized fund into Government account and its subsequent drawal was time consuming. The reply is not tenable as drawal of fund in anticipation of future requirement is against the provision of the General Financial Rules.

HOME (GENERAL ADMINISTRATION) DEPARTMENT

4.15 Fictitious drawal

Government incurred an expenditure of Rs.31.34 lakh in clearing fictitious past liabilities.

Under the scheme "Foliage clearance for security related expenditure", the Finance Department, Government of Nagaland sanctioned (March 2003) Rs.9.44 lakh for payment against foliage clearance carried out during 1999-2000 & 2000-2001. The Commissioner, Nagaland drew the amount (March 2003) and paid between April 2003 and May 2003) to Deputy Commissioners of seven districts (except Kohima) for disbursement to the villages. Out of total claim¹¹ of Rs.28.03 lakh (2803 km), only Rs.9.44 lakh (944 km) was settled leaving a balance claim of Rs.18.59 lakh (1859 km).

Test check (January 2005) of records (November 2001 to December 2004) in the office of the Commissioner, Nagaland, Kohima, revealed that based on a proposal submitted (March 2004) by the Commissioner, the Government again sanctioned (March 2004) Rs.49.93 lakh for clearance of past liabilities pending with the department against foliage clearance during 1999-2001.

Further scrutiny revealed that the Commissioner, while sending the proposal (March 2004) for Rs.49.93 lakh, enhanced the past liability for foliage clearance during 1999-2001 from Rs.18.59 lakh (1859 km) to Rs.49.93 lakh (4,993 km) which included payment of Rs.9.44 lakh (944 km.) already made in April-May, 2003. As a result, there was double drawal of Rs.9.44 lakh (944 Km.) and a fictitious claim of Rs.21.90 lakh (2,190 km.) amounting to Rs.31.34 lakh¹². The claim of Rs.21.90 lakh (2,190 km) included in the proposal (March 2004) was neither supported by claims from respective

¹¹ *Foliage clearance at the rate of Rs.1,000 per kilometer (km).*

¹² *944 km + 2190 km x Rs. 1000 per km*

Deputy Commissioners nor could any proof to establish that the work had actually been executed be shown to Audit.

On this being pointed out, the department stated (November 2005) that the claim for 3134 km. (Rs.31.34 lakh) pertains to the period from 2001-04. The reply is not tenable as the proposal seeking sanctions of past liabilities as well as Government sanction clearly mentioned that the liabilities belonged to the period 1999-2001. Further, supporting claims from the respective Deputy Commissioner in respect of foliage clearance of 3134 km. could not be furnished on demand.

The matter was reported to the Government (August 2005). Government during discussion (November 2005) accepted anomalies in department's reply and issued direction to the concerned Department to inquire into the matter and ascertain the correct position.

EXCISE DEPARTMENT

4.16 Infructuous expenditure

A property purchased at Rs.15 lakh for use as office accommodation was neither found fit for the purpose nor could possession of the building be taken even after two years of payment.

The Government of Nagaland, Excise Department accorded expenditure sanction in March 2003 for Rs.10 lakh for purchase of land along with a standing RCC building at Kohima valued at Rs.18 lakh by the Chief Engineer, PWD (Housing), for office building of the Superintendent of Excise, Kohima. The amount of Rs.10 lakh was drawn by the Commissioner of Excise in March 2003 and paid to the property owner. The sale deed was executed in April 2003.

A three member committee constituted by the Department in June 2003 to examine the suitability or otherwise of the building in its report submitted in July 2003 reported that

- the building had four rooms whereas the layout plan submitted with the proposal for purchase showed six rooms;
- measurement of the rooms were found to be smaller than that indicated in the layout plan;
- the building was located in an area where accessibility was only by a narrow unpaved footpath rendering the site almost inaccessible during monsoons;

On the basis of a negotiated settlement reached by the Committee with the owner in July 2003 the latter would be paid Rs.5 lakh as the final payment but before this, the owner would have to construct an approach road to the building site in accordance with the written undertaking given by the owner to the Committee.

The Committee further observed “there has been great negligence in not carrying out a proper assessment of the site before approval and release of payment to the owner”.

In December 2003, the Superintendent of Excise expressed his unwillingness to the Commissioner of Excise to shift to the acquired building citing unsuitability of the location, inadequate security, no scope for future development, lack of provision for approach road, etc.

In March 2004, the remaining amount of Rs.5 lakh was paid by the Commissioner of Excise to the owner although the latter had not constructed the approach road as per the written undertaking given by him in July 2003. The owner also has not handed over possession of the building as of May 2005 despite reminders issued by the Commissioner of Excise.

Thus, faulty assessment by the PWD, incomprehensible laxity of the Department in not even inspecting the property and assessing its suitability before taking the purchase decision and releasing the first payment of Rs.10 lakh and final payment of Rs.5 lakh even though the owner had not constructed the approach road as agreed upon and inability of the Department to take possession of the property even after two years has led to infructuous expenditure of Rs.15 lakh from the public exchequer.

The Government stated (July 2005) that the officer responsible for the deal was reprimanded and had already retired from service. Government further stated that since the terrain of the building location precluded construction of road pliable for vehicles, the owner constructed a footpath and the building has since been taken over by the department. The Government, however, remained silent about future utilisation of the acquired building.

General

INDUSTRIES AND COMMERCE DEPARTMENT

4.17 Failure to respond to Audit objections and non-compliance

253 paragraphs relating to 39 Inspection Reports involving Rs.60.58 crore had not been settled as of June 2005.

The Accountant General (Audit) conducts periodical inspections of Government departments, to test check the veracity of transactions and verify the maintenance of important accounting and other records, as per prescribed rules and procedures. These inspections are followed by issue of Inspection Reports (IRs). When important irregularities detected during inspection and not settled on the spot, are incorporated in the IRs and issued to the heads of offices inspected with a copy to the next higher authorities. The heads of offices and the next higher authorities are required to comply with the observations contained in the IRs, and rectify the defects and omissions promptly and report compliance to the Accountant General. Serious

irregularities are also brought to the notice of the Heads of the Department by the office of the Accountant General. A half yearly report is also sent to the Secretary of the concerned department in respect of pending IRs to facilitate monitoring of settlement of the audit observations. The State Government had accepted some of the recommendations of the Shakhdar Committee regarding establishment of an appropriate mechanism in Government to monitor Government's response to Audit, but no separate monitoring cell has been established by the State Government as of October 2005. The Public Accounts Committee stated that it itself has been doing this job.

Review of Inspection Reports (issued upto June 2005) pertaining to Industries and Commerce Department disclosed that 253 paragraphs relating to 39 IRs involving Rs.60.58 crore remained outstanding at the end of June 2005. Of these, 13 IRs containing 86 paragraphs had not been replied to for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix-XXIX*. Some irregularities of serious nature in these IRs had not been settled, as of November 2005, as shown below:

Table 4.2

Sl. No.	Nature of irregularities	No. of paragraphs	Amount (Rupees crore)
1.	Avoidable expenditure/excess payment	22	32.60
2.	Misappropriation/shortage/loss of Government money/store	6	0.31
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	58	3.51
4.	Loss due to non-realisation of Government money	19	5.82
5.	Money kept outside Government accounts	4	1.09
6.	Advance drawal	14	0.22
7.	Deviation of fund/Misuse of fund	5	3.05
8.	Fictitious/doubtful drawal	10	1.70
9.	Miscellaneous/Others	115	12.28
	Total	253	60.58

A review of the IRs awaiting settlement revealed that Heads of Offices and the concerned Head of the Department (Director, Industries and Commerce 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, to settle the paras.

Inaction against the defaulting officers would result in serious financial irregularities continuing to occur with consequent loss to the Government.

It is recommended that Government re-examine this matter and ensure that procedure exists for (a) action against the officials who fail to send replies to

IRs/Paras as per the prescribed time schedule, (b) action to recover/make good the loss/outstanding advances/overpayments in a time bound manner, and, also (c) establish an appropriate mechanism in government to monitor Government's response to Audit, as per recommendation of Shakhdar Committee.

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

CHAPTER – V

REVENUE RECEIPTS

CHAPTER – V

REVENUE RECEIPTS

5.1 GENERAL

5.1.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Nagaland during the year 2004-05, the State's share of divisible Union taxes and grants in aid received from Government of India during the year and the corresponding figures for the preceding four years are given below:

Table 5.1

		(Rupees in crore)				
Sl No		2000-01	2001-02	2002-03	2003-04	2004-05
I.	Revenue raised by the State Government					
	Tax revenue	46.24	54.90 ¹	62.00	68.55	78.31 ²
	Non-tax revenue	39.23	43.41	43.94	60.91	77.90
	Total: I	85.47	105.80	105.94	129.46	156.21
II.	Receipts from Government of India					
	State's share of divisible Union Taxes	96.48	30.71	46.01	256.97*	160.15
	Grants-in-aid	1072.15	1195.51	1194.95	1973.36	1523.16
	Total: II	1168.63	1218.73	1240.96	2230.33	1683.31
III.	Total receipts of the State Government (I plus II)	1254.10	1324.53	1346.90	2359.79	1839.52 ³
IV.	Percentage of I to III	7	8	8	5	8

(Source : Finance Accounts)

5.1.2 The details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

¹ Components of net share of divisible Union Taxes i.e., Corporation Tax – Rs.7.90 crore, Tax on Wealth – Rs.0.09 crore and Service Tax-Rs.0.31 crore which were included in Table 6.1 and 6.2 as State's Own Tax Revenue in the Audit Report for the year 2001-02 has been rectified and included in the State's share of divisible Union Taxes.

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

0020-Corporation Tax

0021-Taxes on Income other than Corporation Tax

0028-Other taxes on Income and Expenditure

0032-Taxes on Wealth

0037-Customs

0038-Union Excise Duties

0044-Service Tax

0045-Other taxes and duties on Commodities and Services

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

³ For details, please see Statement No. 11 of Detailed Accounts of Revenue by Minor heads in the Finance Accounts-Government of Nagaland for the year 2004-05.

Table 5.2

							(Rupees in crore)
Sl No.	Major heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of increase(+)/decrease (-) in 2004-05 with reference to 2003-04
1.	Taxes on sales trade etc.,	27.30	34.42	41.15	45.63	53.08	(+) 16
2.	Taxes on vehicles	5.28	5.35	4.74	6.00	7.30	(+) 22
3.	Other taxes on income and expenditure	9.63	11.32	12.23	12.63	13.56	(+) 7
4.	State excise	1.77	1.87	1.98	1.99	2.07	(+) 4
5.	Stamps and registration fees	1.77	0.91	0.57	0.66	0.73	(+) 11
6.	Other taxes and duties	0.14	0.30	0.10	0.06	0.03	(-) 50
7.	Land revenue	0.35	0.62	0.41	0.54	0.43	(-) 20
8.	Taxes and duties on electricity	0.01	0.01	0.01	0.01	0.01	---
9.	Taxes on immovable property other than agricultural land	---	---	---	---	---	---
10.	Taxes on goods and passengers	---	0.10	0.81	1.03	1.10	(+) 7
	Total	46.25	54.90⁴	62.00	68.55	78.31	(+) 14

(Source: Finance Accounts)

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

5.1.3 The details of non tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

Table 5.3

							(Rupees in crore)
Sl No.	Major heads of revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage of Increase(+)/Decrease (-) in 2004-05 with reference to 2003-04
1.	Interest receipts	3.50	1.62	1.72	5.61	3.27	(-) 42
2.	Public service commission	0.03	0.06	0.13	0.23	0.13	(-) 43
3.	Police	0.24	0.51	0.56	0.17	0.41	(+) 141
4.	Stationery and printing	0.01	0.01	0.01	0.01	0.01	---
5.	Public works	0.32	0.97	0.62	0.75	0.22	(-) 71
6.	Other administrative services	1.85	3.14	3.14	3.96	5.54	(+) 40
7.	Contribution and recoveries towards pension & other retirement benefits	0.09	1.04	0.11	0.12	0.10	(-) 17
8.	Miscellaneous general services	1.22	0.44	2.11	2.10	11.70	(+) 457
9.	Education, sports, art and culture	0.14	0.46	0.15	0.19	0.19	--
10.	Medical and public health	0.07	0.12	0.15	0.06	0.06	--
11.	Water supply and sanitation	0.29	0.36	0.63	0.80	0.97	(+) 21
12.	Housing	2.25	2.22	2.25	2.19	2.18	Negligible ⁵
13.	Social security and welfare	0.01	0.01	0.13	0.56	0.03	(-) 95
14.	Crop husbandry	0.14	0.10	0.10	0.06	0.09	(+) 50
15.	Animal husbandry	0.17	0.22	0.20	0.22	0.33	(+) 50
16.	Forestry and wildlife	2.64	2.04	3.54	3.43	3.88	(+) 13
17.	Food storage and warehousing	0.06	0.07	0.01	0.05	0.02	(-) 60

⁴ Components of net share of divisible Union taxes i.e., Corporation tax-Rs.7.09 crore, Tax on wealth – Rs.0.09 crore and Service Tax – Rs.0.31 crore which were included in Table 6.1 and 6.2 as state's own tax revenue in the Audit Report for the year 2001-02 has been rectified and included in the State's share of divisible Union taxes.

⁵ Less than one per cent.

18.	Co-operation	0.08	1.30	0.97	0.42	0.84	(+) 100
19.	Other agricultural programmes	0.04	0.03	0.02	0.04	0.05	(+) 25
20.	Minor irrigation	---	0.01	---	0.01	0.03	(+) 200
21.	Power	19.87	22.93	19.59	29.30	39.66	(+) 0 35
22.	Village and small industries	0.15	0.18	0.62	0.25	0.46	(+) 84
23.	Non-ferrous mining and metallurgical industries	0.10	0.02	0.01	0.05	0.10	(+) 100
24.	Road transport	5.16	5.10	5.52	5.75	6.79	(+) 18
25.	Tourism	0.09	0.10	0.16	0.20	0.17	(-) 15
26.	Other general economic services	0.05	0.05	0.06	0.07	0.06	(-) 14
27.	Miscellaneous	0.66	0.30	1.43	4.31	0.61	(-) 86
	Total	39.23	43.41	43.94	60.91	77.90	(+) 28

(Source: Finance Accounts)

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

5.2 Variations between budget estimates and actuals

Variations between budget estimates and actuals of revenue receipts for the year 2004-05 are given below:

Table 5.4

(Rupees in crore)

Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+) / Decrease (-) of actuals over budget estimates
1.	Other taxes on income and expenditure	13.00	13.56	(+) 4
2.	Stamps and registration fees	0.70	0.73	(+) 4
3.	State excise	2.50	2.07	(-) 17
4.	Taxes on sales trade etc.	60.36	53.08	(-) 12
5.	Taxes on vehicles	6.10	7.30	(+) 20
6.	Other taxes and duties on commodities and services	1.22	0.03	(-) 98
7.	Interest receipts	2.00	3.27	(+) 64
8.	Police	0.43	0.41	(-) 5
9.	Stationery and printing	0.20	0.01	(-) 95
10.	Public works	1.00	0.22	(-) 78
11.	Other administrative services	6.79	5.54	(-) 18
12.	Miscellaneous general services	11.08	11.70	(+) 6
13.	Education, sports, arts & culture	0.20	0.19	(-) 5
14.	Medical and public health	0.13	0.06	(-) 54
15.	Water supply and sanitation	1.00	0.97	(-) 3
16.	Housing	2.30	2.18	(-) 5
17.	Social security and welfare	0.15	0.03	(-) 80
18.	Crop husbandry	0.10	0.09	(-) 10
19.	Dairy development	---	---	---
20.	Forestry & wildlife	3.24	3.88	(+) 20
21.	Food, storage and warehousing	0.06	0.02	(-) 67
22.	Co-operation	0.04	0.84	(+) 2000
23.	Other agricultural programmes	0.03	0.05	(+) 67
24.	Power	34.00	39.66	(+) 17
25.	Village and small industries	0.16	0.46	(+) 188
26.	Non-ferrous mining and metallurgical industries	0.05	0.10	(+) 100

Major heads of revenue		Budget estimates	Actual receipts	Percentage of variations Increase (+) / Decrease (-) of actuals over budget estimates
27.	Road transport	7.00	6.79	(-) 3
28.	Tourism	0.20	0.17	(-) 15
Total		154.04	153.35	Negligible

(Source: Budget documents and Finance Accounts)

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

5.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05, along with the relevant all India average percentage of expenditure of collection to gross collection for the year 2003-04, are given below:

Table 5.5

(Rupees in crore)

Sl. No.	Revenue head	Year	Gross Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2003-2004
1.	Taxes on sales, trade etc.	2002-03	41.15	3.01	7	1.15
		2003-04	45.63	3.44	8	
		2004-05	53.08	3.57	7	
2.	State excise	2002-03	1.98	4.36	220	3.81
		2003-04	1.99	4.73	238	
		2004-05	2.07	4.70	227	
3.	Taxes on vehicles	2002-03	4.74	1.64	35	2.57
		2003-04	6.00	1.98	33	
		2004-05	7.30	2.00	27	
4.	Stamps and registration fees	2002-03	0.57	0.09	16	3.66
		2003-04	0.66	0.08	12	
		2004-05	0.73	0.17	23	

(Source: Finance Accounts)

The State is facing an anomalous situation where the cost of collection of State Excise is more than twice the collection. The reasons for increased expenditure under the head State excise though called for have not been intimated by the concerned department (November 2005). It is also seen the percentage expenditure to gross collection is abnormally high when compared to all India average. The reasons for such high cost of collection though called for have not been intimated by the State Government.

5.4 Non furnishing of information by the Government

Information in respect of arrears in assessment of sales tax, collection of sales tax per assessee, frauds and evasion, arrears of revenue, write off and waivers and

refund etc., though called for (July-August 2005) from various departments of State Government, had not been received (November 2005).

5.5 Results of audit

Test check of records of sales tax, State excise, transport, State lotteries and forest offices conducted during 2004-05 revealed underassessment, short levy/non levy and loss of revenue amounting to Rs.2.10 crore in 44 cases.

This audit report contains four paragraphs relating to underassessment, short/non-levy and loss of revenue involving an amount of Rs.1.50 crore. The departments/Government have accepted audit observations in respect of three paragraphs amounting to Rs.1.37 crore, out of which Rs.0.12 crore has been recovered and had contested in case of one draft paragraph involving 0.13 crore. The department's contention is incorporated with suitable rebuttal.

5.6 Outstanding audit reports and audit observations

Audit observations on incorrect assessments, short levy of taxes/duties/fees etc., and other irregularities noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspections reports. The more important irregularities are reported to the heads of department and Government.

The heads of offices are required to furnish replies to the IRs through the respective heads of department within a period of six weeks. However, the replies have not been forthcoming in a number of cases.

Review of IRs issued upto June 2005 pertaining to receipt items disclosed that 135 paragraphs involving Rs.132 crore remained outstanding at the end of June 2005. Some irregularities of serious nature in these IRs which had not been settled as of December 2005, are as under:

Table 5.6

Sl No.	Nature of irregularities	No. of paragraphs	Amount (Rupees in crore)
1	Underassessment of tax	53	23.02
2	Evasion of tax	16	85.44
3	Short/non levy of taxes and dues	32	9.98
4	Loss of revenue	17	5.99
5	Revenue outstanding for collection	17	7.57
Total		135	132.00

SECTION-'B' PARAGRAPHS

HIGHER & TECHNICAL EDUCATION AND WORKS AND HOUSING DEPARTMENTS

5.7 Loss of Government revenue

Government suffered loss of revenue of Rs.1.06 crore due to non deduction of tax on works contract at source.

Schedule III Section 5A (2) (e) of Nagaland Sales Tax (NST) Act, 1967 read with Nagaland Sales Tax Rules, 1970 as amended from time to time provides that tax on works contract should be deducted from the contractors bill at source at the rate of four *per cent* on the value of work done after allowing deduction of 30 *per cent* on account of labour and other charges. With effect from 1 April 2001, the rate of tax was revised from four *per cent* to eight *per cent* and the allowable deduction from 30 *per cent* to 25 *per cent* which was further revised from 1 September 2002 at the rate of two *per cent* of value of total turnover of work contract.

Test check of records of three⁶ departments between September 2003 and March 2004 revealed that Rs.28.16 crore was paid to 10 contractors between March 2000 to December 2003 for executing various civil construction and upgradation works without deducting tax on work contract at source to the tune of Rs.1.06 crore from the bills of the contractor (*Appendix-XXX*). Failure to deduct works contract tax from the contractors' bills at source resulted in loss of revenue of Rs.1.06 crore to Government.

The Commissioner of Taxes, Nagaland in the above cases confirmed (March 2005) that seven out of eight contractors involved had not filed sales tax returns as they were not registered under the Sales Tax Registration Act, while one contractor though registered had not depicted the payments/receipts in his returns.

After this was pointed out the Executive Engineer, PWD, Kohima, Project Director, Department of Technical Education stated in November 2005 that work contract tax has since been realised and credited to Government Account. Reply in other cases was awaited.

The matter was reported to Government in June 2005; reply had not been received (November 2005).

⁶ Executive Engineer PWD, Kohima, Project Director, Department of Technical Education (October 2000 to December 2003)
Executive Engineer (Housing) Division No. IV. Kohima (May 1996 to June 2003)
Executive Engineer, PWD (Housing). Estate Division, Kohima (September 1999 to December 2003)

FINANCE AND TAXATION DEPARTMENT

5.8 Underassessment of tax

Incorrect computation of turnover resulted in underassessment of tax amounting to Rs.23.65 lakh.

Section 15(1) of NST Act stipulates that every registered dealer should furnish returns of his total turnover by such date and to such authority as may be prescribed. Further, Section 16(4) provides that if a dealer fails to file a return as required above, the assessing authority shall assess to the best of his judgment and determine the tax payable by the dealer on the basis of such assessment. Section 22(1) (a) further provides that if the assessing authority, in course of proceedings under this Act, is satisfied that any dealer has without reasonable cause, failed to furnish the return required under the Act, he 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 that amount together with interest payable under Section 22 A on assessed tax for the period of delay in payment at prescribed rate.

Test check of the assessment records (November 2004) of a cement dealer for 2003-04 made in October 2004 by the Superintendent of Taxes (SOT) Dimapur on the basis of information obtained from weigh bill (check gate) figures revealed that the dealer had procured and sold 2.24 lakh bags of cement during the year. The Superintendent of Taxes erroneously determined the dealer's turnover at Rs.16.80 lakh for 1.12 lakh bags and assessed tax whereas the actual turnover worked out to Rs.3.36 crore. The assessing officer also did not levy penalty as well as interest at the time of assessment. This led to underassessment of tax to the tune of Rs.23.65 lakh and interest of Rs.2.49 lakh. Besides penalty was also leviable.

After this was pointed out in August 2005, the Superintendent of Taxes, Dimapur stated (October 2005) that the case has been reassessed (October 2005) and demand raised. The position of recovery was awaited (November 2005).

The matter was reported to Government in May 2005; reply had not been received (November 2005).

5.9 Underassessment of tax resulting in loss of revenue

Incorrect application of rate of tax led to short levy of tax of Rs.4.29 lakh.

Under the Nagaland (Sales of Petroleum and Petroleum products including Motor Spirit and Lubricants) Taxation Act, 1967, tax is to be levied on sale of petroleum products as per the rates prescribed by Government from time to time.

Test check of records of SOT Mokokchung (Ward –A) revealed in September 2004 that while finalizing assessment for the period from April 1999 to March 2000 in April 2000 of a dealer of petroleum products, the assessing authority assess the turnover of Rs.60.14 lakh at incorrect rates. This resulted in short levy of tax of Rs.4.29 lakh.

Government to whom the matter was referred (May 2005) stated in its reply (September 2005) that the case has been reassessed (August 2005) taking into the correct rate of tax and a demand for payment of the deficient amount of tax has already been issued to the dealer.

GENERAL ADMINISTRATION DEPARTMENT

5.10 Short realisation of revenue

In Kohima district house tax was short collected by Rs.13.21 lakh during the last three years from 2001-02 to 2003-04.

Government of Nagaland in August 1999⁷ prescribed a uniform rate of house tax at the rate of Rs.20 per house per annum from the assessment year 1999-2000. According to prevailing practice, the *Gaon Burah*⁸ of a village/area is responsible for collection of house tax from the area under his jurisdiction and depositing it with Government for which he is paid 25 per cent of the amount collected by him as commission. Government issued (May 2002) instruction to all Deputy Commissioners in the State for updating and ensuring accuracy in the list of houses/households, but no such exercise was found carried out as of March 2005.

Test check (July 2004) of records of the Deputy Commissioner, Kohima revealed that house tax totalling Rs.26.10 lakh was collected in Kohima district from 42,028, 43,098 and 45,380 houses during 2001-02, 2002-03 and 2003-04 respectively whereas as per the Census Report (2001) the number of houses in Kohima district was 65,519. Despite a steady increase in the number of houses all over the State, in the absence of any comprehensive survey, taking into account even the Census of India Report 2001 the house tax to be collected for three years worked out to Rs.39.31 lakh⁹. This resulted in short realisation of revenue amounting to Rs.13.21 lakh (as per *Appendix-XXXI*).

After this was pointed out, the Department stated in July 2005 that realisation of house tax was on the basis of the number of buildings (house) but census is done on the basis of number of families living in the same building. Again, house tax is not collected from the families living in Government quarters. The reply is not tenable as audit observation was on collection of house tax on the basis of number of houses as figured in census of India 2001 and not on the number of families living in the same building. Moreover, the Government notification prescribing uniform rate did not exempt collection of house tax from Government quarters. Final action taken in the matter was awaited (November 2005).

The matter was reported to Government in May 2005; reply had not been received (November 2005).

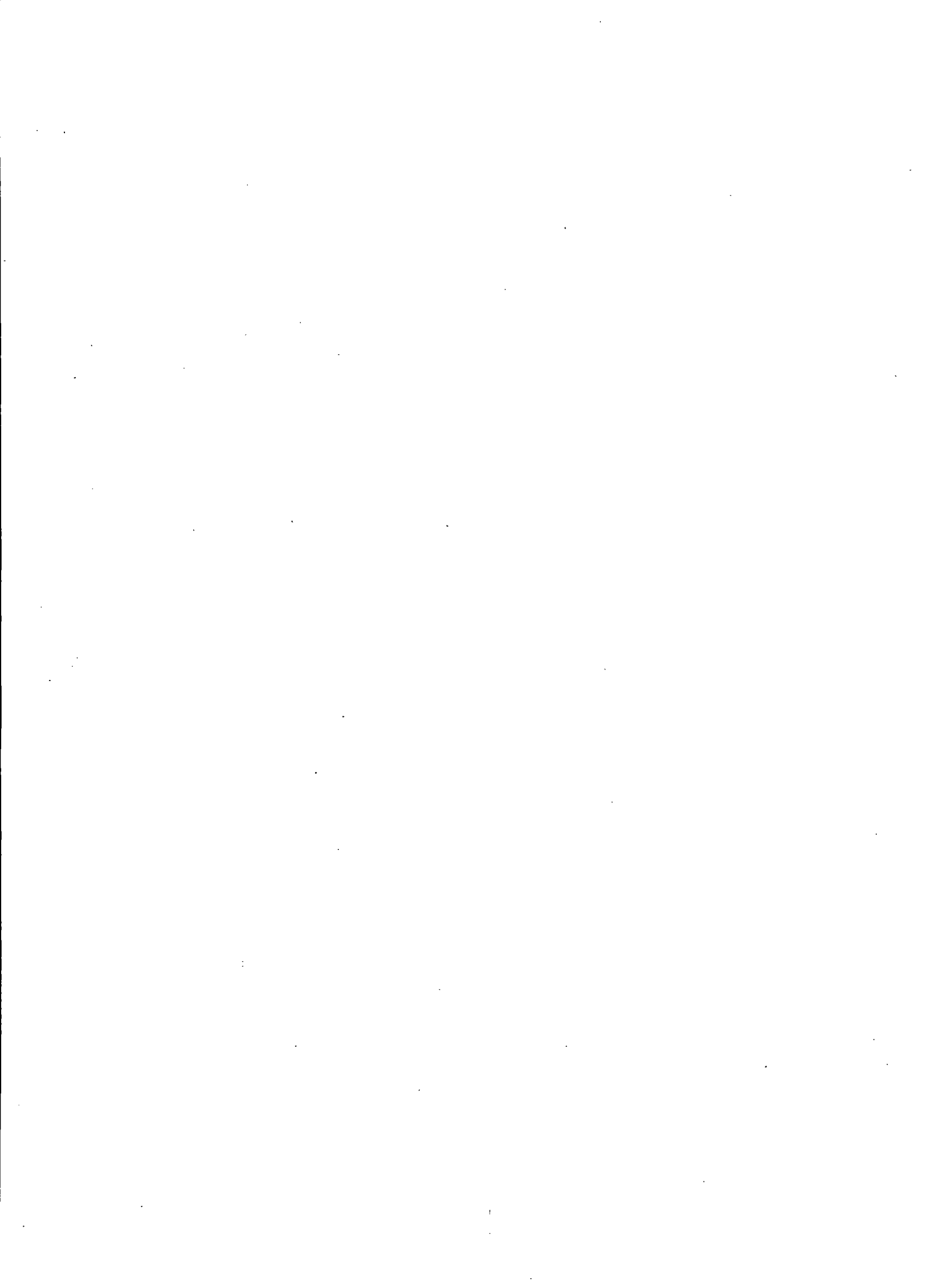
⁷ Land Revenue Department Notification No. LR/3-1/80-81 dated 31 August 1999

⁸ *Gaon Burah* refers to the Headman of a village/area.

⁹ $65519 \times 3 \times \text{Rs. } 20 = \text{Rs. } 39.31 \text{ lakh}$

CHAPTER – VI

**GOVERNMENT COMMERCIAL AND TRADING
ACTIVITIES**



CHAPTER - VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1 Overview of Government companies

Introduction

6.1.1 As on 31 March 2005, there were six Government companies (five working companies and one non working company¹) and nine departmentally managed Government commercial and Quasi-commercial undertakings with no change in position from that as on 31 March 2004 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The accounts of departmentally managed Government commercial and quasi-commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

6.1.2 As on 31 March 2005, the total investment in five working PSUs (all Government companies) was Rs.58.34² crore (equity:Rs.20.75 crore, share application money:Rs1.70 crore and long term loans³: Rs.35.89 crore) as against five working PSUs (all Government companies) with a total investment of Rs.54.01.⁴ crore (equity Rs.20.60 crore, share application money Rs.1.25 crore and long term loans: Rs.32.16 crore) as on 31 March 2004. Increase in total investment was due to increase in loans in Industries and Commerce sector. The analysis of investment on working PSUs is given in the following paragraphs:

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

² State Government investment was Rs.29.55 lakh crore (others: Rs.28.79 crore). Figure as per finance account 2004-05 is Rs.40.58 crore, the difference is under reconciliation

³ Long-term loans mentioned in paras 6.1.2 and 6.1.3 are excluding interest accrued and due on such loans.

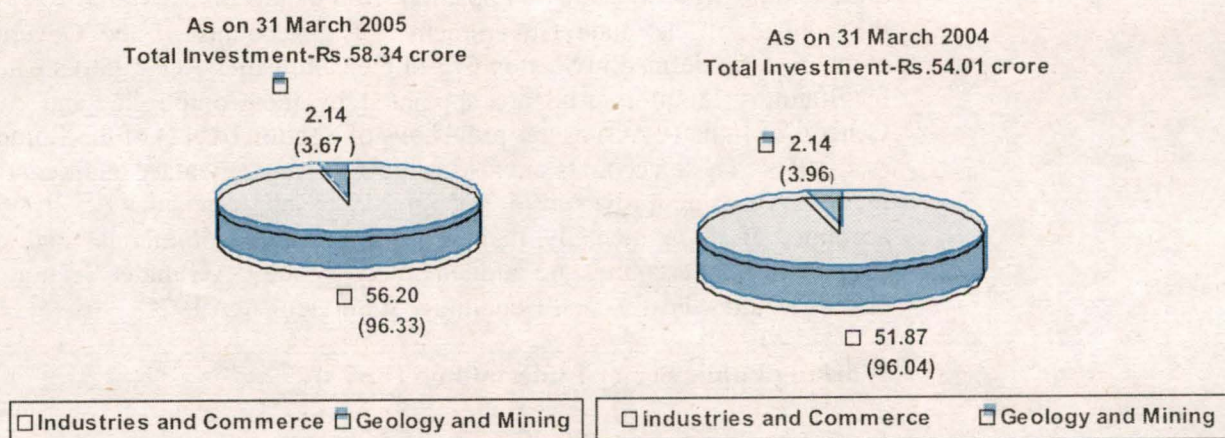
⁴ Previous years figure was Rs.61.90 crore. The difference is due to recasting of the figures based on the information provided by two companies (Nagaland Industrial Development Corporation Ltd., Dimapur, Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur).

Sector-wise investment in working Government companies

6.1.3 The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated in the pie charts as below:

Sector-wise investment in working Government companies

(Figures in bracket indicate percentage of investment)



Working Government Companies

6.1.4 The total investment in working Government companies at the end of March 2004 and 2005 was as follows:

Table 6.1

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loan	Total
2003-04	5	20.60	1.25	32.16	54.01
2004-05	5	20.75	1.70	35.89	58.34

Investment in the current year has increased over the previous year due to increase in equity and loans mainly in the Industries and Commerce sectors

As on 31 March 2005, the total investment in working Government companies comprised 38.48 per cent of equity capital and 61.52 per cent of loans as compared to 40.46 per cent and 59.54 per cent respectively as on 31 March 2004.

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

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

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

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies for the three years upto 2004-05 are as follows:

Table -6.2

	2002-2003		2003-2004		2004-05	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo from budget	3	1.87	---	---	2	0.60
Loans given from budget	---	---	---	---		
<i>Grants/Subsidy towards</i>						
(i) Projects/Programmes/Schemes	---	---	---	---		
(ii) Other subsidy	---	---	---	---		
(iii) Total subsidy	4	7.32	4	5.76	4	6.22
Total outgo	4*	9.19	4*	5.76	4*	6.82

No guarantees for loans were given by the State Government during the year 2004-05.

Finalisation of accounts by working Government companies

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

However, as can be seen from *Appendix-XXXIII*, none of the five working Government companies had finalised their accounts for the year 2004-05 within the stipulated period. During the period from October 2004 to September 2005, one Government Company finalised one accounts for previous years.

The accounts of all the companies were in arrears for periods ranging from nine to 24 years as on 30 September 2005, as detailed below:

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

Table -6.3

Sl. No.	Name of Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of Appendix-XXXIV
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	1996-97 to 2004-05	9	A1
2.	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	1981-82 to 2004-05	24	A2
3.	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	1983-84 to 2004-05	22	A3
4.	Nagaland Hotel Ltd	1988-89 to 2004-05	17	A4
5	Nagaland State Mineral Development Corporation Ltd., Kohima	1993-94 to 2004-05	12	A5

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

Financial position and working results of working PSUs

6.1.7 The summarised financial results of working PSUs as per their latest finalised accounts are given in *Appendix -XXXIII*.

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

Loss incurring companies

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

Despite poor performance, the State Government continued to provide financial support to this* company in the form of equity, loan and subsidy. According to available information, the total financial support so provided by the State Government by way of subsidy during 2004-05 to this company amounted to Rs.0.32 crore.

Return on capital employed

6.1.9 As per the latest finalised accounts, the capital employed** worked out to Rs.19.13 crore in three companies and total return[§] thereon amounted to

* Sl. No A 3 of Appendix-XXXII (Nagaland Industrial Raw materials and Supply Corporation Limited).

** 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).

§ For calculating total return on capital employed interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Rs.(-) 2.12 crore. The details of capital employed and total return on capital employed in case of working Government companies are given in *Appendix-XXXIII*.

Non working Public Sector Undertakings (PSUs)

Investment in non-working PSU

6.1.10 As on 31 March 1996[∞] the total investment in one non-working PSU (Government company) was Rs.4.96 crore (equity: Rs.4.96 crore). The company was closed down on 30 September 2001.

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

6.1.11 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the non-working Government company were not furnished by the company.

Total establishment expenditure on non-working PSU

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

Finalisation of accounts by non-working PSU

6.1.13 The accounts of one non-working company were in arrears for a period of 27 years as on 31 March 2005.

Financial position and working results of non-working PSU

6.1.14 The summarised financial results of non-working Government company as per their latest information are given in *Appendix-XXXIII*.

Results of audit by Comptroller and Auditor General of India

Persistent irregularities and system deficiencies in financial matters of PSUs

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

- The accounts are not finalised in time.
- Most of the companies did not hold Board of Directors' Meetings regularly as required under Section 285 of the Companies Act, 1956,

[∞] The company (Nagaland Sugar Mills company Ltd., Dimapur) did not furnish any information from 1996-97 onwards.

major decisions are often taken without approval of the Board of Directors.

Internal Audit/Internal Control

6.1.16 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control system in the companies audited by them in accordance with the directions issued by the CAG to them under section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement.

The Statutory Auditors observed deficiencies in respect of internal audit system in case of five companies during the period upto 1992-93[#]. The major recommendations made/comments made by Statutory Auditors were of the following nature:

- No internal control and internal audit system exist in PSUs.
- Maintenance of cost records are not satisfactory wherever necessary.

Response to Inspection Reports

6.1.17 Audit observation noticed during audit and not settled on the spot are communicated to the Heads of PSUs and Department concerned of the State Government through inspection reports. The Heads of PSUs are required to furnish replies to the inspection reports through respective Heads of Departments within a period of six weeks. Inspection reports issued upto September 2005 pertaining to six PSUs disclosed that 298 paragraphs relating to 32 inspection reports remained outstanding at the end of October 2005. Of these, five inspection reports containing 75 paragraphs had not been replied to for more than five years. Department wise break up of inspection reports and paras outstanding as on 30 November 2005, is given below:

Table 6.4

Sl. No.	Name of the Department	Number of PSUs	Number of outstanding Inspection Reports	Number of outstanding paragraphs	Year from which paragraphs outstanding
1	Industries and Commerce	5	25	230	1988-89
2	Geology and Mining	1	7	68	1987-88
	Total	6	32	298	

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Finance Commissioner and the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that two draft paragraphs forwarded to the Industries and Commerce department in July 2004, had not been replied to by the Government so far (September 2005).

[#] Accounts were not submitted from 1993-94 onwards.

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to inspection reports/draft paragraphs and Action Taken Notes for recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayment in a time bound schedule and (c) the system of responding to audit observations is revamped.

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

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

Table - 6.4

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	---	1*	---	---
1995-96	1	2 [#]	1	---
1996-97	1 [#]	Nil	---	---
1997-98	1 [#]	1 [#]	---	---
1998-99	1 ^{##}	1 ^{##}	---	---
1999-2000	---	1 [/]	---	---
2000-2001	---	1 ^{//}	---	---
2001-2002	1	3 ^φ	1	---
2002-2003	1	1	1	1
2003-2004	1	1	1	1

Departmentally managed Government commercial/quasi-commercial undertakings

Proforma accounts of departmentally managed commercial/quasi commercial undertakings

6.1.19 As on 31 March 2005, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

Mention was made in paragraph 7.1.18 of the Report of the Comptroller and Auditor General of India for the year 2003-04 about delay in preparation of proforma accounts of these undertakings. Despite this, accounts were in arrears for periods ranging from three to 34 years as on 30 September 2005 as detailed below:

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

Discussed in June 2001 but recommendation of COPU is awaited.

Discussed in February 2002 but recommendation of COPU is awaited.

/ Introductory para only

// Introductory para only

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

Table 6 5

Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 2004-05
2.	Nagaland State Transport Department	1988-89 to 2004-05
3.	Nagaland Power Department	2002-03 to 2004-05
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1999-2000 to 2004-05
	(ii) Medium size Seed farm, Merapani	2000-01 to 2004-05
	(iii) Seed Farm, Tizit	2000-01 to 2004-05
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2004-05
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2004-05
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2004-05
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2004-05
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2004-05
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2004-05
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2004-05
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2004-05
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2004-05
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2004-05
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2004-05
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2004-05
	(x) Pig Breeding Centre, Tizit	1997-98 to 2004-05
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2004-05
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2004-05
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2004-05
	(xiv) Regional Rabbit Breeding Farm, Jhamapani	1998-99 to 2004-05
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2004-05
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2004-05
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2004-05
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2004-05
	(xix) Sheep Farm, Poilwa	1998-99 to 2004-05
	(xx) Buffalo Farm, Jalukie	1998-99 to 2004-05
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2004-05
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2004-05

The finalised accounts of departmentally managed commercial and quasi-commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently corrective measures, if any, required cannot be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.

619 B Companies

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

AUDIT PARAGRAPHS

INDUSTRIES AND COMMERCE DEPARTMENT

6.2 Unproductive expenditure

Expenditure of Rs.9.56 crore was incurred on construction of a mechanised brick plant which, though commissioned 10 years after its completion, failed to achieve the target of production resulting in loss of potential revenue of Rs.1.38 crore.

An agreement was executed (October 1987) between the Govt. of Nagaland and a Kolkata based firm (Sanjay Traders) for construction of a Mechanised Brick Plant with an annual installed capacity of 3.50 crore Bricks (one lakh bricks per day) on turn-key basis at a total cost of Rs.9.91 crore. The work was to be completed within four years from the date of execution of the agreement. The Department was to arrange supply of power line on the site for construction purpose as well as for running the plant and to take over the project for commercial production after a successful trial run of 16 months from the date of completion of work. In the event of failure/default in completion of the plant by the contractor, penalty at the rate 0.25 per cent per week subject to a maximum of 10 per cent of the value of the contract was leviable.

Audit scrutiny (April 2005) revealed that, the contractor was paid an amount of Rs.8.52 crore upto December 1992. The contractor claimed to have completed the work in 1993 but the General Manager of the Nagaland Mechanised Bricks Company Ltd (NMBC) reported (July 1993) poor workmanship indicating possibility of complete failure in achieving the projected target. But without giving cognizance to the report, the Department paid further amount of Rs.1.04 crore to the contractor between February 1994 and November 1996, leaving a balance of only Rs.35 lakh (Rs.9.91 crore – Rs.9.56 crore).

Further, scrutiny revealed that after a trial run in May 1996, various defects in installation were detected and the State Government after a review (April 2002) in consultation with the Management of NMBC decided to reduce the projected installed capacity of the plant from one lakh bricks per day to 35,000 bricks per day.

Idling of the plant for about seven years (1993-1998) before being put to final trial-run was considered to be one of the main reasons for its malfunctioning and consequent delay in commissioning. The delay in completion of work as well as commencement of trial-run was attributed to the failure of the department to provide power supply in time to the work site.

It was however, seen that the Power Department to whom Rs.21.62 lakh was paid (August 2003) by the Industries Department for providing power line to the plant site, actually executed the work in 1995. As a result, idling of the project beyond 1995 till its commissioning (August 2004) can be attributed to

defective installation and improper handling by the plant management. The department however, did not invoke the penalty clause on the contractor for failure/default in installation of the plant.

Records further revealed that the plant was ultimately commissioned for commercial production with effect from August 2004 and produced only 6,77,938 red bricks up to March 2005 since its commissioning (August 2004) against a revised installed capacity of the production of 83,30,000 bricks during the period. The low production was attributed to non-operation of drier chamber and physical limitations of kiln structures.

Thus, the expenditure of Rs.9.56 crore incurred on the construction of the Mechanised Brick Plant remained unproductive for a decade due to lack of adequate timely action by the Department. Even on commissioning (August 2004) the plant failed to achieve the reduced target and consequently suffered a loss of potential revenue of Rs.1.38 crore till March 2005*.

The Department in their reply (September 2005) accepted the facts and stated that the delay in commercial production was due to power supply problems and insufficient clay collection in the absence of the excavator. The reply is not tenable as these factors should have been given due consideration when the project was conceived. Moreover the department did not take any initiative for solving the problems as and when they arose.

The matter was reported to Government in June 2005; reply had not been received (November 2005).

6.3 Avoidable financial liability

The Nagaland Handloom and Handicraft Development Corporation Ltd., failed to clear its statutory dues resulted in an avoidable financial liability of Rs.17.77 lakh.

The Employees Provident Fund and Miscellaneous Provisions Act (1952), requires employers to deposit both the employer's and employee's contributions to the Fund with the Regional Provident Fund Commissioner (RPFC) within 15 days from the date of closure of the month to which the contributions relate, failing which the employer would be liable to pay penal damage and interest under Sections 14(B) and 7(Q) of the Act.

Test check (May 2005) of records of the Nagaland Handloom and Handicraft Development Corporation Ltd. (NHHDC) disclosed that the Corporation had defaulted in depositing the employer's share of the statutory dues from June 1982 to February 2001. In accordance with the powers conferred under the Act, the RPFC issued three demand notices (September 2001, March 2002 and May 2004) to the NHHDC to pay penal interest (i) Rs.7.93 lakh for the

* August 2004 to March 2005 = 238 days.
35,000 per day x 238 days = 83,30,000
83,30,000 - 6,77,938 = 76,52,062 x Rs.1.80 per brick = Rs.1,37,73,711
(say Rs.1.38 crore)

period from October 1994 to February 2000 (ii) Rs.1.45 lakh for the period from March 2000 to June 2002 and penal damages, (iii) Rs.6.37 lakh for the period from June 1982 to February 2001 for defaulting in payment of the statutory dues with further liability for payment of penal interest at the rate 12 per cent till the date of its liquidation.

As of April 2005, the NHHDC had paid Rs.11.95 lakh⁵ against the total penal damages and interest of Rs.15.75 lakh⁶ imposed by the RPFC leaving an unpaid balance of Rs.3.80 lakh. The statutory dues of Rs.5.60 lakh and penal damage of Rs.3.80 lakh were yet to be deposited with the RPFC including interest liability of Rs.2.02 lakh⁷ (calculated upto March 2005).

Thus, due to defaulting on its statutory dues amounting to Rs.5.60 lakh and also for belated payments, the NHHDC has incurred an avoidable financial liability of Rs.15.75 lakh and Rs.2.02 lakh by way of penal damage and interest. The amount is likely to increase further if the Corporation does not discharge its obligations as assessed by the RPFC.

The Management in reply while admitting the facts stated (November 2005) that the Corporation being a loss incurring institute had to depend on grants-in-aid provided by the State Government. Due to delayed release of grants-in-aid, the statutory EPF dues could not be paid in time resulting in avoidable liability of payment of penal damage and interest.

The matter was reported to Government in June 2005; reply had not been received (November 2005).

⁵ Rs.2.40 lakh in February 2002; Rs.,5.53 lakh in March 2002; Rs.1.45 lakh in July 2003; Rs.2.57 lakh in January 2005.

⁶ Rs. 15.75 lakh = Rs.(7.93 + 1.45 + 6.37) lakh

⁷ @ 12 per cent on Rs.5.60 lakh (unpaid statutory dues) from August 2001 to March 2005



CHAPTER – VII
INTERNAL CONTROL SYSTEM
AND
INTERNAL AUDIT

CHAPTER VII

INTERNAL CONTROL SYSTEM

AND

INTERNAL AUDIT

CHAPTER – VII

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT IN GOVERNMENT DEPARTMENTS

PUBLIC HEALTH ENGINEERING DEPARTMENT

7.1 Internal Control System in Public Health Engineering Department

Internal Control (IC) is an integral process that is effected by an entity's management and personnel and is designed to provide reasonable assurance in achievement of the objective ethically, economically and efficiently. Internal Control is, thus broadly defined as a process effected by a department with reference to policies, plans, programmes, rules and regulations safeguarding the interest of the department and fulfillment of its objective.

Thus, internal control is an integral part of the day to day management process (i.e., planning, directing and controlling) within a department/office. Internal audit is a part of the internal control system.

Evaluation of the internal control system in the PHED revealed deficiencies in budgetary control, stores management, inventory control and man power control. Non maintenance of basic records also affected the accuracy and completeness of the monthly accounts. Internal audit arrangements were also deficient and unable to provide assurance against financial irregularities.

Highlights

Supplementary provision of Rs.123.42 crore obtained by the department during 2000-05 when there was overall savings of Rs.132.88 crore during the same period indicated deficient budgetary control by the department.

(Paragraph 7.1.4)

There was overall savings of Rs.132.88 crore during the year 2000-05 and the department surrendered only Rs.109.98 crore. Thus, the financial discipline sought to be imposed through the General Financial Rules was ignored by the controlling officer of the department.

(Paragraph 7.1.5)

Irregular drawal of money by transfer credit to civil deposit/bankers cheques to avoid lapse of funds to the tune of Rs.15.08 crore resulted in erosion of legislative control over expenditure.

(Paragraph 7.1.6)

Extra expenditure of Rs.5.47 crore was incurred on salaries and wages of excess regular and workcharged staff.

(Paragraph 7.1.10)

Holding of excess stock of stores for Rs.32.84 crore over prescribed stock limit resulted in blocking of funds.

(Paragraph 7.1.12)

Introduction

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

The Public Health Engineering Department is responsible for planning, constructing and maintaining of water sources and distribution networks for providing safe drinking water supply system, proper sanitary conditions to the people of the State, conservation of water source catchments and also creation of public awareness on public and personal hygiene.

Audit coverage

7.1.2 A performance audit was conducted (November 2005) on the internal control system including internal audit arrangement in the Public Health Engineering Department (PHED) for the year 2000 to 2005. Test check was conducted in the office of the Chief Engineer (CE), PHED and two Divisions (Kohima and Dimapur) and the office of the Director of Treasuries and Accounts. The results of the test check are brought out in succeeding paragraphs.

Audit objectives

7.1.3 The audit objective was to ascertain the adequacy of various internal control in the department, such as:

- financial controls
- administrative controls
- operational controls, and
- supervisory controls

Audit findings

Budgetary controls

Provision of budget manual ignored

7.1.4 General Financial Rules 49 to 53, 65 and 73 envisaged adherence to budgetary controls, which *inter-alia* provided for the administrative departments to prepare budget estimates based on inputs from lower formations, spend within the budgeted amounts, avoid rush of expenditure at the close of the year and surrender the anticipated savings in time. Supplementary provision for funds was to be made only in case the original allotment proved insufficient. This required regular monitoring of monthly expenditure incurred by the Drawing and Disbursing Officers (DDOs) of sub-ordinate offices by the Directorate and by the Administrative Department.

The actual expenditure *vis-à-vis* budget provisions of the Department during 2000-05 were as follows:

Table 7.1

(Rupees in crore)

Year	Budget provision			Actual expenditure	Excess (+) Savings (-)
	Original	Supplementary	Total		
2000-01	52.34	33.71	86.05	61.71	(-) 24.34
2001-02	74.54	13.22	87.76	72.55	(-) 15.21
2002-03	67.22	54.46	121.68	93.08	(-) 28.60
2003-04	82.10	17.90	100.00	58.89	(-) 41.11
2004-05	81.13	4.13	85.26	61.64	(-) 23.62
Total	357.33	123.42	480.75	347.87	(-) 132.88

(Source: Appropriation Accounts)

From the table, it was apparent that failure to carry out regular monitoring as per the provisions of the General Financial Rule resulted in unnecessary supplementary provision of Rs.123.42 crore (2000-05) when the actual expenditure was less than the original budget provision itself resulting in savings of Rs.132.88 crore.

Failure to surrender anticipatory savings in time

7.1.5 The GFRs provide that all anticipated savings are to be surrendered to the Government by 10 March of the financial year. Though the department had an overall savings of Rs.132.88 crore during 2000-05, only Rs.109.98 crore was surrendered. Thus, the financial discipline sought to be imposed through General Financial Rules was ignored by the controlling officer of the department.

Irregular drawal of money to avoid lapse of funds

7.1.6 The Central Treasury Rules (CTR), 290 restrict the drawal of money from the treasury unless it is required for immediate disbursement. It was observed that during 2000-05, the Executive Engineer (EE), PHED, Kohima Division drew Rs.15.08 crore and credited the amount to civil deposit/bankers cheques to avoid lapse of the provisions under the capital head. This inflated the expenditure figures of the department during the years 2000-05. This irregular practice resulted in erosion of legislative control over expenditure, as the drawals from civil deposits/bankers cheques in subsequent years neither required further legislative approval nor was the expenditure incurred subject to legislative authority through the appropriation mechanism. Thus, using the facility of transfer credit from the consolidated fund to the civil deposit/bankers cheque violated the basic principles of legislative control over State finances.

Expenditure controls

Rush of expenditure

7.1.7 Rush of expenditure in the month of March has the risk of the Government not getting proper value for money as the expenditure is likely to take place without due diligence. General Financial Rules required controlling officers to avoid rush of expenditure in the closing months by keeping a close watch on the progressive expenditure of the DDOs and the department as a whole on a month-to-month basis. However, it was seen that the department had incurred

97 per cent and 99 per cent of its total expenditure in March alone in 2003-04 and 2004-05, as detailed below:

Table No. 7.2

(Rupees in crore)

Year	No. of divisions	Total expenditure incurred during the year	Expenditure incurred in March	Percentage of total expenditure of the year in March
2003-04	11	Rs.67.90	Rs.66.51	97
2004-05	11	Rs.54.61	Rs.54.04	99

(Source: Monthly account of PHE division)

Irregular booking of expenditure of Rs.1.15 crore

7.1.8 In March 2005 the Chief Engineer, PHED issued a supply order for an amount of Rs.1.16 crore for pipe fitting materials and galvanised mild steel tank to be supplied within 60 days from the date of issue of supply order. To avoid lapse of budget, the amount was drawn in March 2005 and sent on the same day to Executive Engineer, PHE Store Division, Dimapur. Test check of cash book of PHE Store Division revealed that the amount was shown as payment made on 31 March 2005. In reply (November 2005) the EE, PHE Store Division stated that, it was done only to incorporate the expenditure in the Divisional Accounts during financial year 2004-05. The payment was not made to the supplier as the materials are yet to be received and the money is kept in the department's Current Account. Thus, keeping the money in current account and booking of expenditure in the financial year without actually incurring it was irregular and violated financial rules and regulations and also inflated the total expenditure of the department during the year.

Administrative controls

Quality in maintenance of records in the Directorate

7.1.9 Test check of the records (2000-05) of Chief Engineer, PHE (Directorate) revealed that important records like allotment register and compilation register of monthly expenditure of the entire Department on the basis of monthly expenditure statements received from lower formations were not maintained properly.

Extra expenditure of Rs.5.47 crore on salary and wages of excess regular and workcharged staff

7.1.10 The Department of PHE had no mechanism to ascertain the actual requirement of staff under each category of post and had not developed yardsticks/norms to assess requirement of manpower for the various types of works. During 2003-04 and 2004-05 the department had 1,561 regular staff against the sanctioned posts of 1,153, which resulted in employment of excess manpower of 408 involving an extra expenditure of Rs.3.55 crore on salaries and wages. Similarly, during 2003-04 and 2004-05, against the requirement of 2,000 workcharged employees the department employed 3,433 workcharged employees during 2003-04 and 2697 during 2004-05 resulting in extra expenditure of Rs.1.92 crore on salaries and wages.

Operational controls

Irregular booking of funds of Rs.10.96 crore

7.1.11 As per instruction of Government, all funds of the department are allotted to the EE, (PHE) Kohima. Accordingly funds are drawn by the Kohima Division and subsequently distributed to different divisions on receipt of instruction from the CE, PHED. The EE, (PHE), Kohima sent six bank drafts for an amount of Rs.10.96 crore pertaining to 2004-05 financial year to the Store Division, Dimapur in the month of April 2005. Scrutiny of the cash book and monthly account of EE, PHE Store Division, Dimapur, for the month of March 2005 revealed that the above amount was received during April 2005 but was accounted for in the cash book as well as in the monthly account in March 2005. This indicates that the cash book was not maintained properly resulting in non-existence of financial discipline and regularity in the department.

Supervisory controls

Blocking of Government funds of Rs.32.84 crore

7.1.12 As per order (1982) of the Chief Engineer, Public Health Engineering the total Reserve Stock Limit (RSL) of stores fixed for eleven PHE divisions was Rs.90 lakh. But as per closing stock balance of stores as on September 2004, the total stock balance of stores of all the eleven divisions was Rs.33.74 crore. Thus, the divisions were holding excess stock of stores of Rs.32.84 crore as on September 2004, over sanctioned Reserve Stock Limit, which resulted in blocking of Government funds.

Minus closing stock balance

7.1.13 Scrutiny of yearly stock ledger/returns and other relevant records of the PHE Store Division revealed that huge minus balances were reflected in the yearly stock account of water supply fitting materials, galvanized iron pipes, galvanized mild steel tank etc. details as shown below:

Table No. 7.3

Year	Opening balance	Procurement	Issue	Closing balance
2000-01	21.87	693.75	529.74	185.88
2001-02	185.88	1130.60	1590.68	(-) 274.20
2002-03	(-) 274.20	2065.42	2398.49	(-) 607.27
2003-04	(-) 607.27	3174.08	3922.33	(-) 1355.52
2004-05	(-) 1355.52	2525.94	2374.43	(-) 1204.01

(Source : Departmental figures)

From the above table it would be seen that at the end of 2004-05, minus balance of Rs.12.04 crore was reflected in the stock ledger/returns. These minus balances were mainly attributable to (i) non adjustment of inter-divisional transactions, (ii) fictitious adjustment of stores and stock and (iii) non adjustment of profit/loss on stores and non revision of issue rates. This indicates absence of proper monitoring of the stores and stocks records.

Internal audit

7.1.14 Internal audit, as an independent entity within or outside the department, is to examine and evaluate the level of compliance to the rules and procedures so as to provide independent assurance to senior management on the adequacy of the risk management and internal control framework in the department.

The scope of audit includes check of receipts and expenditure, compliance with laws and regulations and the propriety of expenditure in the subordinate offices of the department. The audit process, which consists of planning, execution, issue of reports and their follow-up is to be codified in an 'Audit Manual'.

The department did not have any Internal Audit wing. Director of Treasuries and Accounts (Audit wing) under Finance Department of the Government was entrusted with conducting internal audit of all Government Department. However, it was noticed that no internal audit of PHE Department had been conducted during the period covered by the review. Reasons for non-conducting of internal audit of PHE Department were not stated by the Director, Treasuries and Accounts.

Lack of response to Audit

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

As on April 2005, 883 paragraphs (Rs.278.41 crore) relating to 75 IRs of the PHED issued upto April 2005 were still pending. Of these, 391 paragraphs (43 *per cent*) relating to 40 IRs (52 *per cent*) were more than 10 years old. Failure to comply with the issues raised by Audit facilitated the continuation of serious financial irregularities and loss to the Government.

Conclusion

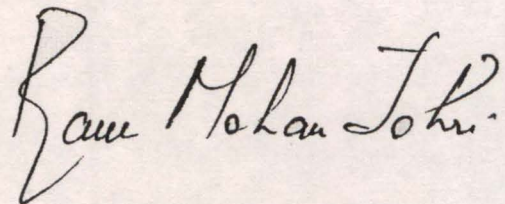
7.1.16 Internal controls were ineffective in the PHED. The basic checks such as proper maintenance of cash book, timely submission of reports and returns, regular rendering of monthly accounts etc. were disregarded. The failure to observe internal control procedures has increased the risk of misappropriation and fraud taking place and remaining unnoticed. No efforts either to set right the system or to take action against the erring officials were evident. The department was not serious in implementing rules and regulations and failed to submit progress reports/monthly accounts in time.

Recommendations

7.1.17 The following recommendations are made:

- Expenditure needs to be regularly monitored to avoid excess/savings from the budgeted figures.
- Irregular practice of drawal of money by transfer credit to civil deposit/bankers cheque should be discontinued.
- Expenditure should be incurred uniformly through out the year rather than at the end of the year.
- Steps need to be taken to adjust the inter-divisional transactions, fictitious adjustment and non adjustment of profit/loss of stores.
- Internal audit coverage of the auditee units should be planned in such a manner that all units are covered in a cycle of one to three years.
- Government should revamp the system of response to the audit observations pointed out in Inspection Reports of the Accountant General (Audit) to ensure timely response to the observations made.

The matter was reported to the Government and the Department in October 2005; their replies are awaited (November 2005).

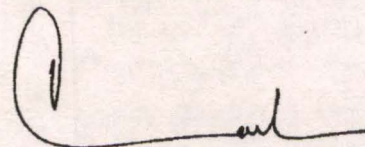


(RAM MOHAN JOHRI)
Accountant General (Audit), Nagaland

Kohima
The

25 FEB 2006

Countersigned



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

New Delhi
The

27 FEB 2006

APPENDICES

APPENDIX-I

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

(Reference: Paragraph 1.4 ; Page 4-5)

Terms	Basis for calculation
Buoyancy of a parameter	Rate of Growth of the parameter GSDP Growth
Buoyancy of a parameter (X) with respect to another parameter (Y)	Rate of Growth of the parameter (X) Rate of Growth of the parameter (Y)
Rate of Growth (ROG)	$[(\text{Current year Amount}/\text{Previous year Amount})-1]*100$
Trend/Average	Trend of growth over a period of 5 years (LOGEST (Amount of 1999-2000: Amount of 2004-05)-1)*100
Development Expenditure	Social Services + Economic Services
Weighted Interest Rate (Average interest paid by the State)	Interest Payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Interest spread	GSDP growth - Weighted Interest rates
Interest received as <i>per cent</i> to Loans Advanced	Interest Received [(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt - Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances - Revenue Receipts - Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit minus Interest Payments
Balance from Current Revenue (BCR)	Revenue Receipts minus all Plan grants and non-plan revenue expenditure excluding debits under 2048 Appropriation for reduction or avoidance of debt.

APPENDIX –II

Summarised financial position of the Government of Nagaland as on 31 March 2005
(Reference :Paragraphs 1.4 and 1.8 ; Pages 4 and 12)

(Rupees in crore)				
As on 31.03.2004	LIABILITIES			As on 31.03.2005
1524.07	Internal Debt			1709.39
	1187.43	Market loans bearing interest	1326.39	
	0.11	Market loans not bearing interest	0.10	
	48.77	Loans from LIC	54.15	
	287.76	Loans from other institutions	321.68	
	0.00	Ways and Means Advances	7.07	
5.23	Overdrafts from Reserve Bank of India			2.32
395.10	Loans and Advances from Central Government			434.58
	13.83	Pre-1984-85 loans	9.26	
	26.33	Non-Plan Loans	25.13	
	329.68	Loans for State Plan Schemes	371.55	
	2.22	Loans for Central Plan Schemes	1.88	
	14.26	Loans for Centrally Sponsored Plan Schemes	15.42	
	0.00	Ways & Means Advances	0.00	
	8.78	Loans for Special Schemes	11.34	
0.35	Contingency Fund			0.35
477.64	Small Savings, Provident Funds, etc.			499.38
139.91	Deposits			167.39
1.05	Reserve Funds			0.41
0.00	Suspense and Miscellaneous Balances			0.00
(-)74.58	Remittance Balances			(-)105.83
419.14	Accumulated Surplus on Government Account			574.03
	546.80	Revenue Surplus brought forward from previous year	419.14	
	(-)127.66	Add revenue Surplus (+)/Deficit(-)	154.89	
2887.91	Total			3282.02
ASSETS				
2960.38	Gross Capital outlay on Fixed Assets-			3339.82
	69.36	Investments in shares of Companies, Corporations, etc.	73.41	
	2891.02	Other capital outlay	3266.41	
41.23	Loans and Advances			35.06
	34.24	Other Development Loans	33.73	
	6.99	Loans to Government servants' etc.	1.33	
2.10	Advances			2.14
96.52	Suspense and Miscellaneous Balances			132.39
(-)212.32	Cash Balance			(-)227.39
	0.16	Cash in Treasuries and Local Remittances	0.16	
	(-)341.28	Deposits with Reserve Bank	(-)339.55	
	90.92	Departmental Cash Balance including Permanent Advances	100.04	
	12.60	Investment of earmarked funds	11.96	
	25.28	Cash Balance Investments	0.00	
2887.91	Total			3282.02

APPENDIX-III
Abstract of receipts and disbursements for the year 2004-2005
(Reference: Paragraph 1.4 ; Page 4-5)

RECEIPTS		DISBURSEMENTS						(Rupees in crore)
2003-04		2004-05	2003-04		Non-Plan	Plan	Total	2004-05
	SECTION A: REVENUE							
2359.79	I. Revenue Receipts	1839.52	1812.99	I. Revenue Expenditure				1684.63
68.55	Tax Revenue	78.31	874.91	General Services	852.55	5.40	857.95	
60.91	Non-tax Revenue	77.90	422.32	Social Services	306.76	114.19	420.95	
256.97	State's share of Union Excise Duties	160.15	246.14	Education, Sports, Art and Culture	195.64	44.03	239.67	
1311.03	Non-Plan grants	687.14	82.80	Health and Family Welfare	65.80	22.37	88.17	
515.44	Grants of State Plan Scheme	554.16	18.07	Water Supply, Sanitation, Housing and Urban Development	22.15	9.49	31.64	
15.05	Grants for Central Plan Scheme	25.92	10.80	Information and Broadcasting	6.15	1.18	7.33	
110.99	Grants for Centrally Sponsored Plan Schemes	226.06	9.94	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	0.00	5.07	5.07	
20.85	Grant for Special Plan Scheme	29.88	5.01	Labour and Labour Welfare	5.40	0.22	5.62	
			45.13	Social Welfare and Nutrition	7.96	31.73	39.69	
			4.43	Others	3.66	0.10	3.76	
			515.76	Economic Services	230.51	175.22	405.73	
			110.27	Agriculture and Allied Activities	74.94	42.30	117.24	
			66.11	Rural Development	6.21	45.58	51.79	
			19.77	Special Areas Programme	2.83	11.47	14.30	
			21.33	Irrigation and Flood Control	6.26	15.95	22.21	
			158.89	Energy	93.83	0.45	94.28	
			38.00	Industry and Minerals	12.66	19.38	32.04	
			23.59	Transport	19.50	0.20	19.70	
			3.18	Science, Technology and Environment	0.22	2.53	2.75	
			74.62	General Economic Services	14.06	37.36	51.42	
	II. Revenue Deficit carried over to Section-B		546.80	II. Revenue Surplus carried over to Section-B				154.89
2359.79	Total: Section A-Revenue	1839.52	2359.79	Total: Section A-Revenue				1839.52
	SECTION-B							
120.88	III. Opening cash balance including Permanent Advances and Cash Balance Investment	(-212.32)	5.23	III. Opening Overdraft from RBI				*
---	IV. Miscellaneous Capital Receipts	-	391.13	IV. Capital Outlay	2.58	376.86	379.44	379.44
			50.05	General Services	0.00	42.80	42.80	
			138.15	Social Services	0.00	148.97	148.97	
			10.26	Education, Sports, Art and Culture	0.00	11.78	11.78	
			11.87	Health and Family Welfare	0.00	41.94	41.94	
			107.23	Water Supply, Sanitation, Housing and Urban Development	0.00	86.35	86.35	
			0.05	Information and Broadcasting	0.00	0.65	0.65	
			3.41	Social Welfare and Nutrition	0.00	6.00	6.00	
			5.32	Others	0.00	2.25	2.25	
			202.93	Economic Services	2.58	185.09	187.67	
			20.63	Agriculture and Allied Activities	0.08	9.31	9.39	
			0.25	Rural Development	0.00	0.00	0.00	
			29.70	Special Areas Programme	0.00	42.25	42.25	
			60.75	Energy	0.00	44.42	44.42	
			24.4.1	Industry and Minerals	0.35	13.02	13.37	
			66.86	Transport	2.15	66.97	69.12	
			0.20	General Economic Services	0.00	7.56	7.56	

* The Opening and Closing balances of Overdrafts not shown separately as the net effect of these have been reflected in the Net transaction of Overdraft under the Public Debt Receipts.

Audit Report (Civil) for the year ended 31 March 2005

Appendix-III concluded

		(Rupees in crore)							
RECEIPTS				DISBURSEMENTS					
2003-04		2004-05	2003-04		Non-Plan	Plan	Total	2004-05	
					Irrigation and Flood Control	0.00	1.08	1.08	
					Science, Technology and Environment	0.00	0.48	0.48	
6.81	V. Recoveries of Loans and Advances	6.50	5.08	V. Loans and Advance disbursed				0.34	
1.41	From Government Servants	5.99	3.72	To Government Servants			0.34		
5.40	From Others	0.51	1.36	To Others			---		
546.80	VI. Revenue Surplus brought down	154.89	-	VI. Revenue deficit brought down				--	
(-)3.22	VII. Public Debt receipts-	424.30	174.59	VII. Repayment of Public Debt-				202.42	
393.93	Internal debt other than Ways and Means Advances and Overdrafts	256.22	62.93	Internal debt other than Ways and Means Advances and Overdrafts			77.98		
--@	Net transactions under:- Ways and Means Advances including overdrafts	4.16 ^o		Net transactions under:- Ways and Means Advances including overdrafts			-		
(-)397.15	Loans and Advances from Central Government	163.92	111.66	Repayment of Loans and Advances to Central Government			124.44		
--	VIII. Appropriation to Contingency Fund	---	--	VIII. Appropriation to Contingency Fund			-	-	
--	IX. Amount transferred to Contingency Fund	---	--	IX. Expenditure from Contingency Fund			-	-	
658.48	X. Public account receipts-	776.73	971.27	X. Public account disbursements-				795.29	
106.45	Small Savings and Provident Funds	110.24	84.83	Small Savings and Provident Funds			88.49		
0.85	Reserve Funds	0.85	2.73	Reserve Funds			1.49		
(-)93.39	Suspense and Miscellaneous	41.20	206.00	Suspense and Miscellaneous			77.07		
563.07	Remittances	492.94	577.78	Remittances			539.19		
81.50	Deposits and Advances	131.50	99.93	Deposits and Advances			89.05		
5.23	XI. Closing Overdraft from Reserve Bank of India		* (-)212.32	XI. Cash Balance at end-				(-)227.39	
			0.16	Cash in Treasuries and Local Remittances			0.16		
			(-) 341.28	Deposits with Reserve Bank			(-)339.55		
			90.92	Departmental Cash balance including Permanent Advances			100.04		
			25.28	Cash Balance Investment			0.00		
			12.60	Investment in earmarked funds			11.96		
1334.98	Total	1150.10	1334.98	Total				1150.10	

^o Represents Receipts Rs.354.37 crore and Disbursements Rs.350.21 crore.

@ Represents Receipts Rs.44.55 crore and Disbursements Rs.44.55 crore.

APPENDIX-IV
Sources and application of funds
(Reference : Paragraph 1.4 ; Page 4-5)

		<i>(Rupees in crore)</i>	
		Sources	
2003-04			2004-05
2359.79	1. Revenue Receipts		1839.52
6.81	2. Recoveries of Loans and Advances		6.50
(-)177.81	3. Increase in Public debt other than overdraft		218.97
(-)312.78	4. Net receipts from Public account		(-)18.56
	21.61 Increase (+)/Decrease (-) in Small Savings, Provident Funds, etc.	21.75	
	(-)18.40 Increase (+)/Decrease (-) in Deposits and Advances	42.44	
	(-)1.88 Increase (+)/Decrease (-) in Reserve Funds	(-)0.64	
	(-)299.40 Net effect of Suspense and Miscellaneous transactions	(-)35.86	
	(-)14.71 Net effect of Remittance transactions	(-)46.25	
0.00	5. Overdrafts from Reserve Bank of India (Net)		2.91
1876.01	Total		2049.34
		Applications	
1812.99	1. Revenue expenditure		1684.63
5.08	2. Lending for development and other purposes		0.34
391.13	3. Capital expenditure		379.44
(-)333.19	4. Increase (+)/Decrease (-) in closing cash balance		(-)15.07
0.00	5. Reduction of overdraft payable to Reserve Bank of India		0.00
1876.01	Total		2049.34

Explanatory Notes for Appendix II, III and IV

1. The abridged accounts in the forgoing statements are based on the Finance Accounts for the year 2004-05-Government of Nagaland and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts.
3. The capital outlay represents capital expenditure booked in the accounts.
4. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account, with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 1983 was, therefore, treated as cumulative surplus for drawing up the first Statement of financial position for 1982-83 which took the place of balance sheet. The current figure as on 31 March 2005 was Rs.574.03 crore after accounting for the revenue surplus of Rs.154.89 crore during 2004-05.
5. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements.
6. The closing cash balance as reported by the Reserve Bank of India was Rs.208.61 crore (debit) against the general cash balance of Rs.339.40 crore (credit) shown in the accounts. The difference of Rs.130.79 crore (credit) as on 31 March 2005 is under reconciliation (December 2005).

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

	2000-01	2001-02	2002-03	2003-04	2004-05
(Rupees in crore)					
Part A. Receipts					
I. Revenue Receipts	1254.10	1324.53	1346.90	2359.79	1839.52
(i) Tax Revenue	46.25(4)	54.90 (4)	62.00 (5)	68.55(3)	78.31(4)
Taxes on Sales, Trade etc.	27.30(59)	34.42(63)	41.16 (66)	45.63(67)	53.08(68)
State Excise	1.77(4)	1.87(3)	1.98 (3)	1.99(3)	2.07(3)
Taxes on vehicles	5.28(11)	5.35(10)	4.74 (8)	6.00(9)	7.30(9)
Stamps and Registration fees	1.77(4)	0.91(2)	0.57 (1)	0.66(1)	0.73(1)
Land Revenue	0.35(1)	0.62(1)	0.41 (1)	0.54(1)	0.43(*)
Other taxes	9.78(21)	11.73(21)	13.14 (21)	13.73(21)	14.70(19)
(ii) Non Tax Revenue	39.23(3)	43.41(3)	43.94 (3)	60.91(3)	77.90(4)
(iii) State's share in Union taxes and duties	96.48(8)	30.71(3)	46.01 (3)	256.97(11)	160.15(9)
(iv) Grants-in-aid from Government of India	1072.14(85)	1195.51(90)	1194.94 (89)	1973.36(83)	1523.16(83)
2. Misc. Capital Receipts	---	---	---	---	-
3. Total revenue and Non-debt capital receipts (1+2)	1254.10	1324.53	1346.90	2359.79	1839.52
4. Recoveries of Loans and Advances	6.45	7.78	7.42	6.81	6.50
5. Public Debt Receipts	335.97	335.28	473.85	(-3.22)	424.30
Internal Debt (excluding Ways & Means Advances and Overdrafts)	163.05	224.23	238.58	393.93	256.22
Net transactions under Ways and Means Advances and Overdraft	123.34	49.04	(-212.40)	--	4.16
Loans and Advances from Government of India ¹	49.58	62.01	447.67	(-397.15)	163.92
6. Total receipts in the Consolidated Fund (3+4+5)	1596.52	1667.59	1828.17	2363.38	2270.32
7. Contingency Fund Receipts	---	---	---	---	-
8. Public account receipts	601.87	646.31	990.10	658.48	776.73
9. Total receipts of the State (6+7+8)	2198.39	2313.90	2818.27	3021.86	3047.05
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	1290.23	1427.11	1506.27	1812.99	1684.63
Plan	231.00(18)	232.65(16)	242.91 (16)	363.40(20)	294.81(17)
Non-plan	1059.23(82)	1194.46(84)	1263.36 (84)	1449.59(80)	1389.82(83)
General Services(including Interest payments)	623.33(48)	723.88(51)	798.67 (53)	874.91(48)	857.95(51)
Social Services	351.15(27)	377.18(26)	385.57 (26)	422.32(23)	420.95(25)
Economic Services	315.75(25)	326.05(23)	322.09 (21)	515.76(28)	405.73(24)
Grants-in-aid contribution	---	---	---	---	-
11. Capital Expenditure	224.40	238.73	340.69	391.13	379.44
Plan	215.85(96)	238.65(100)	339.90 (100)	380.15(97)	376.86(99)
Non-plan	8.55(4)	0.08	0.79	10.98(3)	2.58(1)
General Services	28.51(13)	14.25(6)	24.78 (7)	50.05(13)	42.80(11)
Social Services	81.02(36)	98.87(41)	148.91 (44)	138.15(35)	148.97(39)
Economic Services	114.87(51)	125.60(53)	167.00 (49)	202.93(52)	187.67(50)
12. Disbursement of Loans and Advances	17.35	3.43	2.33	5.08	0.34
13. Total (10+11+12)	1531.98	1669.27	1849.29	2209.20	2064.41
14. Repayments of Public Debt	52.00	69.28	67.57	174.59	202.42
Internal Debt (excluding Ways and Means Advances and Overdrafts)	31.47	29.37	42.66	62.93	77.98
Net transactions under Ways and Means Advances and Overdraft	---	---	---	--	-
Loans and Advances from Government of India	20.53	39.91	24.91	111.66	124.44
15. Appropriation to Contingency Fund	---	---	---	---	-
16. Total disbursement out of Consolidated Fund (13+14+15)	1583.98	1738.55	1916.86	2383.79	2266.83
17. Contingency Fund disbursements	---	---	---	---	-
18. Public account disbursements	590.70	529.49	789.77	971.27	795.29
19. Total disbursement by the State (16+17+18)	2174.68	2268.04	2706.63	3355.06	3062.12
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	(-36.13)	(-102.58)	(-159.37)	546.80	154.89
21. Fiscal Deficit (3+4-13)(-)/Surplus(+)	(-271.43)	(-336.96)	(-494.97)	157.40	(-218.39)
22. Primary Deficit (21-23)	(-94.34)	(-136.49)	(-280.39)	392.14	31.23
Part D. Other data					
23. Interest payments (included in revenue expenditure)	177.09	200.47	214.58	234.74	249.62

¹ Includes Ways & Means Advances from Government of India.

* Indicates negligible percentage

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	(Rupees in crore)				
	2000-01	2001-02	2002-03	2003-04	2004-05
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	NA	NA	NA	22.63 (17)	1.16(1)
25. Financial assistance to local bodies etc.	19.12	15.76	11.91	30.66	34.33
26. Ways and Means Advances/Overdrafts availed (days)	454.04(192)	668.43 (261)	1006.35(469)	44.55(6)	354.37(56)
27. Interest on WMA/Overdraft	21.14	1.45	2.48	0.76	0.81
28. Gross State Domestic Product (GSDP)	3353.43	3789.38	4282.00	4838.66	5467.68*
29. Outstanding Debt (year end)	1429.93	1695.93	2102.22	1924.41	2146.29
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	--	--	--	--	-

* Since GSDP for the year 2004-05 has not yet been determined by the State, GSDP rate has been taken as per information furnished by the Ministry of Finance, Department of Expenditure, Finance Commission Division, (Fiscal Reforms Unit) in the minutes of meeting of the Monitoring Committee on 'Medium Term Fiscal Restructuring Policy of Nagaland.'

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

(Rupees in crore)

Sl. No.	Name of Body/Authority	Year upto which accounts prepared and submitted	Years for which accounts were in arrears	Sources of funds	Amount of grants/loan	
					2003-04	2004-05
1.	Nagaland University	2003-04	1	Government of India and Government of Nagaland	21.31	@ ²
2.	Development Authority, Nagaland, Dimapur	2003-04	1	Government of India and Government of Nagaland	1.15	@
3.	Nagaland Board of School Education	2001-02	3	Government of India and Government of Nagaland	1.80	@
4.	North East Zone Cultural Centre, Dimapur	2003-04	1	Government of India and Government of Nagaland	5.43	@
5.	Nagaland Khadi and Village Industries Board, Kohima	1999-2000	5	Government of India and Government of Nagaland	3.88	@
6.	Nagaland State Social Welfare Advisory Board	1991-92	13	Government of India and Government of Nagaland	@	@
7.	District Rural Development Agency, Kohima	2004-05	-	Government of India and Government of Nagaland	1.69	6.32
8.	District Rural Development Agencies, Mokokchung	2004-05	-	Government of India and Government of Nagaland	3.37	3.32
9.	District Rural Development Agencies, Tuensang	2004-05	-	Government of India and Government of Nagaland	4.80	4.93
10.	District Rural Development Agencies, Wokha	2004-05	-	Government of India and Government of Nagaland	2.43	2.50
11.	District Rural Development Agencies, Phek	2004-05	-	Government of India and Government of Nagaland	2.44	2.66
12.	District Rural Development Agencies, Zunheboto	2004-05	-	Government of India and Government of Nagaland	3.16	3.09
13.	District Rural Development Agencies, Dimapur	2004-05	-	Government of India and Government of Nagaland	1.88	4.72
14.	District Rural Development Agencies, Mon	2004-05	-	Government of India and Government of Nagaland	@	6.33
				Total	53.34	33.87

@ Information not available.

@ Information not available

APPENDIX-VII
Statement showing impact of Government Policies in the State
(Reference : Paragraph 1.11 ; Page 18)

Serial Number	Description	Unit	Year		
			2002-03	2003-04	2004-05
1.	Education				
(a)	Schools				
(i)	Primary	Number	1303	1305	1305
(ii)	Middle	Number	264	268	268
(iii)	High Government	Number	116	116	116
(iv)	Higher Secondary - Government	Number	9	9	9
(v)	Enrolment in Schools	In lakh	4.23	4.36	4.62
(vi)	Literacy(Percentage)	Percentage	67.11	67.11	67.11
2.	Higher and Technical Education				
(i)	University	Number	1	1	1
(ii)	Colleges	Number	8	8	8
(iii)	Polytechnic	Number	2	3	3
(iv)	Industrial Training Institute	Number	1	1	1
(v)	Agricultural College	Number	1	1	1
(vi)	Nagaland College of Education	Number	1	1	1
3.	Health				
(i)	Civil Hospital	Number	8	8	8
(ii)	Sub-Divisional Hospital	Number	2	2	2
(iii)	Primary Health Centre	Number	68	87	87
(iv)	Community Health Centre	Number	14	21	21
(v)	Subsidiary Health Centre	Number	35	27	27
(vi)	Dispensary	Number	15	15	15
(vii)	T. B. Hospital	Number	2	2	2
(viii)	Mental Hospital	Number	1	1	1
(ix)	Infant Mortality	Number/1000	103	106	46
	Sub-centre	Number	350	394	394
4.	Animal Health				
(i)	Veterinary Dispensaries	Number	27	27	28
(ii)	Veterinary Outpost	Number	63	63	64
(iii)	Veterinary Hospital	Number	4	4	04
(iv)	Stockman Centre	Number	63	63	63
5.	Power				
(i)	Generation	MKWH	2.80	2.85	3.24
(ii)	Purchased	MKWH	271.41	282.00	349.02
(iii)	Consumption	MKWH	271.41	282.00	349.02
(iv)	Rural Electrification	Percentage	92.33	96.27	96.65
(v)	T & D Loss	Percentage	55	53	NA
6.	Road Communication				
(i)	Villages Connected with Roads	K.M	948	948	948
(ii)	Motorable Roads	K.M	7243.70	7243.70	7243.70
(iii)	Jeepable Roads	K.M	-	-	-
(iv)	Less than Jeepable Roads	K.M	779	779	779
7.	Irrigation				
(i)	Total Irrigated Area	HA	49846.88	51730.88	53590.88
(ii)	Irrigation Potential Created	HA	1216	3140	3100
8.	Agriculture				
(i)	Total Cropped Area	In lakh HA	3.14	3.30	3.61
(ii)	Agriculture Production	MT(in lakh)	3.88	3.95	4.06

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9.	Horticulture				
(i)	Total Cropped Area	HA	24441	27566	11936
(ii)	Total Production	MT	209279	280646	31907
10.	Employment and Craftsman				
(i)	Educated Unemployed Persons	Number	21,238	26,928	27545
11.	Transport				
(i)	No. of vehicles registered during the year	Number	7498	9986	11542
12.	Railway lines				
(i)	Broad Gauge	KM	9.3	9.3	9.3
13.	Number Of Telephones	Number	NA*	NA*	NA*
14.	Per Capita Income In	Rupees	12408	NA***	NA**

(Source: Information received from the Directorate of various Departments and Statistical Hand Book of Nagaland Published by the Directorate of Economics and Statistics)

Figures indicated above against each item reclassified as per information furnished by the concerned departments during the year 2004-05.

* Not available in the Statistical Hand Book of Nagaland

** Not furnished by the Directorate of Economics and Statistics Department

APPENDIX—VIII

Statement showing areas in which major savings occurred
(Reference: Paragraph 2.3.1 ; Page 20-22)

Sl. No.	Grant No./ Major Head	Areas in which major saving occurred	Savings (Rupees in crore)
1.	18	Pension and Other Retirement Benefits (Revenue-Voted)	
	2071-	Superannuation and Retirement Allowances	52.28
		Commuted Value of Pensions	11.21
2.	27	Planning Machinery (Capital-Voted)	
	5054	Other expenditure- CM's Road Development Fund	9.00
3.	31	School Education (Capital-Voted)	
	4202	Capital outlay on Education, Sports, Art and Culture	1.92
4.	32	Higher and Technical Education (Revenue-Voted)	
	2202	General Education	1.43
	2225	Welfare of Scheduled Caste, Scheduled Tribe and Other Backward Classes	5.22
5.	34	Art and Culture and Gazetteers Unit (Revenue-Voted)	
	2205	Promotion of Art and Culture- II nd World War Museum	4.90
6.	35	Medical, Public Health and Family Welfare (Capital-Voted)	
	4552	Other expenditure- Accidents and Trauma Centre	1.06
7.	43	Social Security and Welfare (Revenue-Voted)	
	2236	Special Nutrition Programme	3.00
8.	50	Animal Husbandry and Dairy Development (Revenue-Voted)	
	2403	Direction and Administration	4.06
		Quarantine Check Post	3.15
9.	60	Water Supply Schemes (Revenue-Voted)	
	2215	Urban Water Supply Programmes	3.16
10.	60	Water Supply Schemes (Capital-Voted)	
	4215	Other expenditure- Accelerated Rural Water Supply Programme (RGNDWM)	2.95
11.	64	Housing (Capital-Voted)	
	4216	General Pool Accommodation- Housing	3.98
12.	66	Sericulture (Revenue-Voted)	
	2851	Subordinate Establishment	1.03
13.	70	Horticulture (Capital-Voted)	
	4401	Construction to be financed by negotiated loan	2.00
14.	72	Wasteland Development (Revenue-Voted)	
	2501	IWDP for various districts	4.71
15.	74	Mechanical Engineering (Capital-Voted)	
	5054	Machinery and Equipment	1.32
16.	75	Servicing of Debt (Revenue-Charged)	
	2049	Interest on market loans	13.91
		PFC loans	2.24

17.	75	<i>Servicing of Debt (Capital-Charged)</i>	
	6003	Premium for setting of old debt	3.77
		Arranger fee	1.16
		Interest on State Provident Funds	16.33
		Interest on Other Deposits and Accounts	6.00
		Interest on Ways and Means Advances	5.17
		Ways and Means Advances from the Reserve Bank of India	128.46
	6004	Loans to cover gap in resources	1.83
		Other Ways and Means Advance	18.00
18.	77	<i>Development of Under Developed Areas (Capital-Voted)</i>	
	4575	Other expenditure- Development of Under Developed Areas particularly Tuensang and Mon District	3.89
		Backward Area Development Programme	1.15

APPENDIX—IX

Statement showing savings exceeding Rs.50 lakh and also by more than
10 per cent of total provision
(Reference: Paragraph 2.3.1 ; Page 20-22)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Amount of savings (Percentage of savings)
(1)	(2)	(3)
Revenue Section (Voted)		
1.	1- State Legislature	1.50 (23)
2.	12- Treasury and Accounts Administration	1.15 (14)
3.	18- Pension and Other Retirement Benefits	45.62 (25)
4.	21- Relief of Distress caused by natural calamities	1.54 (64)
5.	25- Land Records and Survey	3.98 (43)
6.	34- Art and Culture and Gazetteers Unit	5.18 (60)
7.	37- Assistance to Municipalities and Development Works in Towns	7.33 (89)
8.	39- Tourism	1.15 (33)
9.	40- Employment and Training	3.01 (45)
10.	43- Social Security and Welfare	12.05 (26)
11.	50- Animal Husbandry and Dairy Development	4.60 (15)
12.	53- Industries	11.36 (34)
13.	54- Mineral Development	0.90 (15)
14.	60- Water Supply Schemes	3.04 (15)
15.	65- SCERT	3.89 (50)
16.	66- Sericulture	5.57 (51)
17.	67- Home Guards	1.37 (16)
18.	72- Wasteland Development	13.55 (43)
19.	73- State Institute of Rural Development	1.39 (47)
20.	74- Mechanical Engineering	2.83 (21)
21.	76- Women Welfare	0.63 (19)
22.	78- Information Technology and Technical Education Department	2.14 (19)
Capital Section (Voted)		
23.	1- State Legislature	3.50 (37)
24.	4- Administration of Justice	1.27 (55)
25.	7- State Excise	1.06 (53)
26.	12- Treasury and Accounts Administration	5.00 (100)
27.	14- Jails	0.62 (16)
28.	23- Loans to Government Servants	2.31 (92)
29.	27 -Planning Machinery	12.15 (52)
30.	28- Civil Police	13.23 (100)
31.	31- School Education	2.46 (92)
32.	33- Youth Resources and Sports	14.32 (64)
33.	35- Medical, Public Health and Family Welfare	12.73 (23)
34.	36- Urban Development	10.20 (42)
35.	39- Tourism	9.56 (57)
36.	40- Employment and Training	1.37 (38)
37.	43- Social Security and Welfare	1.64 (22)
38.	45- Co-operation	3.21 (96)
39.	48- Agriculture	1.64 (27)
40.	51- Fisheries	1.07 (58)
41.	52- Forest	1.99 (80)
42.	53- Industries	1.42 (13)
43.	54- Mineral Development	3.77 (54)

(1)	(2)	(3)
44.	55- Power Projects	36.48 (45)
45.	56- Road Transport	6.30 (46)
46.	58- Roads and Bridges	51.80 (40)
47.	59- Irrigation and Flood Control	4.90 (80)
48.	60- Water Supply Schemes	20.58 (32)
49.	64- Housing	13.03 (42)
50.	65- SCERT	0.57 (15)
51.	68- Police Engineering Project	1.58 (11)
52.	70- Horticulture	2.00 (67)
53.	74- Mechanical Engineering	1.88 (27)
54.	77- Development of Under Developed Areas	13.20 (51)
55.	78- Information Technology and Technical Education Department	7.52 (100)
Revenue Section (Charged)		
56.	75- Servicing of Debt	51.29 (17)
Capital Section (Charged)		
57.	75- Servicing of Debt	148.98 (21)

APPENDIX—X

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

(Reference: Paragraph 2.3.2 ; Page 22)

Sl No.	Number and name of the grant/appropriation	Total grant/appropriation	Total expenditure	Excess
(1)	(2)	(3)	(4)	(5)
Revenue Section (Voted)				
		(Rs.)	(Rs.)	(Rs.)
1.	11- District Administration and Special Welfare Schemes	32,60,91,000	33,78,48,952	1,17,57,952
2	13- Vigilance Guards	12,38,72,000	14,16,83,826	1,33,11,826
3	15- Vigilance Commission	1,40,60,000	1,41,97,284	1,37,284
4	16- State Guest House	4,06,16,000	4,07,84,328	1,68,328
5	17- State Lotteries	70,59,000	70,92,905	33,905
6	35- Medical, Public Health and Family Welfare	80,80,68,000	90,16,82,692	9,36,14,692
7	36- Urban Development	2,31,91,000	2,34,01,868	2,10,868
8	45- Co-operation	4,70,76,000	7,21,30,656	2,50,54,656
9	48 - Agriculture	30,55,56,000	30,79,48,027	23,92,027
10.	49- Soil and Water Conservation	17,80,17,000	19,27,23,508	1,47,06,508
11	51- Fisheries	6,40,57,000	7,50,57,945	1,10,00,945
12	55- Power Projects	93,72,69,000	94,51,72,908	79,03,908
13	58- Roads and Bridges	41,42,45,000	46,94,09,180	5,51,64,180
14	64 - Housing	18,30,61,000	20,09,43,619	1,78,82,619
15	77 - Development of Under Developed Areas	5,22,46,000	20,09,43,619	6,76,844
	Total Revenue Section (Voted)	352,89,84,000	378,30,00,542	25,40,16,542
Capital Section (Voted)				
16	22 - Civil Supplies	1,05,82,000	1,50,69,905	44,87,905
17	50 - Animal Husbandry and Dairy Development	37,00,000	39,03,693	2,03,693
18	62 - Civil Administration Works	12,40,00,000	15,30,18,809	2,90,18,809
	Total:- Capital (Voted)	13,82,82,000	17,19,92,407	3,37,10,407
Revenue Section (Charged)				
19	2 - Head of State	1,79,11,000	1,79,11,233	233
20	10 - Public Service Commission	1,11,37,000	1,16,02,435	4,65,435
	Total Revenue Section(Charged)	2,90,48,000	2,95,13,668	4,65,668
Capital Section (Charged)				
	Nil	Nil	Nil	Nil
	Total Capital Section(Charged)	Nil	Nil	Nil
	Grand Total	369,63,14,000	398,45,06,617	28,81,92,617

(a) Revenue Section Voted – Rs.25,40,16,542
 Charged-Rs.4,65,668
Total:- Rs.25,44,82,210 i.e. Rs.25.45 crore

(b) Capital Section Voted – Rs.337,10,407
 Charged Rs. Nil
Total:- Rs.3,37,10,407 i.e. Rs.3.37 crore

APPENDIX - XI

Statement showing cases where supplementary provision was unnecessary

(Reference: Paragraph 2.3.5 ; Page23)

(Rupees in lakh)

Sl No.	Number and name of the grant/appropriation	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)			
1	18- Pensions and other Retirement Benefits	300.00	4562.26
2	22 - Civil Supplies	29.38	47.18
3	25 - Land Records and Survey	232.53	398.33
4	32 - Higher and Technical Education	27.53	28.98
5	34 - Art and Culture and Gazetteers Unit	471.22	518.03
6	37 - Assistance to Municipalities and Development works in Towns	74.99	733.00
7	40 - Employment and Training	132.33	300.89
8	44 - Evaluation Unit	2.48	9.16
9	52 - Forest	2.97	85.40
10	53 - Industries	796.36	1135.96
11	54 - Mineral Development	0.71	90.08
12	60 - Water Supply Schemes	298.92	303.94
13	65 - SCERT	240.28	389.22
14	73 - State Institute of Rural Development	112.71	138.77
15	76 - Women Welfare	12.16	63.43
16	78 - Information and Technology and Technical Education Department	46.50	213.57
Total Revenue Section (Voted)		2781.07	9018.20
Revenue Section (Charged)			
	Nil	Nil	Nil
Total Revenue Section (Charged)		Nil	Nil
Capital Section (Voted)			
17	7 - State Excise	50.00	105.87
18	32 - Higher & Technical Education	25.00	25.00
19	33- Youth Resources and Sports	919.50	1432.12
20	36 - Urban Development	299.29	1020.23
21	52 - Forest	98.36	198.91
22	54 - Mineral Development	250.00	377.33
23	55 - Power Project	2209.00	3648.20
24	59 - Irrigation and Flood Control	50.00	490.23
25	60 - Water Supply Schemes	114.49	2057.78
26	64 - Housing	75.00	1303.21
27	69 - Fire Services	9.67	10.00
28	76 Women Welfare	1.79	46.35
29	77 - Development of Under Developed Areas	1042.50	1319.81
30	78 - Information Technology and Technical Education	300.00	752.00
Total Capital Section (Voted)		5444.60	12787.04
Grand Total		8225.67	21805.24

APPENDIX – XII

Statement showing cases where the supplementary grants was made in excess of actual requirement exceeding Rs.10 lakh
(Reference : Paragraph 2.3.5 ; Page 23)

<i>(Rupees in crore)</i>						
Sl. No.	Number and name of the grant/appropriation	Original	Supplementary	Total	Expenditure	Savings
	Revenue section(Voted)					
1	1- State Legislature	4.75	1.86	6.61	5.11	1.50
2	18- Pension and Other Retirement Benefits	176.45	3.00	179.45	133.83	45.62
3	22- Civil Supplies	5.24	0.29	5.53	5.06	0.47
4	25- Land Records and Survey	7.03	2.32	9.35	5.37	3.98
5	26- Civil Secretariat	36.35	0.81	37.16	36.94	0.22
6	32- Higher and Technical Education	29.49	0.28	29.77	29.48	0.29
7	34- Art and Culture and Gazetteers Unit	3.91	4.71	8.62	3.44	5.18
8	37- Assistance to Municipalities and Development Works in Towns	7.46	0.75	8.21	0.88	7.33
9	40- Employment and Training	5.42	1.32	6.74	3.73	3.01
10	42- Rural Development	39.33	2.26	41.59	41.08	0.51
11	43- Social Security and Welfare	29.11	16.72	45.83	33.78	12.05
12	46- Statistics	6.04	0.26	6.30	6.15	0.15
13	50- Animal Husbandry and Dairy Development	25.66	5.67	31.33	26.73	4.60
14	52- Forest	18.05	0.03	18.08	17.23	0.85
15	53- Industries	25.02	7.96	32.98	21.62	11.36
16	54- Mineral Development	6.06	0.01	6.07	5.17	0.90
17	59- Irrigation and Flood Control	18.24	4.28	22.52	22.21	0.31
18	60- Water Supply Schemes	17.83	2.99	20.82	17.78	3.04

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19	65-SCERT	5.40	2.40	7.80	3.91	3.89
20	66- Sericulture	5.30	5.64	10.94	5.37	5.57
21	73- State Institute of Rural Development	1.85	1.13	2.98	1.59	1.39
22	76- Women Welfare	3.16	0.12	3.28	2.65	0.63
23	78- Information Technology and Technical Education Department	10.78	0.46	11.24	9.10	2.14
	Total Revenue (Voted)	487.93	65.27	553.20	438.21	114.99
	Capital Section (Voted)					
24.	7- State Excise	1.50	0.50	2.00	0.94	1.06
25.	32- Higher and Technical Education	1.10	0.25	1.35	1.10	0.25
26.	33- Youth Resources and Sports	13.08	9.19	22.27	7.95	14.32
27.	34- Art and Culture and Gazetteers Unit	0.13	0.24	0.37	0.18	0.19
28.	36- Urban Development	21.16	2.99	24.15	13.95	10.20
29.	52- Forest	1.51	0.98	2.49	0.50	1.99
30.	53- Industries	7.91	2.96	10.87	9.45	1.42
31.	54- Mineral Development	4.49	2.50	6.99	3.22	3.77
32.	55- Power Projects	58.81	22.09	80.90	44.42	36.48
33.	59- Irrigation and Flood Control	5.64	0.50	6.14	1.24	4.90
34.	60- Water Supply Schemes	63.30	1.14	64.44	43.86	20.58
35.	64- Housing	30.35	0.75	31.10	18.07	13.03
36.	69- Fire Services	0.84	0.10	0.94	0.84	0.10
37.	74- Mechanical Engineering	3.00	4.00	7.00	5.12	1.88
38.	76- Women Welfare	0.75	0.02	0.77	0.30	0.47
39.	77- Development of Under Developed Areas	15.36	10.43	25.79	12.59	13.20
40.	78- Information Technology and Technical Education Department	4.52	3.00	7.52	0.00	7.52
	Total Capital (Voted)	233.45	61.64	295.09	163.73	131.36
	Grand total:-	721.38	126.91	848.29	601.94	246.35

APPENDIX – XIII

Statement showing cases where supplementary provision was inadequate
(Reference: Paragraph 2.3.5 ; Page 23)

(Rupees in crore)

Sl. No	Number & Name of Grant/Appropriation	Original	Supplementary	Total	Expenditure	Excess
	Revenue Section (Voted)					
1.	11- District Administration and Special Welfare Schemes	30.63	1.98	32.61	33.78	1.17
2.	13 – Village Guards	12.81	0.03	12.84	14.17	1.33
3.	45 – Co-operation	4.49	0.22	4.71	7.21	2.50
4.	49 – Soil and Water Conservation	16.89	0.91	17.80	19.27	1.47
5.	51 – Fisheries	5.96	0.44	6.40	7.50	1.10
6.	55 – Power Projects	86.48	7.25	93.73	94.52	0.79
7.	58 – Roads and Bridges	39.30	2.12	41.42	46.94	5.52
8.	64 - Housing	16.14	2.17	18.31	20.09	1.78
	Total Revenue Section (Voted)	212.70	15.12	227.82	243.48	15.66
	Capital Section (Voted)					
9.	22- Civil Supplies	1.01	0.05	1.06	1.51	0.45
	Total Capital Section (Voted)	1.01	0.05	1.06	1.51	0.45
	Grand Total	213.71	15.17	228.88	244.99	16.11

APPENDIX—XIV

Statement showing persistent savings during 2002-03 to 2004-05
(Reference: Paragraph 2.3.6; Page 23)

(Rupees in crore)

Sl No	Number and name of the grant/appropriation	Amount of savings (percentage of savings)		
		2002-03	2003-04	2004-05
Revenue Section (Voted)				
1.	25- Land Records and Survey	1.26 (15)	3.49 (29)	3.98 (43)
2.	50- Animal Husbandry and Dairy Development	6.13 (23)	8.22 (27)	4.60 (15)
3.	52- Forest	10.98 (38)	4.72 (20)	0.85 (5)
4.	53- Industries	3.59 (16)	6.02 (19)	11.36 (34)
5.	54- Mineral Development	1.47 (24)	0.78 (8)	0.90 (15)
6.	60- Water Supply Schemes	5.44 (31)	24.20 (122)	3.04 (15)
7.	72-Waste Land Development	15.73 (67)	5.39 (16)	13.55 (43)
Capital Section (Voted)				
8.	1- State Legislature	3.50 (16)	2.50 (19)	3.50 (37)
9.	27- Planning Machinery	29.98 (98)	16.21 (69)	12.15 (52)
10.	31- School Education	12.53 (98)	5.07 (84)	2.46 (92)
11.	33- Youth Resources and Sports	3.30 (27)	0.75 (10)	14.32 (54)
12.	35- Medical, Public Health and Family Welfare	4.52 (35)	35.84 (66)	12.73 (23)
13.	36- Urban Development	1.44 (23)	46.25 (72)	10.20 (42)
14.	43- Social Security and Welfare	6.75 (55)	2.17 (40)	1.64 (22)
15.	48-Agriculture	3.90 (44)	3.23 (54)	1.64 (27)
16.	52-Forest	1.52 (47)	1.78 (67)	1.99 (80)
17.	53-Industries	13.32 (49)	9.75 (38)	1.42 (13)
18.	55-Power Projects	17.17 (19)	23.02 (27)	36.48 (45)
19.	58-Roads and Bridges	26.60 (37)	16.85 (19)	51.80 (40)
20.	60-Water Supply Schemes	23.15 (22)	16.90 (21)	20.57 (32)
21.	68-Police Engineering Project	4.64 (53)	3.21 (27)	1.58 (11)
22.	70-Horticulture	2.24 (98)	2.00 (93)	2.00 (67)
23.	74-Mechanical Engineering	2.35 (48)	3.34 (45)	1.88 (27)
Revenue Section (Charged)				
24.	75-Servicing of Debt	41.47 (16)	35.96 (13)	51.29 (17)

APPENDIX— XV

Statement showing significant cases of excess expenditure during 2004-05
(Reference: Paragraph 2.3.7; Page 23)

(Rupees in crore)

Sl. No.	Number and name of the grant/appropriation	Amount of excess (percentage of excess)
(1)	(2)	(3)
	Revenue section (voted)	
1.	13- Village Guards	1.33 (10)
2.	35- Medical, Public Health and Family Welfare	9.36 (12)
3.	45- Co-operation	2.51 (53)
4.	51- Fisheries	1.10 (17)
5.	58- Roads and Bridges	5.52 (13)
	Capital section (voted)	
6.	62- Civil Administration Works	2.90 (23)

APPENDIX-XVI

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

(Reference: Paragraph 2.3.8; Page 23 and 24)

(Rupees in lakh)

Sl. No	Grant/ Appropriation Number	Head of Account	Budget Provision	Re-appropriation	Expenditure
1.	22	4408-101-01 Cost of Rice and Other Commodities	---	---	51.00
2.	36	4217-051-08 Infrastructure of development of towns	---	---	71.77
3.	50	2403-102-04 Bull Calf Rearing Centres	---	---	10.16
4.	55	2801-799-03 Debit to MPWA	---	---	57.42
5.	58	2059-799-01 Suspense Stock	---	---	415.66
6.	58	2059-799-03 Misc. Advance	---	---	2.53
7.	60	2215-799-02 Suspense Stock	---	---	4187.28
Total					4795.82

APPENDIX-XVII

Statement showing significant cases of excess expenditure during 2004-05
(Reference: Paragraph 2.3.9; Page 24)

(Rupees in crore)

Sl. No.	Number and name of Grant/ Appropriation	Total savings	Amount surrendered	Un-surrendered savings
Revenue Section (Voted)				
1.	1- State Legislature	1.50	---	1.50
2.	18- Pension and Other Retirement Benefits	45.62	---	45.62
3.	21- Relief of Distress caused by natural calamities	1.54	---	1.54
4.	34- Art and Culture and Gazetteers Units	5.18	---	5.18
5.	43- Social Security and Welfare	12.05	9.07	2.98
6.	60- Water Supply Schemes	3.04	---	3.04
7.	72- Wasteland Development	13.55	8.82	4.73
Total Revenue Section (Voted)		82.48	17.89	64.59
Capital Section (Voted)				
8.	27- Planning Machinery	12.15	4.53	7.62
9.	31- School Education	2.46	0.01	2.45
10.	45- Co-operation	3.21	1.61	1.60
11.	60- Water Supply Schemes	20.58	16.94	3.64
12.	64- Housing	13.03	8.69	4.34
13.	70- Horticulture	2.00	---	2.00
14.	74- Mechanical Engineering	1.88	0.56	1.32
15.	77- Development of Under Developed Areas	13.20	7.50	5.70
Total Capital Section (Voted)		68.51	39.84	28.67
Revenue Section (Charged)				
16.	75- Servicing of Debt	51.29	0.01	51.28
Total Revenue Section (Charged)		51.29	0.01	51.28
Capital Section (Charged)				
17.	75- Servicing of Debt	148.98	28.67	120.31
Total Capital Section (Charged)		148.98	28.67	120.31
Grand Total		351.26	86.41	264.85

APPENDIX—XVIII

Statement showing surrender of amounts in excess of savings
(Reference: Paragraph 2.3.10; Page 24)

(Rupees in lakh)

Sl.N o.	Number and name of grant/appropriation	Amount of savings	Amount Surrendered	Final Excess
1	2	3	4	5
	Revenue Section (Voted)			
1.	7- State Excise	8.33	10.39	2.06
2.	8- Sales Tax	1.25	1.99	0.74
3.	9- Taxes on vehicles	1.01	1.22	0.21
4.	27- Planning Machinery	0.78	1.48	0.70
5.	28- Civil Police	456.21	816.95	360.74
6.	29- Stationery and Printing	17.38	17.60	0.22
7.	30- Administrative Training Institute	3.95	4.70	0.75
8.	31- School Education	145.48	162.97	17.49
9.	33- Youth Resources and Sports	8.94	20.46	11.52
10.	38- Information and Public Relations	3.78	5.48	1.70
11.	40- Employment and Training	300.89	303.89	3.00
12.	44- Evaluation Unit	9.16	9.18	0.02
13.	46- Statistics	14.78	14.88	0.10
14.	47- Weights and Measures	0.01	0.03	0.02
15.	50- Animal Husbandry and Dairy Development	460.25	464.90	4.65
16.	54- Mineral Development	90.08	90.10	0.02
17.	68- Police Engineering Project	5.27	6.84	1.57
18.	74- Mechanical Engineering	283.23	308.00	24.77
19.	78- Information Technology and Technical Education Department	213.57	304.99	91.42
	Total Revenue Section (Voted)	2024.35	2546.05	521.70
	Revenue Section (Charged)			
20.	4- Administration of Justice	0.78	3.78	3.00
	Total Revenue Section (Charged)	0.78	3.78	3.00
	Capital Section (Voted)			
21.	1- State Legislature	350.46	450.00	99.54
22.	35- Medical, Public Health and Family Welfare	1272.80	4513.10	3240.30
23.	48- Agriculture	164.40	164.52	0.12
24.	55- Power Projects	3648.20	3703.78	55.58
25.	56- Road Transport	630.28	630.29	0.01
26.	59- Irrigation and Flood Control	490.23	490.25	0.02
27.	69- Fire Services	10.00	19.67	9.67
	Total Capital Section (Voted)	6566.37	9971.61	3405.24
	Grand total:-	8591.50	12521.44	3929.94

APPENDIX-XIX

(Reference: Paragraph 3.1.10 ; page 32-33)

Statement showing overall position of the State about Proposals submitted/sanctioned/implemented

Phase		Phase-I		Phase-II		Phase-III		Phase-IV	
Year		2000-2001		2001-03		2003-04		2004-05	
		New Connectivity	Upgradation	New Connectivity	Upgradation	New Connectivity	Upgradation	New Connectivity	Upgradation
Proposals submitted to MORD, GOI and sanctioned	Number of project proposals	101	26	13	15	16	6	9	--
	Number of roads	101	26	13	15	16	6	9	--
	Proposed cost (Rs. in lakh)	700.00	1275.00	2280.20	2495.84	1718.92	424.75	3750.68	--
	Length of roads (in Kms)	700.000	170.000	128.870	195.500	154.420	39.000	224.500	--
Proposals completed	Number of project proposals	101	26	12	15	6	--	--	--
	Number of roads	101	26	12	15	6	--	--	--
	Cost of completed work (Rs. in lakh)	700.00	1274.83	2087.14	2482.72	413.06	--	--	--
	Length of roads built (in Kms)	700.000	170.000	120.87	195.500	30.74	--	--	--
	Number of project proposals	--	--	1	--	10	6	9	--
Proposals under execution	Actual expenses incurred on incomplete work (Rs. in lakh)	--	--	181.96	--	813.26	242.65	--	--
	Number of roads	--	--	1	--	10	6	9	--
	Remarks	--	--	Work in Progress	--	Work in Progress	Work in Progress	Work in Progress	--

Note: Under PMGSY, against a total target of 1576.03 k.m of road length required for connectivity only 1207.79 k.m (Phase-I : 700 k.m, Phase-II : 128.87, Phase-III : 154.42 k.m and Phase-IV : 224.50 k.m) of road length was planned to be constructed upto March 2005. The balance of 368.24 k.m of road connectivity will be taken up in subsequent phases.

APPENDIX-XX

(Reference : Paragraph : 3.1.23 ; Page 38)

Statement showing the delay in completion of work

Year/phase	Name of the District	Name of road/package No.	Sanctioned cost (tendered value) (in lakh)	Date of issue of work order	Stipulated date of completion as per agreement	Subsequent extension granted, if any	Actual date of completion	Delay in No. of days With reference to work order	Value of works remain incomplete after the stipulated date	Value of compensation due to be deducted as per clause of the agreement
2000-01 Phase-I	Mokokchung	Kilingmen to Asangma Road	30.00 (21.40)	18.6.01	31.12.01	Nil	30.1.03	395	20,70,724	2,14,000
	Peren	New Peren to Chalkot Work A	75.00 (27.02) (works has been divided into two parts Viz Work A & B)	-do-	17.12.01 (6 months)	Nil	25.3.02	98	1250924	2,70,200
	Wokha	NEC – Yikhum Elan-Changshe	60	-do-	17.12.01	Nil	30.3.02	103	2043396	6,00,000
	Phek	Chizmi-Choba NG04.01	75 (55.79)	18.6.01	17.12.01	Nil	25.3.02	98	2912468	5,77,900
		Phek-Ketsapa NG. 4.02	60	22.6.01	21.12.01	Nil	29.3.02	98	4385880	6,00,000
2001-03 Phase- II	Mokokchung	NH 61-Longjang	221.26	28.2.02	31.7.03	28.2.04	8.4.04	38	9097794	22,12,600
Total :-									44,74,700	

APPENDIX – XXI

(Reference : Paragraph : 3.1.28 ; Page 40-41)

Statement showing the amount paid before execution of works

Name of Road and District	Date of visit by NQM	Status of works in progress, completed as per physical verification report of NQM		Details of payment made				
		Item of work	Quantities of work completed	R/A Bill No. and date Total amount paid	Amount paid for the items		Amount paid before execution of works.	
					Quantities of work for which payment made	Amount for the quantity of works paid	Quantities for which payment made before execution of works	Amount paid
NH 61 to Salulemang (Mokokchung)	9.11.02	Earth Works	Nil	Ist R/A bill dated 8.8.02 (Rs. 66,67,000)	9 Km	5,33,561	9 Km	5,33,561
		Base Course (GSB)	Nil		4848.748 (12 Km)	40,12,339	4848.748	40,12,339
		CD Works	3		18 CD & 1 Retaining wall	21,15,351	15 CD and 1 Retaining wall	16,46,343
NH 61 to Longjang (Mokokchung)	8.11.02	CD works	10	Ist R/A bill dated 8.8.02 (Rs 64,87,000)	22 CD	17,64,960	12	7,12,035
Ketsapo to Metsale (Phek)	28.9.04	Earth work in excavation (a) Ordinary Soil	Nil	1 st R/A bill dated 25.5.04 (Rs. 78,99,502)	71364 cum	34,61,154	71364 cum	34,61,154
		(b) Hard Soil	Nil		38665.50 cum	37,11,840	38665.50 cum	37,11,840
Pfutsero to Cheteba (Phek)	24.11.03	Side Drain	Nil	4 th and final R/A bill dated 14.10.03 (Rs. 2,67,02,999)	5973.75 cum	3,09,142		3,09,142
		CD Works	41		44	73,04,000	3	4,98,000
BRO Road to Thezatse (Phek)	24.11.03	Sub base	Nil	5 th R/A bill dated 4.6.03 (Rs. 1,46,63,358)	1714.19 cum	18,03,643	1714.19 cum	18,03,643
Total						6,24,19,859		1,66,88,057

APPENDIX-XXII
(Reference : Paragraph 3.2.7 ; Page 51)

A. Working results

(Rupees in crore)

Sl. No.		2000-01	2001-02	2002-03	2003-04	2004-05
						Provisional
1	Revenue	5.10	5.10	5.52	5.75	6.76
2	Expenditure (excluding depreciation)	14.77	14.80	15.76	18.79	15.26
i)	Staff salaries & wages	8.15 (48.86)	9.31 (55.75)	9.57 (54.31)	9.65 (46.48)	9.67 (56.03)
ii)	HSD & Lubricants	2.20 (13.19)	2.20 (13.17)	2.37 (13.45)	2.73 (13.15)	2.97 (17.21)
iii)	Tyres & tubes	0.87 (5.22)	1.32 (7.90)	0.87 (4.94)	0.85 (4.10)	0.77 (4.46)
iv)	Spares parts	2.46 (14.75)	0.87 (5.21)	0.71 (4.03)	4.36 (21.00)	0.78 (4.51)
v)	Others	1.09 (6.53)	1.10 (6.59)	2.24 (12.71)	1.20 (5.78)	1.07 (6.20)
3	Cash loss	9.67	9.70	10.24	13.04	8.50
4	Depreciation	1.91 (11.45)	1.90 (11.38)	1.86 (10.56)	1.97 (9.49)	2.00 (11.59)
5	Net loss	11.58	11.60	12.10	15.01	10.50
6	Loss at the beginning of the year	103.84	115.42	127.02	139.12	154.13
7	Accumulated loss	115.42	127.02	139.12	154.13	164.63

(Figures in the bracket indicates percentage of total expenditure)

Source: Data compiled by Central Institute of road Transport and information obtained from the department.

B Trend of revenue collection and expenditure per effective kilometre operated

Sl No	Description	2000-01	2001-02	2002-03	2003-04	2004-05
						Provisional
1	Total effective kilometre Operated(in lakh)	41.60	43.00	44.60	48.00	53.80
2	i)Revenue (Rs. In lakh)	510	510	552	575	675.70
	ii)Revenue per effective kilo-meter(Rupees)	12.26	11.86	12.38	11.98	12.56
3	Expenditure per effective Kilometre (in rupees)					
	a) Salaries and salaries	19.59	21.65	21.46	20.10	17.97
	b) Fuel and lubricants	5.29	5.12	5.31	5.69	5.52
	c)Tyres and tubes	2.09	3.07	1.95	1.77	1.43
	d)spares parts	5.91	2.02	1.59	9.08	1.45
	e)Depreciation	4.59	4.42	4.17	4.11	3.72
	f)others	2.62	2.56	5.02	2.50	1.99
	Total expenditure per effective kilometer	40.09	38.84	39.50	43.25	32.08
4	Loss per effective kilometre operative (in rupees)	27.83	26.98	27.12	31.27	19.52

APPENDIX – XXIII

Operational details of Nagaland State Transport

(Reference: Paragraphs 3.2.10 to 3.2.14 ; Pages 52 to 54)

Sl. No.		2000-01	2001-02	2002-03	2003-04	2004-05
1.	Average number of buses held					<i>Provisional</i>
		151	142	158	179	212
2.	Average number of vehicles on road	86	89	96	111	131
3.	Average number of vehicles off road	65	53	62	68	81
4.	Fleet utilization (percentage)	57	63	61	62	62
5.	Percentage of off road buses	43	37	39	38	38
6.	Number of buses held at the end of the year	171	152	165	203	246
7.	Carrying capacity Km (in lakh)	1539.20	1591.00	1650.00	1776.00	1850
8.	Passenger Km (in lakh)	1123.62	1145.52	1155	1261	1350
9.	Load factor (percentage)	73	72	70	71	73
10.	Passenger carried (in lakh)	9.25	8.99	11.62	12.51	14.50
11.	Fuel efficiency (KMPL)	3.04	3.08	3.18	3.35	3.66
12.	Total number of routes	64	65	65	69	81
13.	Scheduled Kms (in lakh)	67.10	67.10	67.10	67.10	71.99
14.	Effective Kms (in lakh)	41.60	43.00	44.60	48.00	53.80
15.	Dead Kms (in lakh)	2.40	2.36	2.40	2.40	3.20
16.	Gross Km (in lakh)	44.00	45.36	47.00	50.40	57.00
17.	Bus staff ratio	12.21	11.80	10.94	9.30	8.02
18.	Average seating capacity	37	37	37	37	37
19.	HSD consumption per year (in lakh litre)	14.46	14.69	14.80	15.02	15.59
20.	Vehicle productivity					
	* (i) Kms operated per bus per day on fleet strength	75.5	83.00	77.34	73.47	69.53
	** (ii) Kms operated per bus per day on road buses	132.53	132.37	127.28	118.47	112.52

(Source: Data compiled by Central Institute of Road Transport and also information furnished by the department)

* Effective km ÷ Average number of buses held ÷ 365

** Effective km ÷ Average number of vehicles on road ÷ 365

APPENDIX – XXIV A & B

(Reference : Paragraphs 3.2.17 and 3.2.18 ; Pages 55 and 56)

A. Staff utilisation

Year	Ratio	Salaries (in lakh)	All India average		Expenditure (in lakh)
2000-01	12.21	831.50	7.26	$831.50 \times 7.26 \div 12.21 = 494.41$	$831.50 - 494.41 = 337.09$
2001-02	11.80	948.94	7.46	$948.94 \times 7.46 \div 11.80 = 599.92$	$948.94 - 599.92 = 349.02$
2002-03	10.94	948.94	7.03	$948.94 \times 7.03 \div 10.94 = 609.79$	$948.94 - 609.79 = 339.15$
2003-04	9.30	981.58	---	$981.58 \times 7.03 \div 9.30 = 741.99$	$981.58 - 741.99 = 239.59$
2004-05	8.02	918.00	---	$918 \times 7.03 \div 8.02 = 804.68$	$918.00 - 804.68 = 113.32$
					Total 1,378.17

B. Staff productivity

Year	Ratio	Revenue (in lakh)	All India average		Expenditure (in lakh)
2000-01	10.85	510	34.10	$510 \times 34.10 \div 10.85 = 1602.85$	$1602.85 - 510.00 = 1092.85$
2001-02	11.22	510	32.73	$510 \times 32.73 \div 11.22 = 1487.72$	$1487.72 - 510.00 = 977.72$
2002-03	11.64	552	34.15	$552 \times 34.15 \div 11.64 = 1619.48$	$1619.48 - 552.00 = 1067.48$
2003-04	12.74	575	---	$575 \times 34.15 \div 12.74 = 1541.31$	$1541.31 - 575.00 = 966.31$
2004-05	14.04	675.70	---	$675.70 \times 34.15 \div 14.04 = 1643.53$	$1643.53 - 675.70 = 967.83$
					Total 5072.19

APPENDIX-XXV

Fabrication of bus bodies

(Reference : Paragraph 3.2.23 ; Page 58-59)

Sl. No	Model	Lowest tender rate (Rs. Per unit)t	Approved rate per unit	Number of buses					Expenditure incurred	Amount as per lowest rate	Excess expenditure
				2000-01	2001-02	2002-03	2003-04	Total			
1	LP 1510/52 Deluxe	5,38,500	684000 (8 th lowest)			10	10	20	1,36,80,000	1,07,70,000	29,10,000
2	LP 1510/42 Deluxe	4,42,800	575000 (6 th lowest)			10	10	20	1,15,00,000	88,56,000	26,44,000
3	LP1510/42 Semi Deluxe	3,44,000	385000 (4 th lowest)			15	20	35	1,34,75,000	1,20,40,000	14,35,000
5	LP1512/52 Super Deluxe	4,79,400	5,50,000	6	7			13	71,50,000	62,32,200	9,17,800
6	LP 1512/42	4,34,400	4,50,000	4	6			10	45,00,000	43,44,000	1,56,000
7	LP1512/42 Semi Deluxe	3,34,400	3,50,000	7	3			10	35,00,000	33,44,000	1,56,000
8	LP 1512/42 District type	2,69,400	3,00,000	10	14			24	72,00,000	64,65,600	7,34,400
	TOTAL			27	30	47	43	147	6,10,05,000	520,51,800	89,53,200

APPENDIX-XXVI

(Reference: Paragraph 3.3.14 ; Page73)

Statement showing amount of subsidy involved for lifting and distribution of Foodgrains without issuing BPL Ration cards

Year	BPL Rice			BPL Wheat		
	Qty lifted & shown as distributed without issuing ration cards (qtls)	Rate of subsidy i.e. difference of economic cost and CIP (Rs. Per qtl)	Amount of subsidy (Rs.)	Qty lifted & shown as distributed without issuing ration cards (qtls)	Rate of subsidy i.e. difference of economic cost and CIP (Rs. Per qtl)	Amount of subsidy (Rs.)
2000-01	27112.10	590.00	1,59,96,139	---	--	---
2001-02	19861.20	565.00	1,12,21,578	272.80	415.00	1,13,212
2002-03	19343.50	565.00	1,09,29,078	3095.90	415.00	12,84,798
Total			3,81,46,795			13,98,010

Grand Total:- Rs.3,81,46,795 + Rs.13,98,010
Rs.3,95,44,805

APPENDIX-XXVII

(Reference: - Paragraph 3.3.24 ; Page 78)

Statement showing amount of avoidable expenditure incurred on transportation of Foodgrains (BPL rice) from distant FSD

Sl. No.	Period	Net qty of BPL rice carried	Place		Rate of transportat ion from Dimapur(Distant FSD)	Rate of transportat ion from Mokokchu ng (nearest FSD)	Diff. in rate	Expenditure incurred in excess due to carriage of food from distant FSD
			From	To				
1.	4/2000 to 6/2001	4530.00	Dimapur	Longleng	155	135	20	90,600
	7/2001 to 3/2005	19172.50	-Do-	-D0-	130	90	40	7,66,900
2.	4/2000 to 6/2001	2064.00	Dimapur	Yongya	255	235	20	41,280
	7/2001 to 3/2005	8674.60	-Do-	-Do-	180	120	60	5,20,476
3.	4/2000 to 6/2001	2235.00	Dimapur	Tamlu	75	65	10	22,350
	7/2001 to 3/2005	9472.50	-D0-	-Do-	75	65	10	94,725
4.	4/2000 to 6/2001	2040.00	Dimapur	Sakchi	155	135	20	40,800
	7/2001 to 3/2005	8625.00	-Do-	-Do-	160	120	40	3,45,000
	Total	56813.60	-	-	-	-	-	19,22,131

APPENDIX-XXVIII

(Reference: - Paragraph 3.3.26 ; Page78)

Statement showing month wise claim of Hill Transport Subsidy (HTS) preferred under Antyodya Anna Yojana

Sl. No	Claim for the months	Amount of claim	Claim preferred to FCI vide letter No. and date
1.	October 01	1,17,375	letter No.DSP/741/HTS/AAY/2002-03/29 dated 13 December 2002
2.	November 01	1,17,375	
3.	December 01	1,17,375	
4.	January 02	1,17,375	
5.	February 02	1,17,375	
6.	March 02	1,17,375	
7.	April 02	1,64,325	
8.	May 02	1,64,325	
9.	June 02	1,64,325	
10.	July 02	1,64,325	
11.	August 02	1,64,325	
12.	September 02	1,64,325	
13.	October 02	1,64,325	letter No.DSP/741/HTS/AAY/2004-05 dated 17 May 2005
14.	November 02	1,64,325	
15.	December 02	1,64,325	
16.	January 03	1,64,325	
17.	February 03	1,64,325	
18.	March 03	1,64,325	
19.	April 03	1,64,325	
20.	May 03	1,64,325	
21.	June 03	1,64,325	
22.	July 03	1,64,325	
23.	August 03	1,64,325	
	Total	34,97,775	

APPENDIX-XXIX
Statement showing year-wise position of outstanding Inspection Reports
(Reference:-Paragraph 4.17 ; Page 98-100)

Year	Number of IRs	Number of paragraphs
1987-88	1	3
1988-89	3	10
1989-90	1	10
1990-91	3	11
1991-92	2	19
1992-93	1	15
1993-94	2	18
1994-95	4	23
1995-96	2	9
1996-97	3	21
1997-98	1	2
1998-99	1	16
2000-2001	3	13
2001-2002	1	1
2002-2003	4	31
2003-2004	1	7
2004-2005	6	44
Total	39	253

APPENDIX-XXX

Statement showing the loss of revenue due to non-recovery of tax on work contract from the bills of contractor at source

Reference : Paragraph 5.7; Page106)

(Rupees in lakh)

Sl. No.	Name of the Office/Division	Nature of works done by the contractor	Name of contractor	Value of work paid as on the date of audit	Rate of tax	Tax payable	Tax realised	Short realisation of tax
1	Project Director, State Project Implementation Unit under Director of Higher & Technical Education, Kohima	Construction of civil works viz Buildings	M/s.T.L Constructions, Dimapur	19.95	8% of 75% of value of work	1.20	Nil	1.20
				25.29			0.50	Nil
			M/s.Ansari & Co., Dimapur	169.62	2% of value of work	3.39	Nil	3.39
			M/s Skyline Engineering Contracts(India)Ltd., New Delhi	236.32		4.73	Nil	4.73
			M/s Pele Khezhe & Co., Kohima	102.17		2.04	Nil	2.04
			M/s Aceekey Enterprises, Dimapur	20.99		0.42	Nil	0.42
Total			574.34		12.28	Nil	12.28	
2	Executive Engineer, PWD(H), Estate Division, Kohima	Construction of buildings	Shri Viyalie Angami	407.41	4% of 70%	11.41	Nil	11.41
			Shri Viyalie Angami	291.86	8% of 75%	17.51	Nil	17.51
			Total			699.27		28.92
3	Executive Engineer (Housing) Industries & Commerce Department, Kohima	Construction of Industrial growth centres (building)	M/s S.Ponger Ao	758.35	4% of 70%	21.23	Nil	21.23
			Flowmore Construction& Co.	99.20		2.78	Nil	2.78
			M/s S.Ponger Ao	637.52	8% of 75%	38.25	0.29	37.96
			Flowmore Construction& Co	47.51		2.85	0.12	2.73
			Total			1542.57		65.61
Total (1 + 2 + 3)				2816.18		106.31	0.41	105.90

APPENDIX-XXXI

Statement in respect of House tax due and actually collected Kohima district during 2001-02, 2002-03 and 2003-04

(Reference : Paragraph 5.10; Page 108)

Year	Due		Actual collection					Shortfall	
	No. of houses as per census report	Amount to be collected	Number of houses					No. of houses	Amount
			Tsemiryu Sub-division	Peren Sub-division	Kohima Sub-division	Total	Amount collected		
2001-02	65,519	13,10,380	6,315	14,105	21,608	42,028	8,40,560	23,491	4,69,820
2002-03	65,519	13,10,380	6,474	14,360	22,064	43,098	8,61,960	22,421	4,48,420
2003-04	65,519	13,10,380	6,799	15,069	23,512	45,380	9,07,600	20,139	4,02,780
Total :-	1,96,557	39,31,140	19,588	43,534	67,124	1,30,506	26,10,120	66,051	13,21,020

APPENDIX—XXXII

Statement showing particulars of up-to-date paid up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2005 in respect of Government companies

(Reference: Paragraph 6.1.4 and 6.1.5; Pages 110 and 111)(Figures in Col. 3 (a) to 4 (f) are Rupees in crore)¹

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of the current year					Equity/loans received out of the Budget during the year 2004-05		Other loans received during the year ²	Loans ³ outstanding at the close of the year			Debt equity ratio for 2004-05 4 (f)/3 (e) (previous year)
		State Govt.	Central Govt.	Holding companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	4 (a)	4 (b)	4 (c)	4 (d)	4 (e)	4 (f)	5
(A) Working Government Companies													
Industries and Commerce													
1	Nagaland Industrial Development Corporation Ltd., Dimapur	8.22	---	---	4.73	12.95 ⁴	0.45	---	15.85	---	22.05	22.05	1.70:1 0.99:1
2	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	4.97	1.22	---	---	6.19 ⁵	0.15	---	1.74	2.42	---	2.42	0.39:1 0.12:1
3	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	1.24	---	---	---	1.24	---	---	---	---	0.39	0.39	0.32:1 0.08:1
4	Nagaland Hotels Ltd. Dimapur	0.07	---	0.40	---	0.47	---	---	---	10.49	---	10.49	22.32:1 22.32:1
	Total of the sector	14.50	1.22	0.40	4.73	20.85	0.60	---	17.59	12.91	22.44	35.35	1.7:1 1.12:1
Geology and Mining													
5	Nagaland State Mineral Development Corporation Ltd., Kohima	1.60	---	---	---	1.60	---	---	---	0.54	---	0.54	0.34:1 0.34:1
	Total of the sector	1.60	---	---	---	1.60	---	---	---	0.54	---	0.54	0.34:1
	Total (A)	16.10	1.22	0.40	4.73	22.45	0.60	---	17.59	13.45	22.44	35.89	1.6:1 1.08:1
(B) Non-working Government companies													
1	Nagaland Sugar Mills ⁶ Company Ltd., Dimapur ⁷	4.96	---	---	---	4.96	---	---	---	---	---	---	---
	Total (B)	4.96	---	---	---	4.96	---	---	---	---	---	---	---
	Grand total:-(A+B)	21.06	1.22	0.40	4.73	27.41	0.60	---	17.59	13.45	22.44	35.89	1.31:1 0.93:1

¹ All figures are provisional as given by the companies.

² Includes bonds, debentures, inter-corporate deposits etc.

³ Represents long term loans.

⁴ Previous year total investment was of Rs.12.50 crore this has been recasted based on the information provided by the company

⁵ Previous year total investment was of Rs.6.04 crore this has been recasted based on the information provided by the company.

⁶ Figure of 1995-96 have been adopted as Company has not furnished information from 1996-97.

⁷ Company closed down on 30.09.2001.

APPENDIX—XXXIII

Statement showing summarised financial results of Government companies for the latest year for which accounts were finalised
(Reference: Paragraphs 6.1.6, 6.1.7, 6.1.9 and 6.1.14 ; Pages 111 to 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 incorporation	Period for which accounts finalised	Year in which accounts finalised	Net Profit(+)/ Loss(-)	Net impact of audit comments	Paid up capital	Accumulated Profit(+)/ Loss (-)	Capital employed*	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the company/corporation	Turnover	Manpower (No. of employees)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
A. Working Government Companies																
Industries and Commerce																
1	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26/03/70	1995-96	2004-05	(-) 1.21	Remedial measures taken against audit comments	11.25	(-) 9.52	13.41	(-) 2.08	---	9	Working	0.42	91
2	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	- do -	27/02/79	1982-83	2000-01	(-) 0.36	---	1.16	(-) 0.87	---	(-) 0.04	---	22	Working	(a)	(a)
3	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	- do -	28/03/73	1980-81	1999-00	(-) 0.49	---	0.10	(-) 0.49	0.26	---	---	24	Working	0.85	32
4	Nagaland Hotels Ltd.	- do -	17/03/82	1987-88	2001-02	---	---	.00002	---	---	---	---	17	Working	(a)	(a)
Total of the Sector(1)						(-) 2.06	---	12.51	(-) 10.88	13.67	(-) 2.12	---	---	---	1.27	123
Geology and Mining																
5	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21/05/81	1992-93	2004-05	---	---	0.00004	---	5.46	---	---	12	Working	(a)	111
Total of the sector(2)						---	---	---	---	5.46	---	---	---	---	---	111
Total (A)						(-) 2.06	---	12.51	(-) 10.88	19.13	(-) 2.12	---	---	---	1.27	234
B. Non-Working Government Companies																
1	Nagaland Sugar Mills Company Ltd., Dimapur ^{xx}	Industries and Commerce	22/03/73	1977-78	---	---	---	4.96	(-) 14.70	(-) 0.69	(-) 0.09	---	27	Non-working	---	---
Total (B)						---	---	4.96	(-) 14.70	(-) 0.69	(-) 0.09	---	---	---	---	---
Grand total: (A+B)						(-) 2.06	---	17.47	(-) 25.58	18.44	(-) 2.21	---	---	---	1.27	234

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

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

^{xx} Nagaland Sugar Mills Co. Ltd. Dimapur was closed down with effect from 30.9.2001. Figures of 1995-96 have been adopted as Company has not furnished information form 1996-97.

APPENDIX—XXXIV

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 2005

(Reference: Paragraph 6.1.5; Page 111)

(Figurs in column 3(a) to 7 are Rupees in crore)

Sl. No.	Name of the company	Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year 2002					Waiver of dues during the year				Loan on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contractors	Total	Loan repayment written off	Interest waived	Penal interest	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
Government companies Sector																
A. Industries and Commerce																
1	Nagaland Industrial Development Corporation Ltd., Dimapur	---	2.00	---	2.00	---	5.46	---	---	5.46	---	---	---	---	---	---
2	Nagaland Industrial Raw Materials and Supply Corporation Ltd., Dimapur	---	0.32	---	0.32	---	---	---	---	---	---	---	---	---	---	---
3	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	---	1.30	---	1.30	---	---	---	---	---	---	---	---	---	---	---
Total - A			3.62		3.62		5.46			5.46						
B. Geology and Mining																
1	Nagaland State Mineral Development Corporation Ltd., Kohima	---	2.60	---	2.60	---	---	---	---	---	---	---	---	---	---	---
Total - B																
Grand total			6.22		6.22		5.46			5.46						

