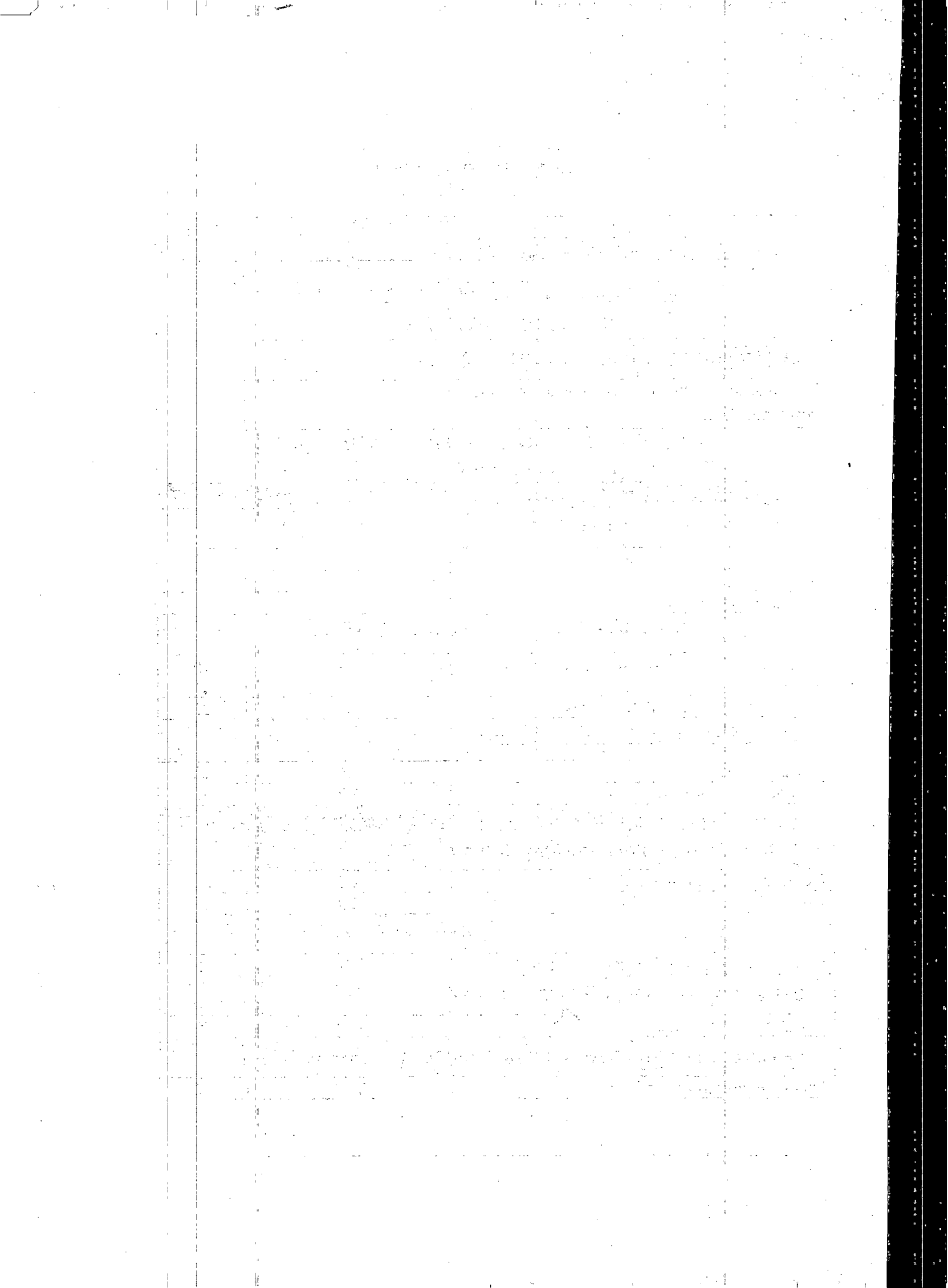


**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**FOR THE YEAR ENDED 31 MARCH 2010**

**GOVERNMENT OF NAGALAND**



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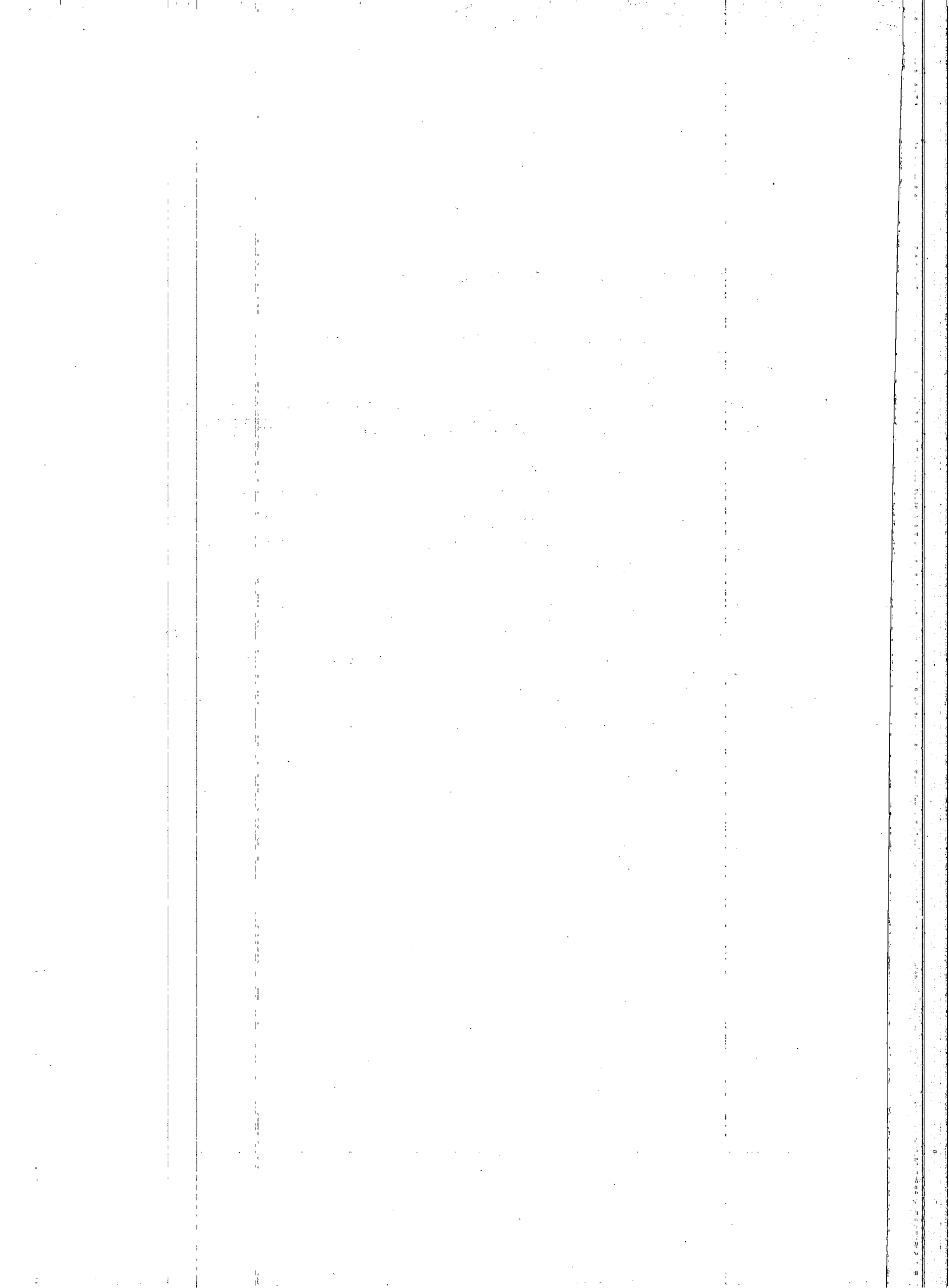
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## **PREFACE**

This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

The Report deals with the findings of performance reviews and audit of transactions in various departments.

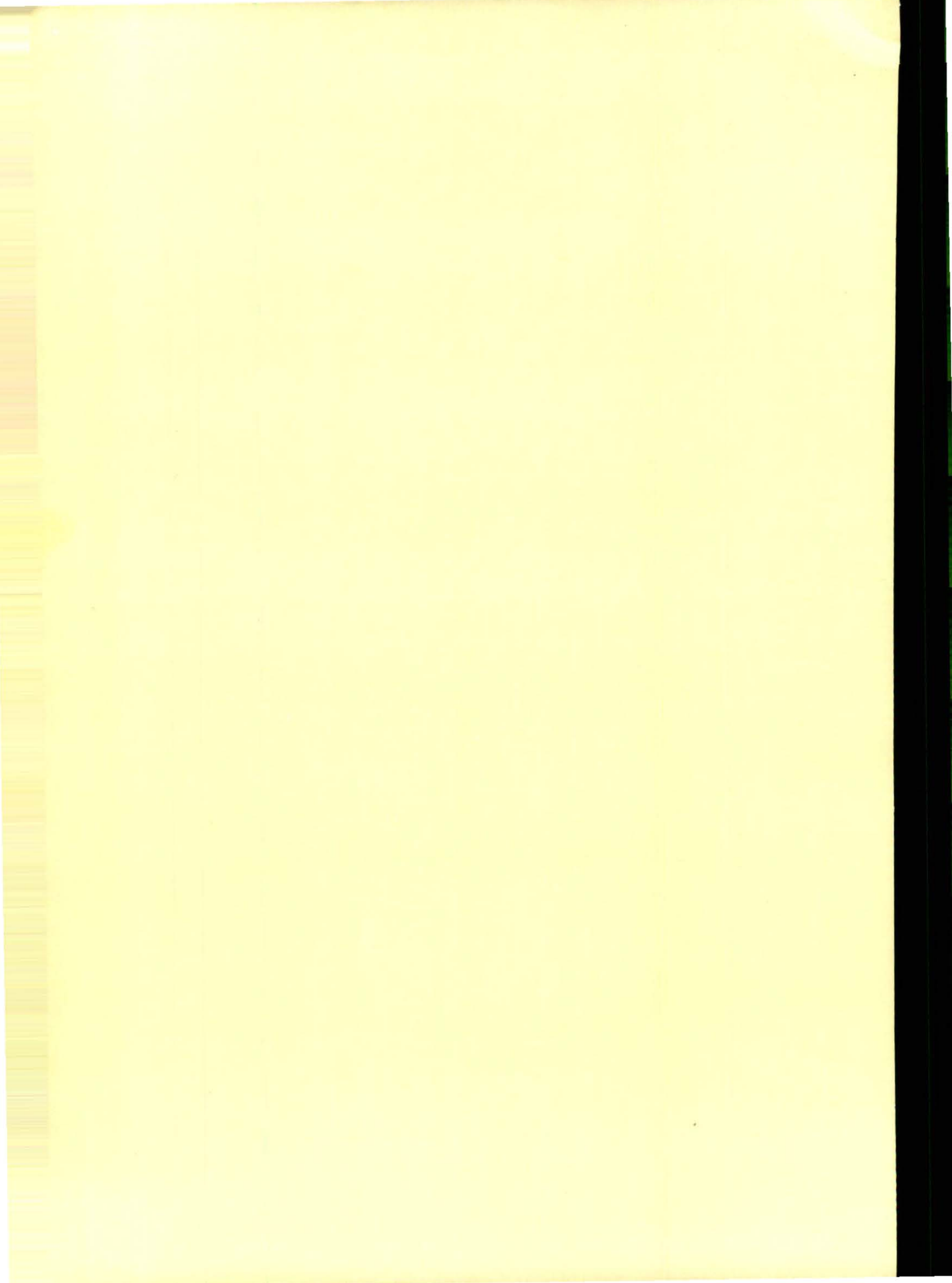
The Report also contains the observations arising out of audit of Statutory Corporations, Boards and Government Companies and revenue receipts.

The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2009-10, as well as those which had come to notice in earlier years, but could not be dealt with in previous Audit Reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever necessary.

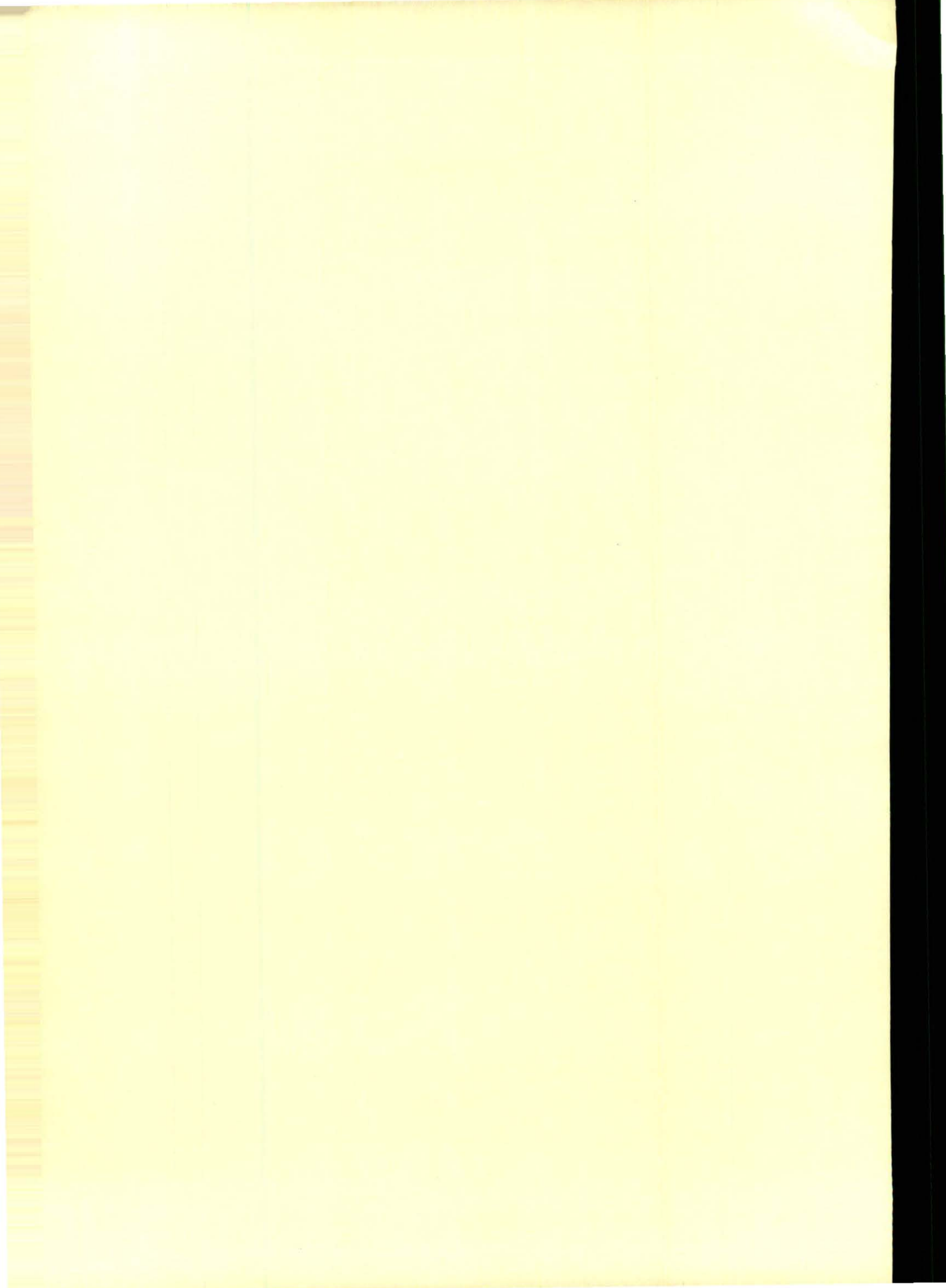
Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2010 are included in a separate Report on State Finances.

The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.





# **OVERVIEW**





## OVERVIEW

This Report contains 19 audit paragraphs (including three general paragraphs) pertaining to Civil, Revenue and Commercial portion and one performance review. There is a separate chapter on Integrated Audit of the Agriculture Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of four paragraphs.

### 1. Performance Reviews (Civil Departments)

#### 1.1 Performance audit of Department of Under Developed Area

The objective of the Department to improve the economic condition through implementation of various developmental schemes for the under developed areas remained largely unachieved due to a significant shortfall in completion of projects coupled with lacunae in the planning process. There was also persistent savings as the Department was unable to absorb the funds provided by GOI. Besides, the State Government delayed release of Central funds to the Department. There were instances where payments were made without actual execution of works. Monitoring and evaluation of the projects was not carried out and as such, the impact of implementation of these programmes remained un-assessed.

*(Paragraph 1)*

### 2. Audit of Transactions

Director General of Police, Nagaland, Kohima drew an amount of ₹ 18 crore against fictitious bills.

*(Paragraph 2.1)*

Project Engineer, Police Engineering Project Division, Chemukedima fraudulently drew ₹ 4.11 lakh on fictitious bills and ₹ 2.92 lakh by inflating the totals of salary bills.

*(Paragraph 2.2)*

Superintendent of Police, Dimapur fraudulently drew ₹ 9.11 lakh by inflating the totals of salary bills.

*(Paragraph 2.3)*

There was a suspected misappropriation of an amount of ₹ 3.73 crore during the period from December 2008 to June 2009 in the Public Works Department (Roads and Bridges) South Division, Kohima which was done by recording higher amounts in the Cash Book against issue of cheques for lesser amounts to other divisions.

*(Paragraph 2.4)*

Deputy Inspector of School, Aghunato drew ₹ 3.42 lakh, Deputy Inspector of School, Zunheboto drew ₹ 3.13 lakh and Head Master, Government High School, Aghunato drew ₹ 1.98 lakh by presenting fraudulent ACPS arrear claims.

*(Paragraph 2.6)*



### **3. Integrated Audit of Agriculture Department**

Planning process in the Department was flawed as Annual Work Plans of schemes/programmes were not integrated with State Agriculture Plan or District Agriculture Plans and the targets set in the State Agriculture Policy could not be met. The Department needs to gear up its activities to achieve its vision of 'Food for all by 2020'. Budgeting was unrealistic in view of persistent savings under Plan and huge excess expenditure under Non-plan. Financial management was deficient due to lack of coordination with the Finance Department and huge payments made to scheme/programme officers without proper accountability. Programme management was defective as the process of selection of beneficiaries/projects and implementation of schemes was not as per norms. Cash Book and records maintained for projects/schemes were inadequate and not reliable in view of large cash transactions and resultant lack of transparency especially in the devolution of scheme funds from the Directorate to the districts/sub-divisions.

*(Paragraph 3)*

### **4. Revenue Receipts**

#### ***Audit of Transactions***

Due to non adherence to the provision of the NVAT Act/rules regarding deduction of tax at source on works contract from the contractors' bill, there was non realisation of Government revenue amounting to ₹ 81.08 lakh.

*(Paragraph 4.10)*

Director SCERT allowed exemption of NVAT to a supplier resulting in loss of revenue of ₹ 15.64 lakh.

*(Paragraph 4.11)*

### **5. Overview of Government companies**

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2010, the State of Nagaland had six PSUs (all Government companies) of which, one was non-working company. Three out of five working Government companies employed 245 employees. The working PSUs registered a turnover of ₹ 4.06 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 0.05 per cent of State GDP indicating an insignificant role played by State PSUs in the economy.

*(Paragraph 5.1)*

**Investments in PSUs**

As on 31 March 2010, the investment (Capital and long term loans) in six PSUs was ₹ 70.01 crore. It increased by over 5.36 per cent from ₹ 66.45 crore in 2005-06. Finance Sector accounted for 73.70 per cent of total investment in 2009-10. The Government contributed ₹ 14.74 crore towards equity, loans and grants/subsidies during 2009-10.

*(Paragraph 5.4)*

**Performance of PSUs**

The working PSUs incurred overall loss of ₹ 2.57 crore in 2009-10 and had accumulated losses of ₹ 19.32 crore. Besides, the only non-working PSU had the accumulated loss of Rs.14.70 crore as per its latest finalised accounts.

*(Paragraph 4.12)*

**Arrears in accounts**

All the five working PSUs had arrears of 85 accounts as of September 2010. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise. There was one non-working company. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closing down of this company.

*(Paragraph 5.13)*

**Quality of accounts**

The quality of accounts of PSUs needs improvement. Out of the 12 accounts finalised by working companies during October 2009 to September 2010 only five accounts received qualified certificates.

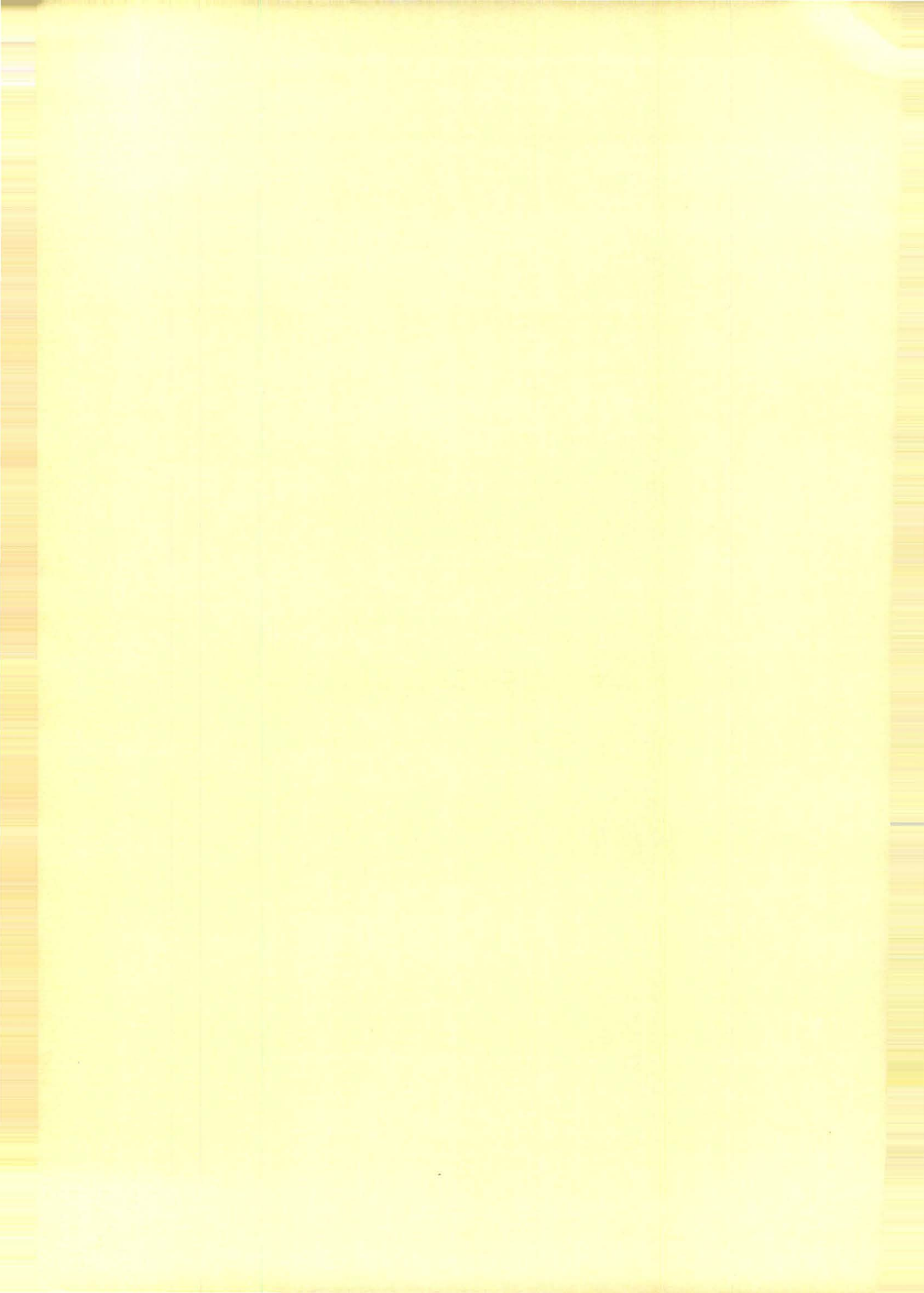
*(Paragraph 5.18)*

**Audit of Transactions**

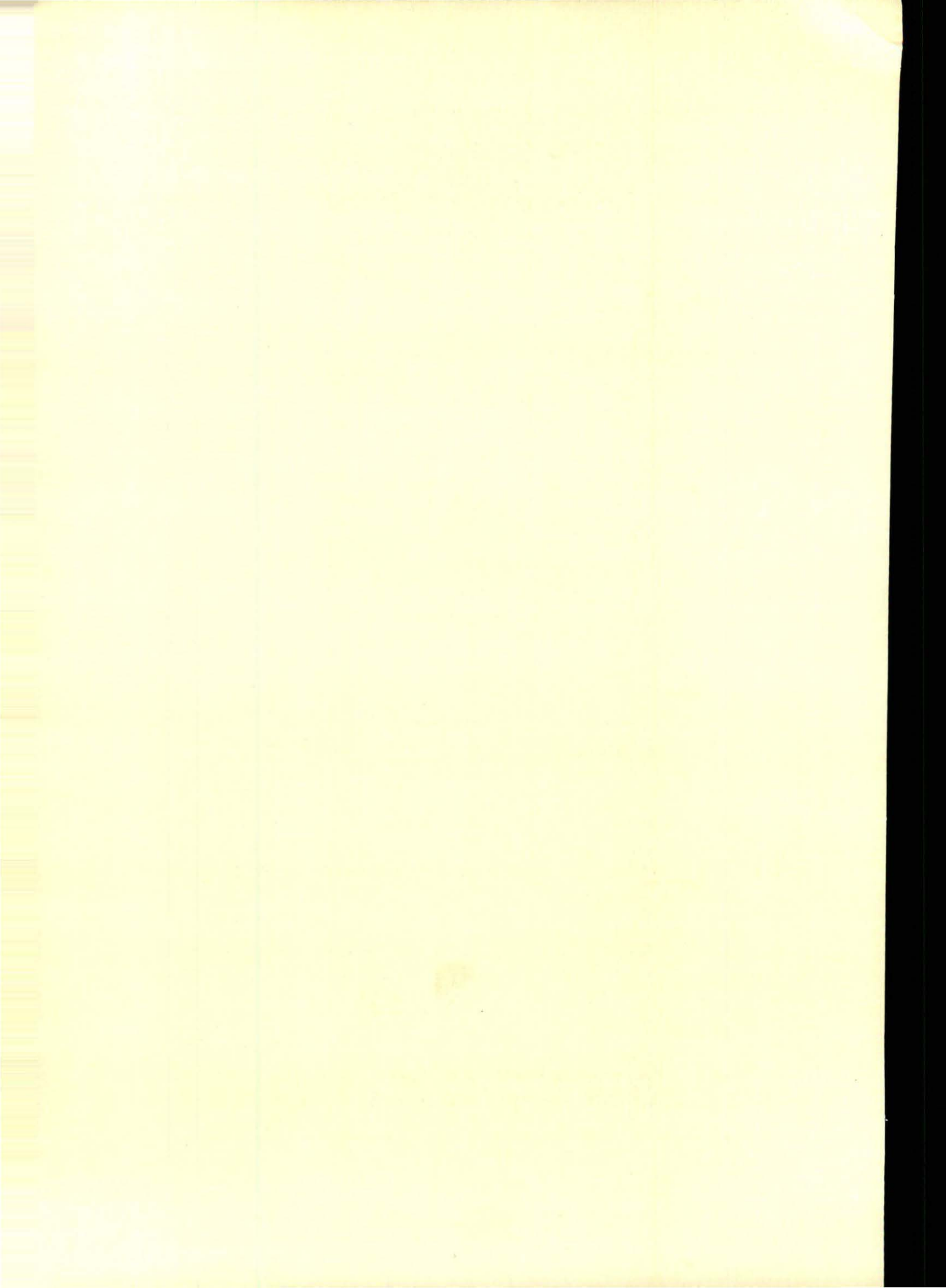
Non-observance of the laid down procedure for purchase of high value plant, machinery etc., for 'Modernisation and expansion of Mini Cement Plant, Wazeho led to cost overrun of ₹ 10.73 crore and the plant has not yielded any output even after lapse of seven years resulting in loss of potential revenue of ₹ 15.55 crore

*(Paragraph 5.19)*





**CHAPTER - I**  
**PERFORMANCE REVIEW**  
**(CIVIL DEPARTMENT)**





## CHAPTER I

### DEPARTMENT OF UNDER DEVELOPED AREAS

*The Department of Under Developed Areas established in June 2003 is entrusted with the responsibility of improving the economic condition of the people, in 26 educationally and economically backward constituencies of the State, through implementation of a State plan scheme “Development of Under Developed Areas Programme” (UDAP) and the Centrally sponsored scheme “Border Area Development Programme” (BADP) in seven blocks under these areas. Performance audit revealed that prioritized sectors like education, health, electricity and drinking water supply, as envisioned in the perspective plans and baseline survey reports, were not accorded priority while formulating the annual work programmes. The impact of implementation of these schemes remained un-assessed as the Department did not monitor and evaluate the performance of the projects. A performance review on implementation of these schemes revealed the following major deficiencies:*

#### *Highlights*

The Department failed to constitute District Level Selection Committees headed by the Deputy Commissioners, as envisaged under UDAP to recommend the proposed works in their districts. The works were randomly recommended by the elected representatives of the constituencies and approved by the State Level Screening Committee.

(Paragraph 1.7)

An amount of ₹ 6.74 crore kept in Civil Deposit during 2005-06 and 2009-10 was reported as final expenditure by the Department, thereby inflating the actual expenditure to that extent.

(Paragraph 1.8.2)

Agriculture, education, health, electricity and water supply were identified as the prioritized sectors in the baseline survey report and the perspective plan. However, 80 per cent of the funds were spent on non-prioritised sectors indicating ineffective implementation of the schemes.

(Paragraph 1.9)

The claim of 100 per cent achievement by the Department proved unreliable as 17 projects out of 46 projects that were physically verified were incomplete, three works were not taken up at all and full payments had been released for some unexecuted works.

(Paragraph 1.9.1)

Monitoring and evaluation of the works had not been carried out and as such the impact of the implemented schemes remained un-assessed.

(Paragraph 1.10)

### **1.1 Introduction**

The Department of Under Developed Areas (DUDA) was set up in June 2003 with the objective to bring about infrastructural, socio-economic and human resource development in those areas which were educationally and economically backward in comparison to other areas of the State. Towards achieving these objectives, the Department implemented the following two schemes covering 26 educationally and economically backward constituencies of the State comprising about 38.42 *per cent* of the population.

- Development of Under Developed Areas Programme (UDAP) - a State Plan scheme and
- Border Area Development Programme (BADP) - 100 *per cent* Centrally sponsored scheme funded by the Union Ministry of Home Affairs.

### **1.2 Organizational set up**

The Border Area Development Programme was formerly implemented by the Planning Department. However, a separate Department in the Chief Minister's office was formed in June 2003 to oversee the implementation of UDAP and BADP scheme.

The Secretary who is the Chief Controlling Officer is assisted by the Director and one Executive Engineer from the Nagaland Public Works Department on technical matters relating to execution of works.

### **1.3 Scope of Audit**

A performance audit of DUDA since inception of the Department was taken up between May-July 2010 through test check of records in the Directorate and the Executive Engineer. During the period covered in audit, the Department took up 2178 projects with a total outlay of ₹ 205.10 crore. Out of this, records in respect of 115 projects involving an expenditure of ₹ 34.68 crore (17 *per cent*) were selected for audit by 'Multi Stage' method of sampling.

### **1.4 Audit objectives**

The broad objectives of the audit were to assess whether:

- realistic and integrated perspective plan was prepared and works taken up accordingly;
- funds were utilised for the intended purpose;
- the objectives of the Department to accelerate the pace of development have been achieved;
- the works were being executed in accordance with the terms of the contracts; and
- adequate systems of monitoring and quality assurance of the works were in place.



## 1.5 Audit criteria

The audit objectives were benchmarked against the following criteria:

- Perspective Plan/Annual Action Plan
- Detailed Project Reports of selected projects
- Scheme Guidelines
- Financial Rules
- Nagaland Public Works Department Codes

## 1.6 Audit Methodology

The performance audit was conducted during May to July 2010. However, entry conference with the Secretary, the Director and other senior officers of the Department was held in June 2010, wherein the audit objectives, scope, audit criteria and methodology were discussed. The performance audit was carried out through an examination and analysis of records, collection of information through questionnaires, interviews and joint physical verification of selected projects etc. The report was finalized after incorporating the replies appropriately and views expressed by the Department during an exit conference held on 22 September 2010.

## Audit Findings

### 1.7 Planning

(A). The UDAP scheme guidelines envisaged the constitution of District Level Selection Committee to be headed by the respective Deputy Commissioners comprising Additional Chief Engineer/Superintendent Engineer, Road and Bridges, Executive Engineer (Housing), District Sports Officers, District Planning Officer and Sub-Divisional Officer, DUDA as members for the purpose of recommending the proposed works in their jurisdiction. However, no such committee was constituted and therefore the works were randomly recommended by the respective MLAs and approved by the State Level Screening Committee (SLSC) without any plan documents.

Though the Department prepared perspective plan in respect of three districts covering six constituencies (out of 26 constituencies) during 2008-09, the SLSC did not consider the prioritized sectors like education, health, industry, drinking water and power supply while formulating the work programmes as envisaged in the perspective plan even after its adoption.

(B). The BADP introduced by Government of India during the Seventh Five Year Plan emphasized on bottom-up planning by carrying out baseline surveys to assess the critical gaps in physical and social infrastructure in remote border areas. Scheme guidelines also emphasized taking up large projects to fill the critical gaps in road network, social



infrastructure and essential needs rather than smaller schemes which directly benefit specific villages. Though the Department conducted baseline survey in 2008-09, it was seen from the annual work programmes that the recommendations of the District Planning and Development Board and subsequent approval by the SLSC did not commensurate with the needs of the targeted area as brought out in the baseline survey report. This indicated deficiency in the planning process as discussed in Paragraph 1.9.

The BADP Scheme guidelines also envisaged that SLSC should meet at least once in a year preferably before March every year in order to finalize the schemes for the following year and assess the progress of previously sanctioned schemes under the programmes. This list of schemes was to be sent to Department of Border Management, Ministry of Home Affairs within March every year for release of funds.

It was noticed from the Minutes of the SLSC meeting (2004-10), that there was delay<sup>1</sup> in holding the SLSC meetings ranging from one to six months which resulted in delay in sanctioning of schemes and release of funds by GOI to State Government and from State Government to the implementing agencies. Consequently, the Department failed to achieve the yearly target in time.

The Department while accepting the fact stated (September 2010) that the guidelines are under consideration for revision.

## **1.8 Financial Management.**

The year-wise approved capital outlay and expenditure incurred by the Department on the schemes under UDAP and BADP during 2003 -10 is given below:

1

<i>Due date for holding the SLSC meeting</i>	<i>Date of SLSC meeting held</i>	<i>Delay in SLSC meeting</i>
<i>Before march every year</i>	<i>24 September 2004</i>	<i>6 months</i>
	<i>21 June 2005</i>	<i>3 months</i>
	<i>23 June 2006</i>	<i>3 months</i>
	<i>25 May 2007</i>	<i>2 months</i>
	<i>17 July 2008</i>	<i>4 months</i>
	<i>30 June 2009</i>	<i>3 months</i>
	<i>27 April 2010</i>	<i>1 month</i>

Table No. 1.1

(Rupees in crore)

Year	Approved outlay			Expenditure incurred			Excess (+)/Saving (-)			Percentage of excess/savings
	State Plan (UDAP)	CSS (BADP)	Total	State Plan	CSS	Total	State Plan	CSS	Total	
2003-04	11.25	4.16	15.41	7.23	4.26	11.49	(-)4.02	(+) 0.10	(-)3.92	(-)25.44
2004-05	11.25	4.16	15.41	9.79	3.50	13.29	(-)1.46	(-) 0.66	(-)2.12	(-)13.76
2005-06	11.25	4.56	15.81	11.11	3.42	14.53	(-)0.14	(-) 1.14	(-)1.28	(-)8.10
2006-07	21.25	15.77	37.02	19.39	14.64	34.03	(-)1.86	(-) 1.13	(-)2.99	(-)8.08
2007-08	19.55	10.00	29.55	19.55	7.67	27.22	-	(-) 2.33	(-)2.33	(-)7.88
2008-09	21.66	26.74	48.40	21.66	15.20	36.86	-	(-) 11.54	(-)11.54	(-)23.84
2009-10	24.00	19.50	43.50	24.00	30.74	54.74	-	(+) 11.24	(+)11.24	(+)25.84
<b>Total</b>	<b>120.21</b>	<b>84.89</b>	<b>205.10</b>	<b>112.73</b>	<b>79.43</b>	<b>192.16</b>	<b>(-)7.48</b>	<b>(-)5.46</b>	<b>(-)12.94</b>	

Source:- Department figures

Review of the budget provision and expenditure during the last seven years ending March 2010 revealed that there was persistent savings ranging from 8 per cent to 25 per cent during 2003-09. The savings under Central sector was due to the State Government's inability to absorb the funds released by GOI.

The Department accepted the facts (September 2010).

### 1.8.1 Incorrect reporting of utilisation of fund.

During 2003-10 an amount of ₹ 83.44 crore was sanctioned by the GOI under BADP. Out of this, the Department could utilize ₹ 78.08 crore due to non release of ₹ 5.36 crore by the State Government. However, the Department submitted utilisation certificate (UC) to the GOI showing entire amount as utilised as of March 2010 leading to false reporting of utilization to obtain further sanction from GOI.

The Department accepted the facts (September 2010).

### 1.8.2 Target and Achievement

Though the Director claimed 100 per cent financial and physical achievement of the targets and also exhibited most of the funds as expenditure during the years, the claim of the Department appeared doubtful and unreliable as the earmarked funds under BADP amounting to ₹ 25.95 crore<sup>2</sup> for the year 2004-09 were released by the State Government to the Department only during the following years. It was also seen that during 2003-10, the Department retained heavy cash balances<sup>3</sup> and this accumulated cash in hand increased

<sup>2</sup> ₹ 1.39 crore in 2004-05; ₹ 5.99 crore in 2006-07; ₹ 3.33 crore in 2007-08 and ₹ 15.24 crore in 2008-09.

<sup>3</sup>

Year	Closing balance as on 31 March (Rupees in crore)
2003-04	10.45
2004-05	12.49
2005-06	22.34
2006-07	50.49
2007-08	32.13
2008-09	38.31
2009-10	58.99



from ₹ 10.45 crore in March 2004 to ₹ 58.99 crore in March 2010. Thus, the funds received by the Department both from the Centre and the State were being exhibited as expenditure in the accounts without being actually spent thereby impacting the physical achievement of the projects.

Besides, the Department reported ₹ 6.74 crore<sup>4</sup> (March 2006 and March 2010) as final expenditure which was parked in “8443-Civil Deposit” rendering the accounts defective. Parking of funds in Civil Deposit erodes the accountability and legislative control over expenditure, as withdrawal from the Civil Deposit during the subsequent years do not require approval of the legislature and the expenditure will not pass through the appropriation mechanism.

The Department could not produce to audit any records showing the handing over of the completed projects to the end users to supplement their claim of achievement. Joint physical verification (June 2010) also negated the claim of the Department as 17 targeted projects<sup>5</sup> out of 46 projects physically verified, even though stated to have been complete in all respects, remained incomplete or works were not done at all as discussed in paragraph 1.9.1.

The Department accepted the facts (September 2010).

### **1.8.3 Parking of funds in bank accounts**

According to Rule 9 of Central Treasury Rule (CTR), a Government Officer may not, except with the special permission of the Government, deposit in a bank, other than the Reserve Bank of India or its agent for the purpose of Government transactions, money withdrawn from the Government Account under provision of Rule 12 to 25 of CTR.

Scrutiny revealed that funds released by the Central and State Governments from time to time for implementation of various projects were drawn from the State Exchequer and ₹ 7.28 crore (31 March 2009) and ₹ 14.66 crore (31 March 2010) kept in two current accounts in State Bank of India<sup>6</sup>, Kohima and one current account in SBI<sup>7</sup>, Dimapur. Subsequent releases to the contractors were made from the current accounts by self cheques. The Department neither obtained permission from the Government to operate such bank accounts, as required under Treasury Rules, nor maintained any cheque issue register. Parking of Government money in bank accounts without Government approval and subsequent utilization without observing the codal provisions invites the risk of fraud and mis-appropriation and therefore should be avoided.

The Department accepted the facts (September 2010).

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<sup>4</sup> ₹ 2.74 crore in 2005-06 and ₹ 4 crore in 2009-10.

<sup>5</sup> 2006-07=3; 2007-08=3; 2008-09=5 and 2009-10=6

<sup>6</sup> Main branch-10530525475 and Bazaar Branch-30726432615

<sup>7</sup> SBI Dimapur-30159539640



#### 1.8.4 Delay in release of funds by the State Government.

Under BADP, the State Government was required to release the funds released by GOI to the implementing agencies within 15 days from the date of release by GOI. Scrutiny revealed that there was delay ranging from 14 days to 240 days (*Appendix-1.1*) in release of Central funds by the State Government after receipt of the sanction. Delay in release of funds by the State Government was contrary to the guidelines prescribed by the GOI.

The Department accepted the facts (September 2010).

#### 1.9 Programme Implementation.

The activities of the Department are centered around the overall development to improve the socio-economic condition of the people of under developed and border areas. The Department took up 2178 projects involving ₹ 205.10 crore under UDAP and BADP during 2003-10. The sector-wise position of implementation of the schemes is given below:

*Table 1.2*

(Rupees in crore)

Sector	Number of projects sanctioned		Total Projects	Funds sanctioned		Total Expenditure	Percentage of utilization vis-à-vis sanction
	UDAP	BADP		UDAP	BADP		
Social Infrastructure	562	204	766	40.33	33.72	74.05	36
Roads	536	190	726	56.76	33.92	90.69	44
Agri & Allied	146	140	286	7.02	3.57	10.59	5
Education	130	129	259	7.42	4.91	12.33	6
Health	18	50	68	0.66	1.86	2.52	1
Electricity	2	3	5	0.28	0.09	0.37	1
Water supply	22	15	37	1.84	5.56	7.39	4
Misc.	19	12	31	5.90	1.26	7.16	3
	<b>1435</b>	<b>743</b>	<b>2178</b>	<b>120.21</b>	<b>84.89</b>	<b>205.10</b>	<b>100</b>

(Source: Annual works programme and minutes of SLSC).

It is seen from the above table that the Department had spent ₹ 90.69 crore (44 per cent) in road sector and ₹ 74.05 crore (36 per cent) in social infrastructure while ₹ 40.36 crore (20 per cent) only was spent on prioritized sectors like agriculture, education, health, power and providing drinking water supply.

The implementation of the programmes to improve the socio-economic development of the under developed areas was therefore, flawed since the prioritized sectors as identified in the perspective plan and baseline survey report were ignored which was compounded by inadequate financial management.

The Department accepted the facts (September 2010).

### 1.9.1 Physical achievement

Out of the 2178 projects taken up during 2003-10, 115 projects were selected for test check. As per the records furnished to audit, all the works were shown to have been physically and financially complete in all respects. To corroborate the observations of audit, physical verification of 46 projects out of the 115 projects were undertaken and the position of achievement are given below:

*Table No. 1.3*

Projects physically verified		Projects completed		Projects not taken up (till completion of audit)		Incomplete projects	
Number	Amount (Rs. in lakh)	Number	Amount (Rs. in lakh)	Number	Amount (Rs. in lakh)	Number	Amount (Rs. in lakh)
46	3123.02	26	554.00	3	65.00	17	2504.02

*Source: Departmental records*

It is evident from the above that though 46 projects costing ₹ 3123.02 lakh were shown to have been completed in all respects, 17 projects costing ₹ 2504.02 lakh were seen to be still incomplete. Besides, in 3 projects costing ₹ 65 lakh which were stated to be complete, the work had not even commenced. The findings of audit in respect of a few projects are detailed below:

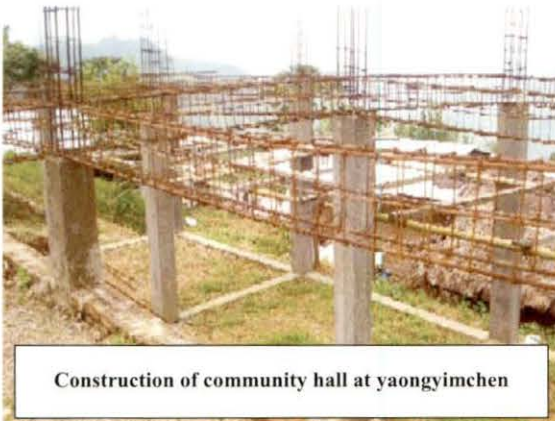
#### (i) **Payment made without actual execution of work**

The construction of Community Hall at Yaongyimchen village and construction of Hostel at Government High School, Komking, Noklak were taken up under UDAP during 2007-08 and 2008-09 at a total approved outlay of ₹ 20 lakh each with stipulated time of completion as three months from the date of issue of the work orders.

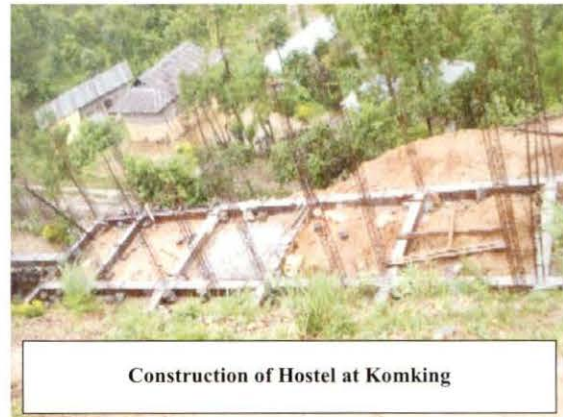
Scrutiny of the measurement books (MBs) revealed that the works were completed in November 2007 and March 2009 and final payment of ₹ 19 lakh (₹ 9.50 lakh each) was made during June 2008 and May 2009.

Joint physical verification (July 2010) by audit along with the department officials however, revealed that construction works were still in progress as can be seen from the photographs below:





Construction of community hall at yaongyimchen



Construction of Hostel at Komking

Thus, the Department paid ₹ 19 lakh without actual execution of the works which is not only irregular but also indicates absence of monitoring by the Department.

The Department while accepting the facts (September 2010) stated that the Village Council had altered the size of the building of the community hall at Yaongyimchen and therefore the funds allotted were not sufficient to complete the work. In respect of the construction of Hostel at Government High School, Komking, Noklak, the work could not be completed as the Village Council was not satisfied with the proposed architecture of the building.

**(ii) Community sanitary and retaining wall at Yachem**

The construction work of community sanitary and retaining wall at Yachem was taken up during 2008-09 under UDAP at a cost of ₹ 15 lakh. Against the work, the Department had paid ₹ 14.15lakh (May 2009) for construction of Cement Concrete wall and Stone rubble masonry. A Joint physical verification (June 2010), however, revealed that three toilets and two retaining walls were constructed for use by only one individual without following the specified items in the estimate for the work and therefore the work did not commensurate with the amount paid as can be seen from the photographs given below:







Hence, incurring expenditure on construction for the benefit of a few individuals from the funds allotted for community sanitation was not only irregular but was also indicative of absence of monitoring on the part of the Department.

While accepting the facts (September 2010) the Department stated that the concerned contractor had assured the Department that the new community sanitary and retaining wall will be constructed as per the specifications.

**(iii) Widening of local ground at Yachem village**

The work for widening of local ground at Yachem village was taken up under UDAP during 2009-10 with an approved outlay of ₹ 10 lakh. Scrutiny of records revealed that the work was completed in March 2010 and final payment of ₹ 9.50 lakh was made in May 2010.

Joint physical verification (July 2010) by audit along with department officials however, revealed that the work had not been done at all. Thus, payment of ₹ 9.50 lakh was made on fictitious measurement. The existing ground at Yachem is given below:





While accepting the facts, the Department stated (September 2010) that the work could not be done due to land dispute which has since been settled and the work would be completed soon.

**(iv) Water supply from Jaboka to Tizit town**

The work of providing water supply from Jaboka to Tizit town was taken up under UDAP during 2008-09 at an approved cost of ₹ 20 lakh. Scrutiny of records revealed that the Department paid ₹ 19 lakh (May 2009) to the contractor for construction of iron tank with steel stand and fitting of GI pipes.

During joint physical verification (July 2010) by audit team along with departmental officials, it was however, noticed that GI pipes were not fitted for distribution of water and therefore, iron tank with steel stand remained unused as can be seen from the photographs below:



Thus, the steel tank constructed under the programme remained idle defeating the objective of providing drinking water to the targeted beneficiaries.

While accepting the facts (September 2010), the Department stated that the GI pipes would be fitted after construction of sub-distribution tank.

**(v) DUDA office building at Tuensang**

The construction of DUDA office building at Tuensang under UDAP was taken up in three phases during 2006-09 with an outlay of ₹ 45.02 lakh. Scrutiny revealed that the work was certified to be completed as per specification and payment of ₹ 44.50 lakh made in three bills (November 2007 and April 2009).

Joint physical verification (June 2010) by audit along with the department officials however, revealed that sanitary fittings and electrification had not been completed, rendering the DUDA office building, Tuensang incomplete and idle as shown in the photograph below:



While accepting the facts (September 2010), the Department stated that the works of sanitation and electrification could not be done due to paucity of funds and shall be completed on allotment of funds in the ensuing year.

**(vi) Model Village at Angphang**

Construction of model village at Angphang consisting of 11 components of work with an estimated cost of ₹ 5 crore under BADP as approved by the State Level Selection Committee was taken up by the Department in phased manner during 2008-2011. The Government had released ₹ 4 crore during 2008-10. Scrutiny of records revealed the Department paid ₹ 1.42 crore<sup>8</sup> (March 2010) for construction of Community well; community toilets and sanitation; improvement of playground with gallery and rostrum and construction of water supply facilities/distribution and rain water harvesting during 2009-10.

During joint physical verification (June 2010) by audit along with departmental officials, it was however, noticed that construction of the aforesaid works had not yet commenced.

Thus, it is evident that the Department had paid ₹ 1.42 crore on fictitious measurement.

While accepting the facts (September 2010), the Department stated that the works are expected to be completed at the earliest.

**(vii) Construction of Tribal welfare complex at Mon**

Construction of tribal welfare complex at Mon Town was taken up under UDAP during 2008-09 with an outlay of ₹ 15 lakh. Scrutiny of records revealed that an advance

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<sup>8</sup> Community well-₹ 9.50 lakh; Community toilets and sanitation-₹ 28.49; Improvement of playground with gallery and rostrum-₹ 57 lakh and construction of water supply facilities/distribution and rain water harvesting-₹ 47.50 lakh.

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payment of ₹ 10.35 lakh was made in four installments<sup>9</sup>. Joint physical verification by audit along with departmental officials however, revealed that work had not started at the site (June 2010). Thus, ₹ 10.35 lakh had been paid without execution of any work and the amount of advance remained outstanding with the contractor since December 2008 resulting in un-due benefit to the contractor.

While accepting the facts (September 2010), the Department stated that the work could not commence due to land dispute.

In sum, it is evident from the above instances that implementation of the programmes are not being done and monitored with due efficiency and effectiveness.

### **1.9.3 BADP funds spent in non-border areas**

According to BADP Scheme guidelines, the scheme should be implemented only in the defined and demarcated border areas/border blocks falling within a radius of 10 KMs from the international border.

In Nagaland there are 159 recognized border villages approved by the State Government and the Union Ministry.

Scrutiny of records revealed that BADP funds of ₹ 1.30 crore was spent by the Department on 21 projects in 23 non-border villages during 2007-10. Thus, the expenditure incurred by the Department on implementation of 21 projects in non-border villages was in violation of BADP guidelines.

The Department stated (September 2010) that all the locations were within the border blocks but only their names had been changed representing the local rivers, hills, streams etc.

But the fact however, remains that all the 21 projects have been taken up beyond the radius of 10 KMs from the international border as the names of the villages do not appear in the list of 159 recognised border villages approved by the State Government and the Union Ministry.

### **1.9.4 Display of sign board**

Both the UDAP and BADP scheme guidelines stipulated that sign boards showing the funding of the scheme/projects, should be placed in front of all assets created under the schemes. It was, however, noticed during field visits to 45 selected projects that display boards were not placed in front of 11 projects. The veracity of the claim by the Department regarding execution of the projects could therefore, not be authenticated.

While accepting the facts (September 2010), the Department stated that since the sign boards were made of temporary material, it did not last long.

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<sup>9</sup> 18 December 2008; 21 January 2009; 11 May 2009 and 16 April 2010

### **1.9.5 Training of Staff**

To enhance the effectiveness of BADP programmes, institutional arrangements for planning and staffing of the Department were to be strengthened and the staffs engaged in the field were to be properly trained and oriented. Towards fulfilling this objective, the Department was permitted to reserve an amount not exceeding ₹ 25 lakh each year for training and monitoring of the projects.

Scrutiny of records revealed that ₹ 31.50 lakh was incurred during 2004-06 and 2009-10 purportedly for training purposes. However, no training was imparted to the officers and staff of the Department engaged in the field and no exposure tours were undertaken to explore the adaptability and suitability of various schemes executed by other border area States in the country.

Thus, implementation of BADP programmes is being managed by untrained staff in contravention to the guidelines.

### **1.9.6 Procurement of CGI sheet**

During 2004-10 an expenditure of ₹ 5.32 crore was incurred for procurement of CGI sheets under UDAP and BADP. The Department neither maintained stock register nor could furnish the delivery challans and the list of beneficiaries but instead stated that the material were directly procured and distributed by the concerned elected representatives. In the absence of these vital records, audit could not verify the genuineness of the expenditure incurred on procurement of CGI sheets and its subsequent distribution to the beneficiaries.

## **1.10 Monitoring and Evaluation.**

An effective monitoring system is a pre-requisite for any department for its smooth functioning and achievement of its targets and objectives. The Department of DUDA was established with the intention to supervise, monitor and evaluate all developmental works and also to conduct research and expert studies in the under developed areas and extend policy inputs. The State Government was also required to closely monitor the implementation of the works/schemes being implemented under BADP.

Scrutiny revealed the following:

- Except the field inspection by the Advisor to DUDA, Shri.E.E.Pangteang, MLA during March and April 2010, the Department did not monitor the works or conduct a survey to evaluate the performance of the Department. Therefore, the impact of the programmes to improve the socio-economic condition of the under developed villages remained un-assessed even after seven years of its implementation.



- The quarterly progress reports submitted to GOI proved incorrect as the report prepared was based on the quantum of payments made against the works without evaluating the actual progress of work done.

While accepting the facts (September 2010), the Department stated that a High Level Committee has now been constituted.

### **1.11 Internal Control**

Internal controls provide a reasonable assurance to the management that the stated objectives are achieved, financial interest, assets and other resources of the Department are safeguarded and reasonable information is available. Internal Control System however, does not exist in the Department. In Nagaland, the Department of Treasuries and Accounts is entrusted to conduct internal audit of all Government establishment under the State. However, it was seen that during the period covered in audit no internal audit was conducted in the Department. There were no records to show that periodical physical assessment of works by supervisory level officers was carried out. Therefore, the Departmental officials were unable to assess the quantum of achievements of the stated objectives and the impact of implementation of the programmes.

#### **(i) Non-maintenance of Asset Register**

According to BADP scheme guidelines, the State Government is permitted to keep a provision not exceeding 15 *per cent* of the allocation for maintenance of assets created under BADP after three years from the date of issue of completion certificate in respect of the assets.

Scrutiny revealed that out of the total expenditure of ₹ 84.89 crore under BADP during 2003-10, an amount of ₹ 83.63 crore was incurred for creation of assets. However, the Department had not maintained any asset register to watch subsequent claims for maintenance of assets created under BADP. The Department also did not maintain register in respect of assets of ₹ 114.31 crore created under UDAP.

### **1.12 Acknowledgement**

The Indian Audit and Accounts Department acknowledges the co-operation of the Department in providing the required information, records and extending logistic support for the joint physical verification of the selected projects.

### **1.13 Conclusion**

The objective of the Department to improve the economic condition through implementation of various developmental schemes for the under developed areas remained largely unachieved due to a significant shortfall in completion of projects coupled with lacunae in the planning process. There was also persistent savings as the Department was unable to absorb the funds provided by GOI. Besides, the State

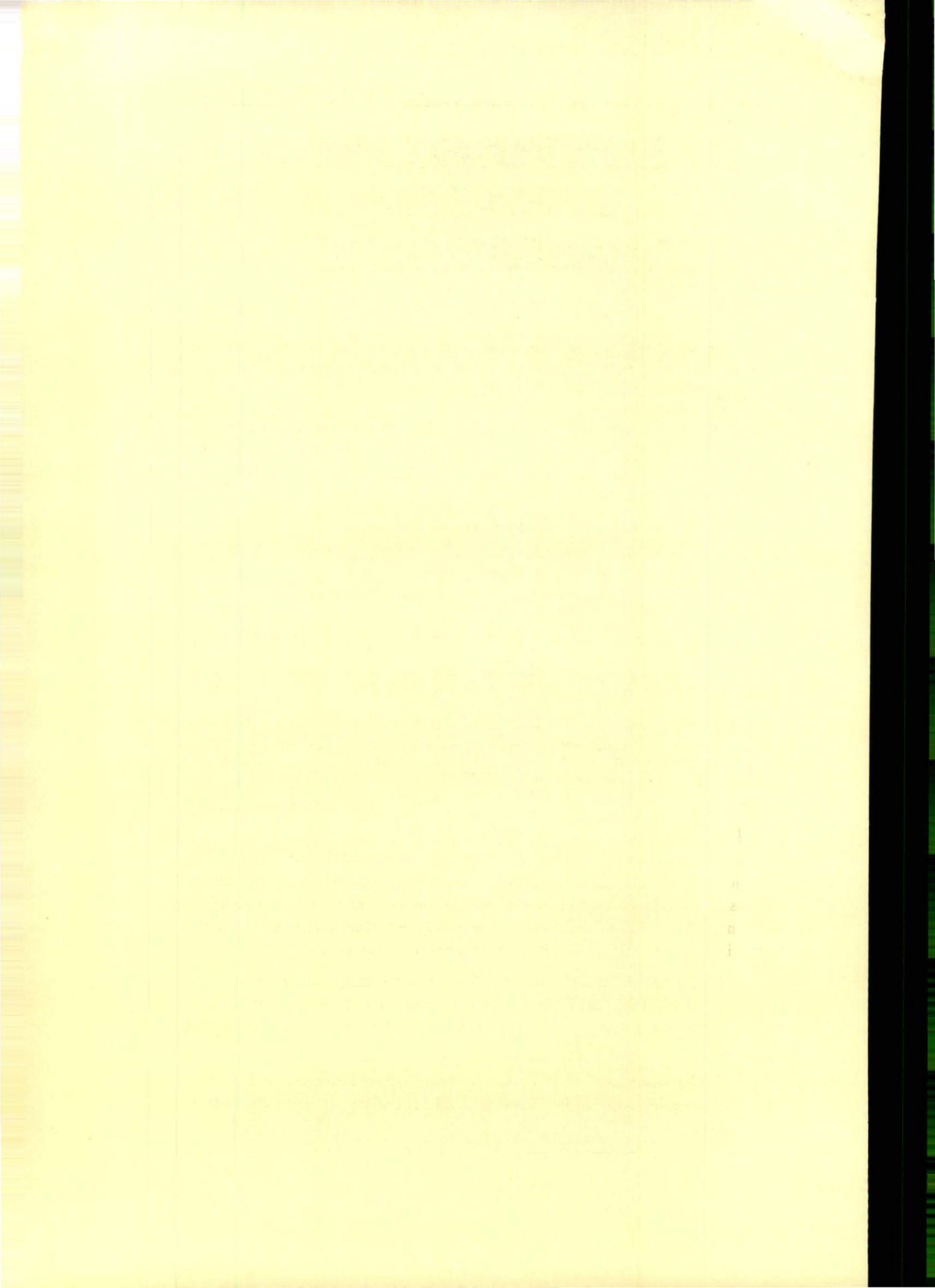
Government delayed release of Central funds to the Department. There were instances where payments were made without actual execution of works. Monitoring and evaluation of the projects was not carried out and as such, the impact of implementation of these programmes remained un-assessed.

#### **1.14 Recommendations**

- The SLSC meeting should be held timely to enable the State Government to submit the proposal and obtain sanction of GOI in time.
- Selection of projects should be done on need base as envisaged in the perspective plan.
- The State Government should ensure timely release of funds and utilization certificate should be based on actual utilization of funds.
- Assets created should be promptly handed over to the end users and its proper utilization ensured.
- Project monitoring should be streamlined and the impact of the scheme should be periodically assessed.

**CHAPTER - II**  
**AUDIT OF TRANSACTION**  
**(CIVIL DEPARTMENT)**





## CHAPTER II

## AUDIT OF TRANSACTIONS

## HOME (POLICE) DEPARTMENT

## 2.1 Fraudulent drawal of funds

**The Director General of Police, Nagaland, Kohima drew an amount of ₹ 18 crore against fictitious bills. The fraudulent drawal of ₹ 18 crore therefore, needs investigation.**

A fully vouched contingent bill No. 111 dated 15 June 2009 pertaining to the Director General of Police (DGP), Kohima was received in the Accountant General's office through the treasury for compilation of Accounts. The sub-vouchers attached to the bill are detailed below:

Table No. 2.1

Sl. No	Name of the Entity	Entities Bill No. and date	Items procured	Amount (₹)
1.	Ordnance Factory Khamaria, Jabalpur (M.P.)	C/149 Nagaland dt. 5.5.2009	Arms/Ammunition	4,30,29,260
2.	-do-	C/150 Nagaland dt. 5.5.2009	-do-	1,48,24,440
3.	Bridgegap Associates	BA/NL/P/11/2009 dt. 5.5.2009	Equipment	7,81,86,960
4.	Laggar Industries Limited	LIL/DD/18/2009 dt. 6.5.2009	Defence Vehicles	1,50,01,000
5.	Tata Motors Limited	AO-GUW/Bill/25/09 dt. 4.5.2009	22 Vehicles	2,02,09,996
6.	Sanchar Telesystems Limited	STL/NPHQ/2009/19 dt. 4.5.2009	Equipment	87,48,684
<b>TOTAL</b>				<b>18,00,00,340</b>

A review of the above sub-vouchers revealed that there were several inconsistencies such as totalling errors, abnormally low rates for certain items etc. which were prima-facie indicative of fraudulent payments. An attempt was therefore, made in audit to ascertain the genuineness of the bills and the following was observed:

- The Ordnance Factory Khamaria, Jabalpur, on enquiry, stated that both the bills at Sl. Nos. 1 and 2 of the table above have not been issued by them. They further stated that the items shown in the bills are not in their production range;
- The Entities mentioned at Sl. Nos. 3, 5 and 6 above also confirmed that they have neither supplied the materials to DGP, Kohima nor raised any bills on them;

- The Department of Trade and Taxes, New Delhi confirmed, after verification, that the entity mentioned at Sl. No. 4 above was neither registered nor was functioning in the address mentioned in the bill.

It is evident from the above that the amounts were not paid to the entities but were mis-appropriated by production of fictitious bills.

Thus, the DGP, Kohima drew an amount of ₹ 18 crore against fictitious bills. The fraudulent drawal of ₹ 18 crore therefore, needs investigation.

The Government stated (January 2011) that the amount was drawn through a AC bill and utilised for purchase of vehicles and other equipment except an amount of ₹ 5.79 crore which is set aside for purchase of arms and ammunitions awaiting allotment of arms and ammunitions from Union Ministry of Home Affairs and kept in the account of DGP. The Government further stated that a three member Committee headed by the Principal Secretary has been constituted to look into the genuineness of purchases made and submit its report to the Government for necessary action.

But the fact remains that a fully vouched contingent bill was received in the Accountant General's office through the treasury and all the purchases shown in the sub-vouchers attached to the bill have been found to be fictitious.

## **2.2 Fraudulent drawal**

**Project Engineer, Police Engineering Project Division, Chumukedima fraudulently drew an amount of ₹ 4.11 lakh on fictitious bills and ₹ 2.92 lakh by inflating the totals of salary bills.**

Rule 34 of the Receipt and Payments Rules provides that a Bill Register should be maintained by all the Heads of Offices who are authorized to draw money on bills signed by them. To prevent presentation of fraudulent bills to the treasury, a Bill Transit Register is to be maintained by the DDO and crosschecked with the Bill Register. Further, the aforesaid registers should be reviewed by a gazetted officer and the result of review recorded thereon. Treasury Rules, in addition to prescribing various checks to be exercised by the Treasury Officer, also require that he shall obtain sufficient information as to the nature of each payment he is making and shall not accept a claim which does not formally present that information unless there are valid reasons which he shall record in writing for omitting to enquire it.

Project Engineer, Police Engineering Project (PEP) Division, Chumukedima drew ₹ 7.03 lakh between October 2008 and March 2009 as pay and allowances of the Divisional staff in seven bills. Scrutiny of the bills revealed the following:

- (i) An amount of ₹ 4.11 lakh was drawn on one bill in October 2008 (Voucher No.39) on account of pay and allowances against 36 Grade II and III regular employees without indicating the required particulars such as the Bill No, month for which salary was drawn, designation of the employees, scale of pay of each grade, GPF account number and the amount of monthly subscription of each employee etc. Scrutiny



revealed that the Division had been drawing the pay and allowances of all employees regularly. Hence, ₹ 4.11 lakh drawn on account of pay and allowances was on a fictitious bill.

(ii) Similarly, the Project Engineer, PEP drew ₹ 37.79 lakh in six bills against the actual admissible net total amount of ₹ 34.86 lakh by inflating the net totals (**Appendix-2.1**) resulting in fraudulent drawal of ₹ 2.92 lakh.

On this being pointed out, the Project Engineer admitted the fact and deposited ₹ 4.11 lakh into Government Account in October 2010 and further stated that the balance ₹ 2.92 lakh shall be deposited in the Government account shortly.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011).

### **2.3 Fraudulent drawal**

#### **Superintendent of Police, Dimapur fraudulently drew an amount of ₹ 9.11 lakh by inflating the totals of salary bills.**

Rule 66(3) of the Central Government Account (Receipts and Payments) Rule, 1983 provides that entries in all money columns of the paybill are to be totalled separately under each section and part and totals written in red ink. The totalling must be checked by the drawing officer himself or by some responsible person other than the person preparing the bill.

Scrutiny of pay bills (March 2009 to October 2009) of Superintendent of Police (SP), Dimapur showed that the SP drew ₹ 234.58 lakh as against the actual admissible net total of eight salary bills amounting to ₹ 225.47 lakh, by inflating the net totals (**Appendix-2.2**) resulting in fraudulent drawal of ₹ 9.11 lakh.

Thus, failure of the SP and the Treasury Officer in exercising the necessary statutory checks prescribed under rules resulted in fraudulent drawal of ₹ 9.11 lakh.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011).

## **PUBLIC WORKS DEPARTMENT (ROADS AND BRIDGES)**

### **2.4 Suspected misappropriation of Government funds**

**There was a suspected misappropriation of an amount of ₹ 3.73 crore during the period from December 2008 to June 2009 in the Public Works Department (Roads and Bridges) South Division, Kohima which was done by recording higher amounts in the Cash Book against issue of cheques for lesser amounts to other divisions.**

The Public Works Department (Roads and Bridges) South Division, Kohima withdraws money from the Treasury through bills on behalf of all the 26 Public

Works (Roads and Bridges) Divisions in the State of Nagaland. The South Division deposits the funds withdrawn from the Treasury in a current account opened by them for the purpose with State Bank of India, Main branch, Kohima and transfers the funds to other divisions through cheque.

A scrutiny of relevant records in the South Division by Audit (March 2010) revealed that an amount of ₹ 37.67 crore was recorded as transferred to other divisions in the Cash Book of the South Division during the period from December 2008 to June 2009 in 58 instances. However, the bank statements and the counterfoils of the cheques showed that an amount of ₹ 33.94 crore only was transferred by the South Division to other divisions.

Hence, the actual issue of cheques by the South Division to other divisions was always less than the amount recorded in the Cash Book of the South Division which varied between 5 and 44 *per cent* but remained at 5 or 10 *per cent* on most of the occasions.

The South Division instead of remitting the treasury cheques directly to other divisions operates a bank account on its own which has facilitated retention of a portion of the funds being transferred to other divisions resulting in suspected pilferage of Government funds amounting to ₹ 3.73 crore during the six month period from December 2008 to June 2009.

Thus, there was a suspected misappropriation of an amount of ₹ 3.73 crore (as detailed in *Appendix-2.3*) in the South Division during the period from December 2008 to June 2009.

The Government while accepting (January 2011) the fact that the practice followed by the Department was irregular and was not in accordance with the existing rules and procedures stated that the Department was compelled to make such deductions centrally from releases to meet emergency expenditure on land slide clearances, emergency repair of roads, procurement of office machinery and stationery, procurement of vehicles for field officers etc. since there was no clear cut funds to meet such requirements above and also enclosed the relevant vouchers in this regard. They further stated that in order to ensure that such practices are not resorted to despite the many constraints faced by the Department, the Government has issued instructions banning such practices.

But the fact however, remains that the amounts had been withdrawn by the South Division from the treasury for onward transmission to specific divisions and the deductions from the bills deposited in a current bank account outside the Government accounts. Hence, the amounts stated to have been expended subsequently could not be vouchsafed in audit.



## 2.5 Payment for unexecuted items of work

### Executive Engineer, Nagaland Public Works Department (Roads and Bridges), Dimapur made an excess payment of ₹ 62 lakh to a contractor for unexecuted items of work

The Chief Engineer, Nagaland Public Works Department (NPWD), Roads and Bridges (R&B) awarded (October 2007) the 'Construction of Link Road at Medziphema Valley' from Jharnapani NH-39 to Khaibong Junction (6 Km) under Additional Central Assistance (ACA) to a contractor<sup>1</sup> at an estimated cost of ₹ 2.80 crore at NPWD Schedule of Rate 2005. Besides providing compaction, construction of embankment and WBM works, the estimate envisaged construction of 45 Hume Pipe Culverts<sup>2</sup> and 3 RCC culverts at different locations. The work commenced in July 2007 and was completed in November 2008 and initial payment of ₹ 1.76 crore was released<sup>3</sup> to the contractor.

A verification committee headed by the Additional C.E, PWD (R&B) constituted (April 2009) by the Government inspected the road and recommended release of payment as construction of the road including construction of 41 Hume pipe culverts<sup>4</sup> was completed. On the basis of this recommendation, the EE, Dimapur passed the final bill for ₹ 2.80 crore and released ₹ 80 lakh to the contractor withholding an amount of ₹ 24 lakh.

Scrutiny (March 2010) of records of the EE, PWD (R&B), Dimapur followed by a joint physical verification conducted by audit along with the Divisional Officers revealed that only 20 Hume pipe culverts<sup>5</sup> were constructed by the contractor along the entire stretch of link road. The remaining 25 Hume pipe culverts costing ₹ 62 lakh<sup>6</sup> were not at all constructed though the other items of works were complete as per the DPR.

This has not only resulted in excess payment of ₹ 62 lakh on unexecuted items of works but also adversely affected the successful implementation of the project.

The matter was reported to the Department and the Government (September 2010); their reply was awaited (January 2011).

<sup>1</sup> Shri Hukato Naga

<sup>2</sup> 1000 mm dia H:5 M- 20 Nos and 1000 mm dia H:3M -25 nos

<sup>3</sup> In two RA Bills (₹ 128 lakh in November 2007 and ₹ 48.15 lakh in December 2007).

<sup>4</sup> H-3 24 Nos and H-5 17 Nos

<sup>5</sup> H3- 11 Nos and H 5- 9 Nos

<sup>6</sup> (H-3 M – ₹ 2478000 (₹ 177000 X 14.) and ₹ 3677905 (₹ 334355 x 11 )



## SCHOOL EDUCATION DEPARTMENT

### 2.6 Fraudulent drawal

**Deputy Inspector of School, Aghunato drew ₹ 3.42 lakh, Deputy Inspector of School, Zunheboto drew ₹ 3.13 lakh and Head Master, Government High School, Aghunato drew ₹ 1.98 lakh by presenting fraudulent ACPS arrear claims.**

Director, School Education Department granted (August 2008) financial upgradation to eligible teachers of Education Department under Assured Career Progression Scheme (ACPS). The Deputy Inspector of School (DIS), Aghunato, Deputy Inspector of School (DIS), Zunheboto and Head Master (HM), Government High School (GHS), Aghunato drew the ACPS arrears in respect of several employees from the effective date between November 2008 and March 2009.

(i)Scrutiny of vouchers showed that DIS Aghunato prepared the claim and drew ACPS arrears twice in respect of 19 employees amounting to ₹ 3.42 lakh against different bills (*Appendix-2.4*).

(ii)Scrutiny of vouchers of ACPS Arrears claims of employees of DIS Zunheboto showed that the names of 29 employees have appeared in two different bills and two names in three bills (*Appendix-2.5*). Thus, ₹ 3.13 lakh was also fraudulently drawn by the DIS Zunheboto against ACP arrear claims.

(iii)Similarly, the HM, GHS, Aghunato drew the ACPS arrears amounting to ₹ 1.75 lakh in respect of 6 employees twice, while ₹ 0.23 lakh was drawn against an employee whose name did not appeared in the list approved by the Director (*Appendix-2.6*). Thus, ₹ 1.98 lakh was fraudulently drawn by the HM, GHS, Aghunato against ACP arrear Claims.

On this being pointed out (February 2010) the DIS Zunheboto admitted the fact (March 2010) and stated that the excess amount would be deposited into the Government account in three equal installment and produced a treasury challan (March 2010) in support of deposit of ₹ 96,083 being the first instalment of the recovery from the employees in to the account of the Directorate of School Education.

The matter was reported to the Government (October 2010); their reply was awaited (January 2011)

### 2.7 Unadjusted medical advances

**Laxity of the Education Department resulted in non-adjustment of medical advances of ₹ 1.69 crore.**

Advances under Medical Attendance rules are granted to Government servants for their treatment or the treatment of members of their family. Applications for such advances must be accompanied by necessary certificates from the Medical

Officers/Specialists indicating duration and anticipated cost of such treatment. Advances paid to the Government servants are to be adjusted against the claims to be preferred by the Government servant within one month from the date of discharge from the hospital (in case of in patients) or 3 months from the date of drawal of advances or completion of treatment, and balance, if any, be recovered from his pay and allowances in a maximum of four instalments.

During Audit (October 2009) of the records of the Director, School Education, Kohima it was noticed that final bills in adjustment of advances of ₹ 1.69 crore paid to 396 officials during the period from March 2001 to May 2009 had not been received even after a lapse of one to 8 years. As a result, the entire advance of ₹ 1.69 crore stands recoverable.

Further, the Department could neither produce any application from the employees requesting for advance nor the necessary certificates from the medical authorities indicating the duration of treatment and anticipated cost thereof as required to be furnished for payment of medical advances to the employees. Consequently, the genuineness of the advances paid remained questionable.

Thus, due to failure of the Drawing and Disbursing Officers (DDO's) to discharge their statutory responsibilities, the aforesaid 396 employees were allowed to reap undue financial benefits.

The matter was reported to the Government and Department (September 2010), their reply was awaited (January 2011.)

## PUBLIC HEALTH ENGINEERING DEPARTMENT

### 2.8 Excess payment to suppliers

**Two Executive Engineers<sup>7</sup> under Public Health Engineering Department made excess payment of ₹ 1.13 crore to suppliers by applying higher rate of Central Sales Tax.**

Government of India, Ministry of Finance (Department of Revenue) had reduced the rate of tax as specified in sub-section (1) of section 8 of the Central Sales Tax Act, 1956 from 4 to 3 *per cent* w.e.f. 01.04.2007 and from 3 to 2 *per cent* w.e.f. 01.06.2008 through notification dated 29.3.2007 and 30.05.2008 respectively.

During scrutiny (February—March 2010) of records of the Executive Engineer, Public Health Engineering (Urban) Division, Dimapur and Executive Engineer, Public Health Engineering (Store) Division, Dimapur, it was noticed that the Department had procured Galvanised Mild Steel Pipes from various suppliers at a cost of ₹ 79.82 crore (excluding taxes) during the period from June 2007 to January 2010. Further scrutiny revealed that the EEs also paid Central Sales Tax at 4 *per cent* to the

<sup>7</sup> Public Health Engineering (Urban) Division, Dimapur and Public Health Engineering (Store) Division, Dimapur.



suppliers instead of the applicable rate of 3 per cent/2 per cent (*Appendix-2.7*) resulting in excess payment of ₹ 1.13 crore.

The Government stated (December 2010) that 4 per cent of CST was paid due to non receipt of orders regarding revision of CST from the concerned department and the CST will be deducted at the prescribed rates in future.

The fact however, remains that an amount of ₹ 1.13 crore has been overpaid which need to be recovered.

## **2.9 Excess Expenditure**

### **Chief Engineer, Public Health Engineering Department allowed higher rate for GMS pipes to a supplier resulting in an excess expenditure of ₹ 42.87 lakh.**

The Chief Engineer (CE), Public Health Engineering Department invited tenders (January 2007) for supply of Galvanised Mild Steel Pipes<sup>8</sup> (GMS) of various size from Manufacturers/Registered dealers. Amongst 8 bidders who participated in the bid M/S Indus Tubes, New Delhi quoted the lowest rate of ₹ 589 per metre (inclusive of duties, taxes, etc) for 40 mm<sup>9</sup> GMS pipe and the Department approved (February 2007) the rate quoted by the above firm and decided to procure from local authorised suppliers at the approved rate. Subsequently, the Department revised (September 2008) the rates of all size of pipes due to increase in steel prices and fixed the rate of 40 mm pipes at ₹ 665.75 per metre (inclusive duties, taxes, etc).

The Executive Engineer (EE), PHED Store Division, Dimapur procured GMS pipes of various sizes valued at ₹ 38.28 crore from six local suppliers based on the supply orders issued by the C.E between March 2007 and August 2008. Scrutiny (March 2010) of records of PHED Store Division revealed that the C.E allowed the enhanced rate of ₹ 665.75 per metre to one supplier<sup>10</sup> against one supply order (May 2008) for supply of 55865 metres of 40 mm pipes instead of the applicable rate of ₹ 589 per metre and paid ₹ 371.93 lakh (March 2009), resulting in an excess expenditure of ₹ 42.87 lakh.

Thus, arbitrary award of supply order at higher rate by the C.E resulted in an avoidable excess expenditure of ₹ 42.87 lakh<sup>11</sup>.

The Government stated (December 2010) that the proposal for revision of rate was submitted in March 2008 and the Department in anticipation of the approval issued the supply order at enhanced rate.

The reply is not tenable as the proposal for the revision of rate was based on the analysis of the escalation of steel price (SAIL) and other components as of September

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<sup>8</sup> IS:1239 – 1979 (Pt-1)

<sup>9</sup> Heavy quality

<sup>10</sup> M/S Paul Mehta & Bros

<sup>11</sup> ₹ 32904485 (55865 mtrs X ₹ 589)– ₹ 37192123 (55865 mtrs X ₹ 665.75)



2008. Besides, the Department procured the same specification GMS pipe at old rate from a different supplier against a supply order issued by the CE in July 2008.

## EMPLOYMENT & CRAFTSMEN TRAINING DEPARTMENT

### 2.10 Irregular payment and Blockade of funds

**The Director, Employment and Craftsmen Training paid an advance of ₹ 219.33 lakh to a supplier who failed to supply material worth ₹ 21.06 lakh. Further, material worth ₹ 60.16 lakh was lying idle in the store even after 30 months of the targeted date of completion of the project.**

The Ministry of Development of North Eastern Region (DONER) approved (December 2006) the project, 'Upgradation and Modernisation of 3 ITIs (Kohima, Mon and Dimapur) at a cost of ₹ 219.33 lakh. The project included modernisation and upgradation of the Vocational Training infrastructure in these ITIs through modernization, replacement of outdated tools and equipment, making up the shortage of equipment and introduction of advanced and high-tech facilities to ensure qualitative training delivery. The project cost was to be shared in the ratio of 90:10 by the Central and the State Governments and was to be completed by May 2008. Both the Centre and the State released the fund between March 2007 and March 2008.

The supply of machineries, equipment and training material and installation work was awarded (March 2007) to a local supplier for ₹ 219.33 lakh and was to be completed by March 2008. As per terms of agreement, articles were to be inspected by a Board of Inspection in the respective ITIs before releasing the payment to the supplier.

Scrutiny (February 2010) of records of the Director, Employment and Craftsmen Training, Kohima showed that the Department drew the entire amount of ₹ 219.33 lakh<sup>12</sup> and paid to the supplier between March 2007 and March 2008 on the basis of bills submitted by the supplier and receipt of material certified by the Director. The Department submitted Utilisation Certificate (UC) for Central share in July 2007 (₹ 69.09 lakh) and March 2008 (₹ 128.31 lakh) to the State Government. The completion certificate of the project was also submitted to the State Government in March 2009.

Further scrutiny of Stock Register, delivery challans, etc., however, revealed that against the payment of ₹ 206.57 lakh<sup>13</sup> the supplier delivered machineries and equipment worth ₹ 138.94 lakh only which resulted in short receipt of material worth ₹ 67.63 lakh. Further, articles costing ₹ 74.90 lakh out of the above supply were retained in the Directorate without issuing them to the respective ITIs.

<sup>12</sup> ₹ 69.09 lakh vide Bill No 236 dated 30/3/07 (Central Share), ₹ 128.31 lakh vide Bill No 174 dated 3/1/08 (Central Share) and ₹ 21.93 lakh vide Bill No 222 dated 29/3/08 (State Share)

<sup>13</sup> Excluding installation charges of ₹ 12.76 lakh

After this was pointed out, the Government replied (October 2010) that supply of remaining materials were completed and the same were issued to respective ITIs.

However, a joint physical verification by the Audit team along with the departmental officials (December 2010), revealed that the machineries valued at ₹ 21.06 lakh are yet to be supplied by the supplier. Besides, machineries and equipment valued at ₹ 45.50 lakh and ₹ 14.66 lakh respectively were lying in the store of ITI, Kohima and the Directorate unpacked.

## DEPARTMENT OF HIGHER EDUCATION

### 2.11 Avoidable Expenditure

#### **Department spent ₹ 88 lakh for purchase of a land that was donated free of cost for Zunheboto College in 1985.**

Land measuring 795850 sq. ft was donated free of cost to the Department for setting up of Zunheboto College by five land owners<sup>14</sup> in 1985.

The Land Revenue Department issued a Notification (July 2005), prohibiting acceptance of land free of cost by Government Departments henceforth, to avoid any future claim by the land owners.

Scrutiny of records (February 2010) in Directorate of Higher Education showed that on the basis of the above notification, the Deputy Commissioner (DC), Zunheboto being the Chairman of Standing Committee proposed for purchase of 878756 Sq.ft of land, including 795850 Sq. ft of land at the rate of ₹ 12 per Sq. ft as agreed by the land owners. The Department accorded administrative approval (January 2008) for ₹ 122.41 lakh and expenditure sanction (March 2008) for ₹ 88 lakh. On the basis of this sanction, the Director drew ₹ 88 lakh and remitted to the DC for payment to the land owners. However, the Department could not produce sale deed etc except the actual payee receipts (APRs) purportedly received from the land owners submitted by the DC. No further expenditure was made in this connection till the date of audit (February 2010).

Thus, purchase of land by the Department of Higher Education in contravention of Notification (July 2005) of the Land Revenue Department resulted in avoidable expenditure to the tune of ₹ 99.50 lakh.

The matter was reported to the Department and the Government (August 2010); their reply was awaited (January 2011).

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<sup>14</sup> Shri Viheto Aye - 45000 Sqft, Ikuto Sema -165850 Sqft, Khakhu Sema – 260000 Sqft, Aghoto Yepto – 162500 Sqft, Ghokishe Sema -162500 Sqft



## VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

### 2.12 Excess/ Fictitious Expenditure

**The Director of Veterinary and Animal Husbandry paid ₹ 23.68 lakh towards honorarium to Enumerators/Supervisors and data entry fee over the norms fixed by the Ministry. Besides, the Department incurred a fictitious expenditure of ₹ 25.82 lakh on development of software and printing of the census report.**

Under cent per cent Centrally Sponsored Scheme for conducting of 18<sup>th</sup> Live Stock Census in India, Government of India, Ministry of Agriculture, Department of Animal Husbandry, Dairying and Fisheries released ₹ 1.80 crore to the State Government in 5 instalments during 2007-09.

According to the norms of expenditure fixed by the Ministry (March 2008) the rate of honorarium for Enumerators, Supervisors and computerisation of data are to be paid at the following rates:-

- i. Enumerators:-₹ 9 per household for Special Category States
- ii. Supervisors:-₹ 0.90 per household for Special Category States
- iii. Computerisation of data:- ₹ 2.50 per household

Besides, it was also seen that the software for data entry was provided to all the States by the Ministry.

Scrutiny of records (April 2010) of Director of Veterinary and Animal Husbandry (DVAH) revealed that the Department had utilised the entire amount of ₹ 1.80 crore for covering 379500 households in the State during 2007-09. Out of the funds spent, Department incurred ₹ 96.57 lakh on account of data entry, printing of reports, honorarium to Enumerators, etc.

Analysis of records however, revealed that:-

- I. Against the actual admissible expenditure of ₹ 34.16 lakh for payment of honorarium to Enumerators, the Department paid ₹ 48.75 lakh resulting in excess expenditure of ₹ 14.59 lakh.
- II. Against the actual admissible expenditure of ₹ 3.42 lakh for payment of honorarium to supervisors, the Department paid ₹ 12 lakh resulting in excess expenditure of ₹ 9.58 lakh.
- III. Against the actual admissible expenditure of ₹ 9.49 lakh for payment of honorarium for data entry, the Department paid ₹ 10 lakh resulting in excess expenditure of ₹ 0.51 lakh.
- IV. The Department also incurred an expenditure of ₹ 10 lakh (March 2009) purportedly for development of software by M/S Net Link Communication though the software was already provided by the Ministry prior to May 2008.



V. It was seen that the Department prepared two bills for printing of the Census report in January and March 2009 for ₹ 15.82 lakh in favour of Vision Press though the actual work order was issued only in April 2009 to United Printers for printing of 5000 copies of the census report. Accordingly, the firm submitted the printed report and the bill for ₹ 8 lakh in September 2009. Thus, the Department fictitiously paid ₹ 15.82 lakh without actual execution of the work.

Thus, the Department incurred an excess expenditure of ₹ 23.68 lakh<sup>15</sup> above the norms fixed by the Ministry and fictitious expenditure of ₹ 25.82 lakh<sup>16</sup> on developing software and printing of Census Report.

The Department in reply stated (October 2010) that:-

(I&II) the Department had to pay higher rates to enumerators and supervisors considering the difficult terrain of the State.

The reply is not acceptable as the rate of honorarium were fixed by the Ministry considering the difficult and hilly areas of the Special category States.

(III) the Department accepted the facts.

(IV) as the Software provided by the Ministry was found defective the Department engaged the firm for modification.

The reply is not acceptable as the software was developed by the Ministry which is applicable for all the States and modified versions were also provided by the Ministry from time to time.

(V) while admitting the facts, the Department stated that ₹ 5.82 lakh was paid for printing of 'Schedules'.

The reply of the Government was awaited (January 2011).

## **RURAL DEVELOPMENT DEPARTMENT**

### **2.13 Money kept outside Government Account**

#### **The Director, Rural Development Department kept ₹ 4.52 crore outside the Government Account in violation of Rules**

According to Rule 75 of the General Financial Rules, every officer responsible for collection of Government dues or expenditure of Government money shall see that proper accounts of the receipts and expenditure are maintained in such form as may be prescribed for the financial transaction of Government with which he is concerned and tender accurately and promptly all such accounts and returns relating to them as may be required by Government, Controlling Officer or Accounts Officer as the case may be.

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<sup>15</sup> ₹ 14.59 lakh + ₹ 0.51 lakh + ₹ 8.58 lak (para 3-5)

<sup>16</sup> ₹ 10 lakh (para 1) + ₹ 7.82 (para-2)

Clause 3 and 4 of the Guidelines for Development and Maintenance of Infrastructure for Rural Development Programme in Nagaland further provides that the Director shall deposit the funds in a Nationalized Bank account to be jointly operated by the Secretary of the Department and the Director.

During Audit (November 2009) it was noticed that the State Government accorded expenditure Sanction and Drawal Authority for ₹ 73.42 crore during 2007-2010<sup>17</sup> under State Plan Scheme “Grant-in-Aid to Village Development Blocks” which was drawn by the Director Rural Development during October 2007, March 2009 and March 2010. Out of the amount drawn, ₹ 4.52 crore<sup>18</sup> was transferred in favour of the Registrar being service charge deduction towards administrative expenses. However, the mode of transaction either by cash or cheque was not indicated in the main Cash Book.

A requisition (29 October 2009) followed by a reminder (3 November 2009) was issued to the Department to furnish the Subsidiary Cash Book, Bank Pass Book, Bank Reconciliation Statement, DPRs, Estimates, Annual Work Plans and Stock Registers etc in connection with the expenditure of ₹ 4.52 crore. Despite audit requisitions and reminders (October and November 2009) the Department expressed their inability without assigning any reason to furnish the records relating to the expenditure of ₹ 4.52 crore.

Thus, ₹ 4.52 crore was kept outside Government account in violation of Financial Rules which also entailed the prospect of the funds being misused for other purposes.

The matter was reported to the Government (August 2010); their reply was awaited (January 2011).

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Sl. No.	Year	Drawal Authority No. & Date	Sanction Order No. & date	Amount (₹.)
1.	2007-08	No.FIN/EXPDR-B/03/2007-08/TK/299 dt 8 <sup>th</sup> Oct 2007	No.RD/VDB-HOUSEHOLD-1/2007 dt 17 <sup>th</sup> Oct 2007	238300000
2.	2008-09	No.FIN/EXPDR-B/03/2008-09/JY/014 dt 15 <sup>th</sup> Oct 2008	No.RD/GIA-1/2003 dt 17 <sup>th</sup> Dec 2008	238300000
3.	2008-09	No.FIN/EXPDR-B/03/2008-09/RT/275 dt 13 <sup>th</sup> March 2009	No.RD/ADDL.Grant-in-Aid/2003 dt 16 <sup>th</sup> March 2009	5000000
4.	2009-10	No.FIN/EXPDR-B/03/2009-10/LY/USS dt 30 <sup>th</sup> March 2010	No.RD/GIA-1/2003 dt 31 <sup>st</sup> March 2010	252600000
<b>Total</b>				<b>734200000</b>

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Date of payment	To Whom paid	Amount	Page reference of cash book
03-07-08	Registrar Account	10000000	P/25
23-07-08	-do-	5500000	P/26
30-01-09	-do-	13949000	P/38
12-05-09	-do-	10000000	P/46
28-07-09	-do-	3734880	P/49



## General

### 2.14 Outstanding Inspection Reports and Audit Committee meetings

The results of audit on financial irregularities and defects in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the auditee departments and to the higher authorities through Inspection Reports (IRs). The more serious irregularities are reported to the Department and to the Government.

The position of outstanding reports in respect of the Civil Departments is discussed below.

As of March 2009, 5980 paragraphs included in 1,028 IRs issued upto 2009-10 were pending settlement. The year-wise break up of the outstanding IRs and paragraphs is given below:

Table No.2.2

Year	Number of outstanding	
	Inspection Reports	Paragraphs
Upto 2002-03	153	943
2003-04	102	650
2004-05	108	653
2005-06	193	1042
2006-07	168	921
2007-08	152	845
2008-09	93	605
2009-10	59	321
<b>Total</b>	<b>1028</b>	<b>5980</b>

The major departments where a large number of IRs and paragraphs are outstanding are given in the table below:

Table No.2.3

Name of the Department	Number of IRs	Number of paragraphs
School Education	187	1052
Police	149	818
Rural Development	80	453
Health & Family Welfare	65	416
Forest	89	386
Industries and Commerce	35	103
Agriculture	46	248
<b>Total</b>	<b>651</b>	<b>3476</b>

It is recommended that the Government look into the matter and streamline the system to ensure proper response to audit observations. Action may be taken against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule and the losses/outstanding advances/overpayments may be recovered in a time bound manner.

No Audit Committee Meeting was held during the year 2009-10.



**CHAPTER - III**  
**INTEGRATED AUDIT**





## CHAPTER III

### AGRICULTURE DEPARTMENT

#### *Chief Controlling Officer based audit of Agriculture Department*

*Agriculture Department plays a vital role in the socio economic development of a State. The main objectives of the Department are to minimise the gap between the requirement and production of foodgrain, ensure food security and improve the economic condition of the people. The Department has also declared "Food for all by 2020". To achieve these objectives, the Department implements various State Plan Schemes and Centrally Sponsored Schemes including schemes under Macro Management of Agriculture and Rashtriya Krishi Vikas Yojana. Construction of Agri Link Roads, financed by NABARD, was also taken up under RIDF X and XV. Audit revealed deficiencies in the planning process, financial management, programme management, human resource management, internal control and monitoring.*

#### *Highlights*

**Planning process in the Department was flawed as it was done at the Directorate level without ascertaining regional priorities and needs from field functionaries and beneficiaries. Figures of targets and achievement in foodgrain production which formed the basis of plan documents were also not reliable.**

*(Paragraph 3.7)*

**Budgeting was unrealistic as there were persistent savings under plan and excess under non-plan during 2005-10.**

*(Paragraph 3.8.1 & 3.8.3)*

**Contingency bills for payment of casual labourers amounting to ₹ 0.44 crore was irregularly drawn by Joint Director, State Agricultural Research Station, Mokokchung from Major Head of Account 2405-Fisheries and 2505-Rural Employment during 2005-06 till August 2010.**

*(Paragraph 3.8.6)*

**Scheme funds amounting to ₹ 10.33 crore was paid to officers in charge of schemes/programmes during 2009-10 for which proper records were not maintained by them.**

*(Paragraph 3.8.7)*

**The actual participation of the user community in implementation of the scheme was minimal. There was a lack of transparency in transactions and the records were also not reliable.**

*(Paragraph 3.9)*

### **3.1 Introduction**

Nagaland is a predominantly agrarian economy as more than 72 *per cent* of the working population is engaged in agriculture. Agriculture Department, therefore, plays a vital role in the socio economic development of the State. The Department is responsible for planning, formulation and implementation of various schemes/programmes for improving the living standard of the farming community. The main objectives of the Department are to minimise the gap between requirement and production of foodgrain, ensure food security and improve the economic condition of the people. The Department has also declared “Food for all by 2020”. To achieve these objectives, the Department implements various State Plan Schemes (SPS) and Centrally Sponsored Schemes (CSS) including schemes under Macro Management of Agriculture (MMA) and Rashtriya Krishi Vikas Yojana (RKVY). The major schemes implemented by the Department and taken up for audit scrutiny are National Watershed Development Programme for Rainfed Areas under MMA, Farm Mechanisation under SPS, MMA and RKVY and Construction of Agriculture Link Roads funded with negotiated loan from NABARD.

### **3.2 Organisational set up**

The Department is headed by a Principal Secretary who is also the Agriculture Production Commissioner of the State. He is assisted by an Additional Secretary, a Deputy Secretary and an Under Secretary at the Administrative level and a Director at the executive level. The Director of Agriculture is assisted by an Additional Director, 7 Joint Directors and 14 Deputy Directors in the Directorate and 8 District Agricultural Officers and 21 Sub Divisional Agricultural Officers in the districts and sub-divisional headquarters.

### **3.3 Scope of Audit**

The performance audit was conducted during June to October 2010 and covered the period from 2005-10. Of the 36 auditable units, 17 units viz. the Directorate of Agriculture, 5 out of 8 District Agricultural Officers, 7 out of 21 Sub Divisional Agricultural Officers, one Store, Agricultural Research Station, Yisemyong, Deputy Director, Sugarcane, Dimapur and Integrated Extension Training Centre, Medziphema were taken up for audit. Joint physical verification of selected schemes/projects implemented in the selected districts/sub-divisions was also conducted along with the departmental officers. The selection of districts/sub-divisions/schemes and projects was done by ‘Stratified Monetary Unit’ of sampling.

### **3.4 Audit objectives**

The objective of audit was to evaluate the performance of the Department in the following areas:

- Planning
- Financial Management
- Programme Management



- Monitoring
- Internal control
- Human Resource Management
- Vulnerability to Fraud and Corruption
- Regularity issues

### 3.5 Audit criteria

Audit objectives were bench-marked against the following criteria:

- i) Plan documents
- ii) Survey Reports
- iii) Scheme Guidelines
- iv) Detailed Project Reports
- v) General Financial Rules/Central Treasury Rules
- vi) Departmental Codes and Manuals, Policies, Rules and Regulations

### 3.6 Audit Methodology

An 'Entry Conference' was held (9 June 2010) with the Department to discuss the audit objectives and audit criteria. Records pertaining to the period from April 2005 to March 2010 were examined in the offices of the Director of Agriculture and other selected units. A few Projects/Schemes were also physically verified by the Audit Party along with departmental representatives. An 'Exit Conference' was held (22 November 2010) wherein the audit findings were discussed. The replies/comments of the Department and the State Government have been incorporated wherever appropriate.

### Audit Findings

### 3.7 Planning

The Department had prepared five year plans, coinciding with the 10<sup>th</sup> and 11<sup>th</sup> Five Year Plans, in which physical and financial targets for area to be covered and production of foodgrain, oilseeds and other crops were set. Annual Plans were also prepared setting out the physical and financial targets of all activities during that year and the achievements during the previous years. The Nagaland Agricultural Policy was also formulated in 2009 with the aim of achieving 'Food for all by 2020' wherein a 'Road Map for Vision 2020' was laid down. The physical and financial targets and achievements during the period from 2005-06 to 2009-10 as reported by the Department is shown in the table:

Table: 3.1

Year	Foodgrain production ('000 MT)			Financial (Rupees in crore)	
	Target	Achievement	Shortfall	Approved outlay	Actual expenditure
2005-06	457.44	423.87	33.57	13.20	13.20
2006-07	463.95	436.11	27.84	15.25	15.25
2007-08	500.04	479.72	20.32	23.39	23.39
2008-09	510.45	515.30	(+) 4.85	23.58	23.58
2009-10	561.87	NA	--	27.41	NA

Source: Departmental records

It can be seen that though there was shortfall in foodgrain production in all the years except 2008-09, the financial targets were always met. Further, it was seen that the target set for foodgrain production during 2009-10 i.e., 5,61,870 MT is far below the target of 7,32,000 MT set for 2010 in the 'Roadmap for Vision 2020'.

As per Macro Management of Agriculture (MMA) guidelines, the States would have to ensure that the Work Plan under MMA is suitably integrated with the District Agricultural Plans (DAPs) and the State Agriculture Plan (SAP). It was also to be certified that there will be no overlapping of the activities undertaken, including those taken up under RKVY. The Work Plan under MMA was to incorporate year-wise physical and financial targets, enumerate the expected outcomes under each scheme, contain concrete action plans to achieve these targets and set benchmarks/parameters against which the performance under the scheme could be evaluated during the 11<sup>th</sup> Plan. However, Work Plans were prepared year-wise at the Directorate level without ascertaining regional priorities and needs from field functionaries and beneficiaries. Neither SAP nor separate DAPs under MMA were prepared and the Work Plans were also not integrated with the Nagaland Agricultural Policy or the Five Year Plans of the Department. The physical and financial targets and achievements thereagainst incorporated in the Work Plan are shown in the table:

**Table: 3.2**

Year	Foodgrain production ('000 MT)			Financial (Rupees in crore)	
	Target	Achievement	Shortfall	Approved outlay	Actual expenditure
2005-06	457.44	422.87	34.57	16.00	16.00
2006-07	463.95	436.11	127.84	22.00	15.93
2007-08	500.04	479.72	20.32	26.65	20.49
2008-09	510.45	515.30	(+) 4.85	19.90	19.90
2009-10	561.87	NA	NA	21.75	NA

Source: Departmental records

It can be seen that targets and achievements for foodgrain production under MMA is the same as reported in the Annual Plans of the Department. However, the approved outlay and the actual expenditure were of MMA. It was also noticed that the Work Plan for 2009-10 was prepared almost at the end of the year (November 2009) thereby affecting the implementation of the programme.

Further, overlapping of activities in the districts/sub-divisions cannot be ruled out as many of the components under MMA/RKVY and State Plan schemes are the same and the district/sub-divisional officers were not aware under which scheme/project funds were being released to them.

Thus, planning process in the Department was flawed to the extent that the Work Plans were being prepared belatedly and there were scope for overlapping of activities in the districts/sub-divisions.

The Department stated (December 2010) that the shortfall from target was due to natural calamities such as delayed monsoon, flash flood, landslide and outbreak of pests and diseases. They also accepted the fact that there could be lack of proper record keeping in the Districts/Sub-divisions.

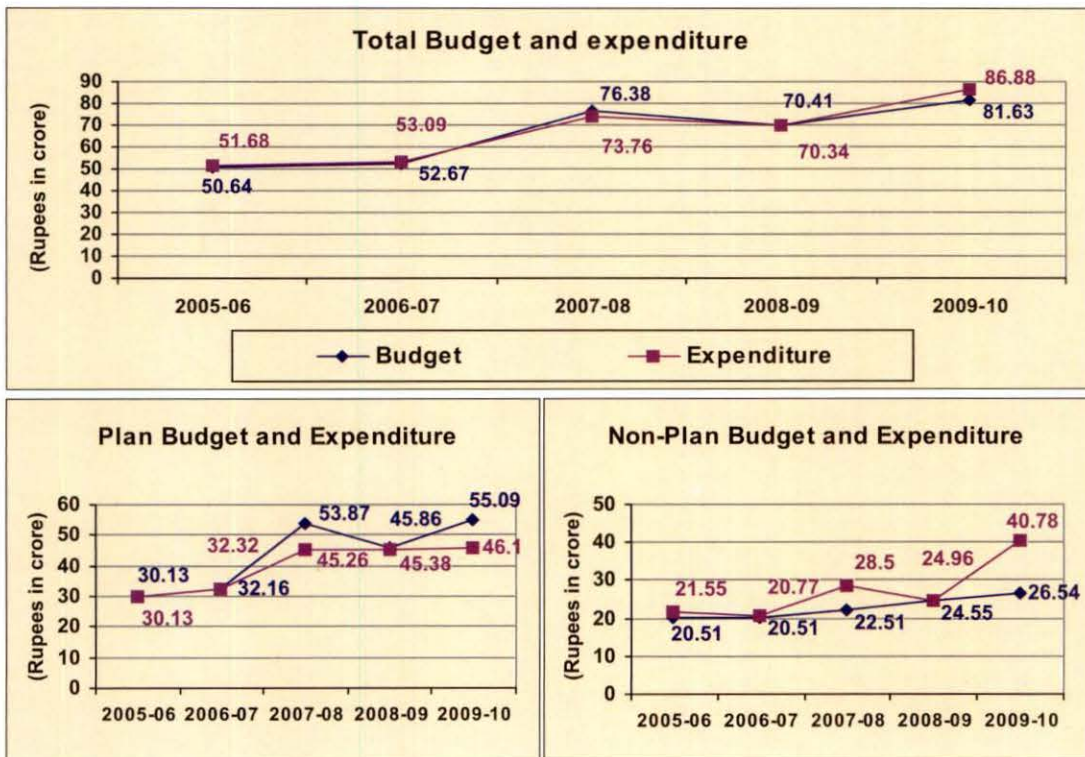


### 3.8 Financial Management

Proper financial management through budgetary control and adherence to financial rules are essential for optimal utilisation of resources. The Department had 36 Drawing and Disbursing Officers as of March 2010. The Director was responsible for preparation and submission of budget estimates to the Finance Department through the Administrative Department. Findings related to budget and expenditure, preparation of budget, submission of utilisation certificates etc., are detailed in the following paragraphs.

#### 3.8.1 Budget and Expenditure

The budget allocation for Agriculture Department is made under Grant No.48 and ranged from ₹ 50 crore to ₹ 81 crore per year during 2005-10 as shown in the chart below:



(Source: Detailed Appropriation Accounts)

A review of the budget provision and expenditure during 2005-06 to 2009-10 revealed that:

- The variations in total budget and total expenditure are minor and ranged from savings of ₹ 2.63 crore in 2007-08 to excess of ₹ 5.25 crore in 2009-10. This is attributable to the excess expenditure under non-plan being offset by the savings under plan particularly during 2007-08 and 2009-10.
- The more significant savings under Plan was ₹ 8.61 crore during 2007-08 and ₹ 8.99 crore during 2009-10 which indicated the inability of the Department to implement its budgeted projects and programmes. These savings are despite the fact

that most of the funds provided under plan are drawn, on many occasions at the fag end of the year, and either kept in bank account, retained as cash balance or shown as paid to the implementing officers as detailed in *paragraph 3.8.7*.

- There was huge excess of ₹ 5.98 crore during 2007-08 and ₹ 14.24 crore during 2009-10 under Non-plan which indicates unrealistic budgeting without inputs from all the districts and sub-divisions.
- The savings and excess were much more substantial at the Minor/Sub Head level. Some instances of huge excess and substantial savings at this level are shown in the table:

**Table: 3.3**

Year	Head of Account	Excess (+)/ Savings (-) (₹ in crore)
2005-06	2415-277-01—Integrated Extension Training Centre	(+) 1.04
2007-08	2401-00-108-23—National Pulses Development Project	(-) 1.02
	2401-800-11—NWDPR	(-) 2.29
	2401-00-01—Direction	(+) 3.85
	2401-00-02—Subordinate Establishment	(+) 11.11
	2401-00-103-06—Supply of improved seeds	(-) 1.84
	2401-00-103-07—Seed Farm	(-) 1.14
	2401-00-104-04—Agricultural farm	(+) 2.24
	2401-00-108-01—Sugarcane development	(+) 1.36
	2401-00-109-02—Agricultural Information & Publicity	(-) 3.27
	2415-277-01—Integrated Extension Training Centre	(+) 2.23
2009-10	4401-00-800-01—Direction	(-) 3.93
	2401-00-001-01—Direction	(+) 14.26
	2401-00-800-08—Pilot Project on Multiple Cropping	(-) 9.15

Source: Detailed Appropriation Accounts

- Plan expenditure grew at a rate of 50 per cent from ₹ 30.13 crore in 2005-06 to ₹ 45.26 crore in 2007-08. Thereafter, the growth rate was negligible and dropped by 2 per cent during 2008-09 to 2009-10. This indicates less stress on developmental activities during the last two years.
- Non-plan expenditure (mainly salaries) increased from ₹ 21.55 crore during 2005-06 to ₹ 40.78 crore in 2009-10, a growth rate of 89 per cent. The growth rate during 2009-10 was particularly considerable at 63 per cent. This is going to increase further with the increase in salaries consequent upon the implementation of the 6<sup>th</sup> Pay Commission.

Thus, it is evident that budgeting was unrealistic in view of the substantial savings under plan and excess under non-plan especially during 2007-08 and 2009-10.

### 3.8.2 Preparation of budget

As per General Financial Rules, budget estimates should be prepared based on inputs from sub-ordinate offices. The Department however, prepared the budget estimates at the directorate level based on the previous year's budgeted figures and without collecting inputs from the districts. Though monthly expenditure statements in respect



of non-plan expenditure were collected from the districts and compiled at the Directorate, no actual benefit was derived from this exercise as is evident from the huge excess expenditure over budget in non-plan. Further, cross-check revealed differences in the figures compiled in the Directorate during 2009-10 and expenditure figures collected from the selected units. Some major differences noticed are shown in the table:

Table: 3.4

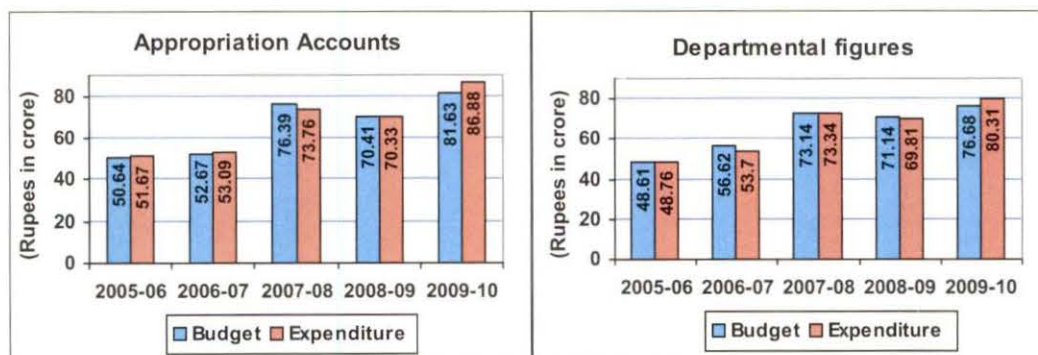
Name of unit	Expenditure as per financial progress report compiled at the Directorate	Expenditure as per figures collected by audit from the unit	Difference
	<i>(Rupees in lakh)</i>		
DAO, Kohima	105.62	111.71	6.09
SDAO, Tseminyu	33.13	35.90	2.77
SDAO, Nuiland	49.52	48.16	-1.36
DAO, Mokokchung	141.68	139.16	-2.52
SDAO, Mangkolemba	47.64	49.57	1.93
SDAO, Tizit	48.06	43.06	-5.00
SDAO, Satakha	33.40	31.79	-1.61
SDAO, Akuluto	38.37	39.50	1.13

Source: Departmental records

Thus, it is evident that the process of collecting monthly accounts from the districts and compiling it in the Directorate is not efficient and needs to be improved so that it can be utilised for preparation of budget.

### 3.8.3 Reconciliation of figures of expenditure

According to rules, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (Accounts & Entitlement) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification, misappropriation or fraud and to incorporate necessary corrections, wherever necessary, before finalisation of annual accounts. It was however observed that, except during 2007-08, reconciliation was done once every year while finalising the annual accounts by the Accountant General. However, departmental figures of expenditure did not agree with the figures of Accountant General (A&E) as shown below:



The differences in the budget figures are attributable to the inaccurate reporting of final grants to the Accountant General (Accounts and Entitlement) by the Finance Department.

#### **3.8.4 Poor financial control**

The Finance Department, Government of Nagaland communicates the final grants, re-appropriation of funds and surrender of funds during the year in respect of each Demand to the Accountant General (Accounts & Entitlement) at the end of each financial year.

Scrutiny of records in the Directorate of Agriculture, however, revealed that funds amounting to ₹ 12.41 crore, shown as surrendered by the Finance Department in respect of Demand No.48-Agriculture during 2009-10, were actually drawn by the Department as shown in the table:

**Table: 3.5**

<b>Head of Account</b>	<b>Amount (Rupees in lakh)</b>
<b>Revenue Section:</b>	
2551—North Eastern Areas:	
01—Crop Husbandry	
800—Other Expenditure	
800 (1) Integrated Agriculture Development in NE Areas	46.35
<b>Capital Section:</b>	
4401—Capital Outlay on Crop Husbandry	
800—Other Expenditure	
800 (5)—Agri Link Road	300.00
800 (6)—Estt. of NE Expo	680.00
800 (7)—NREGA	200.00
4408—Capital Outlay on Food Storage & Warehousing	
02—Storage and Warehousing	
800—Other Expenditure	
800 (4)—Maintenance	14.68
<b>Total:</b>	<b>1241.03</b>

*Source: Detailed Appropriation Accounts and Departmental records*

This shows lack of co-ordination between the Department and the Finance Department as also complete absence of financial control.

#### **3.8.5 Submission of false Utilisation Certificates**

The State Government is required to submit utilization certificates (UCs) in Form GFR 19-A to GOI to facilitate release of further funds against CSS. It was seen that false UCs were submitted to GOI certifying that “the whole amount sanctioned against the scheme in these years were fully utilized, that the unspent balance of the previous year was NIL and that the balance remaining unutilized to be surrendered to Government was NIL” though the funds were retained in cash or in Civil Deposit (August 2010). Some instances during 2009-10 are shown in table below:



Table: 3.6

Sl. No	Name of Scheme	Amount received from GOI	Amount in Civil Deposit	Balance in Cash Book	Total unutilized amount	Remarks
		(₹ in crore)				
1.	Macro Management of Agriculture (MMA)	24.75 <sup>1</sup>	3.94	1.70	5.64	UC issued for the whole amount received.
2.	Rastriya Krishi Vikas Yojana (RKVY)	20.38 <sup>2</sup>	0.69	3.05	3.74	UC issued for the whole amount received.
<b>Total:</b>		<b>45.13</b>	<b>4.63</b>	<b>4.75</b>	<b>9.38</b>	

Source: Departmental records

It was also seen that ₹ 1.50 crore being additional allocation for Farm Mechanisation under MMA, which could not be drawn as GOI sanction was received only on 31 March 2010, was shown as utilized in the UC. Further, an amount of ₹ 14.23 crore relating to the Soil and Water Conservation Department was shown as utilized in the UCs without receiving any UC or report from them.

Thus, it is evident that UCs are being submitted to the GOI in a perfunctory manner though funds were not actually utilized or even received.

### 3.8.6 Irregular drawal

Budget provision for non-plan under Demand No.48-Agriculture is made under the Major Head of Account 2401-Crop Husbandry, 2415-Agricultural Research & Education and 2552-North Eastern Areas (Regional Potato Seed Farm, Helipong). Expenditure of the Department under these heads only is accounted for in the Appropriation Accounts.

Scrutiny of records in State Agricultural Research Station, Yisemyong and cross-check in Mokokchung Treasury revealed that contingency bills for payment of casual labourers amounting to ₹ 0.44 crore was drawn from Major Head of Account 2405-Fisheries and 2505-Rural Employment during 2005-06 till August 2010 as shown in the table:-

Table: 3.7

Head of Account	Year	Amount drawn (₹)
2405-Fisheries	2005-06	5,80,500
	2006-07	8,08,000
	2007-08	3,37,500
	2008-09	1,35,000
	2009-10	12,58,400
	2010-11 (upto August)	7,12,800
<b>Total</b>		<b>38,32,200</b>
2505-Rural Employment	2007-08	5,62,500
<b>Grand total:</b>		<b>43,94,700</b>

Source: Departmental records

<sup>1</sup> Agriculture (₹ 21.75 crore) and Soil & Water Conservation (₹ 3 crore)

<sup>2</sup> Agriculture (₹ 9.15 crore) and other Allied Deptts. ₹ 11.23 crore.

It was further seen that the Joint Director, SARS, Yisemyong had made these irregular drawals based on specific orders received from the Director of Agriculture. It is also not clear how the Treasury Officer had passed these bills for payment as budget provision for the Department did not exist under MH-2405 and 2505.

Thus, it is evident that financial control by the treasuries is lax and needs to be strengthened.

### ***3.8.7 Payment of scheme funds to schematic officers***

Scrutiny of Cash Book and other related records revealed that payments against schemes/programmes were made by the Department to officers in charge of schemes/programmes and treated as final expenditure. During 2009-2010, a huge amount of ₹ 10.33 crore was paid to officers for implementation of schemes/programmes as detailed in *Appendix-3.1*.

On enquiry, it was stated that the said officers are neither maintaining any subsidiary Cash Book/payment registers nor are they operating any bank accounts. In the absence of further records, Audit could not verify whether the scheme funds released to the officers were actually and fully utilized for the purpose for which it was sanctioned. There was also no monitoring on the part of the Department to ensure utilisation of the funds for the purpose for which it was sanctioned. This was therefore, fraught with risk of fraud and misappropriation.

## **3.9 Programme Management**

The Department implements several Centrally Sponsored Schemes and State Plan Schemes for improving the standard of living of the farming community and for bringing about socio-economic development of the State. Two major components under Macro Management of Agriculture (National Watershed Development Programme in Rainfed Areas and Farm Mechanisation) and Construction of Agriculture Link Roads (funded by NABARD) were taken up by audit for test check. Some projects under these schemes were also physically verified along with departmental officers. The result of audit of these schemes is detailed in the following paragraphs.

### ***3.9.1 National Watershed Development Programme in Rainfed Areas***

The National Watershed Development Programme in Rainfed Areas (NWDPR) was launched in Nagaland during the 8<sup>th</sup> Five Year Plan with the main objectives of conservation, development and sustainable management of natural resources, enhancement of agricultural productivity and production in a sustainable manner, restoration of ecological balance in the degraded and fragile rainfed ecosystems by turning these areas green, reduction in regional disparities between irrigated and rainfed areas and creation of sustained employment opportunities for the rural community. The Programme was continued during the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> Plan.



During the 10<sup>th</sup> Five Year Plan, 100 Micro Watershed Projects were taken up for implementation at a cost of ₹ 26.21 crore and a completion report was also submitted to the GOI. Another 120 Micro Watershed Projects were taken up during the 11<sup>th</sup> Five Year Plan, at a projected cost of ₹ 55.71 crore (₹ 9.71 crore during 2007-08 and ₹ 46 crore<sup>3</sup> for the remaining years of 11<sup>th</sup> Plan). The WARASA<sup>4</sup> Jan Sahbhagita guidelines were applicable during 2007-08 and the new 'Common Guidelines for Watershed Development Projects' are applicable from 2008-09 onwards.

Records relating to the projects were test checked in the Directorate<sup>5</sup> and the selected districts/sub-divisions<sup>6</sup>. Joint physical verification of 7<sup>7</sup> completed projects under 10<sup>th</sup> Plan and 8 ongoing projects<sup>8</sup> under 11<sup>th</sup> Plan was also taken up. Audit findings on the implementation of the programme are outlined below:-

**(i) Selection of Projects:** As per scheme guidelines, reports of Land Degradation Mappings prepared by National Remote Sensing Agency and All India Soil and Land Use Survey should be utilized for identification of the watersheds to be taken up. A certificate that no other watershed project would be taken up in the same watershed was also to be obtained from the Deputy Commissioner. Other activities like demarcation and prioritization of watersheds, identification of villages having prioritized watersheds and eligibility criteria of watershed villages were to be completed before selection of the watershed projects. Though the Director stated that project identification/selection was done by the District Nodal Officers (DAOs) along with the Village Chairmen as per guidelines, no records to prove adherence to the selection procedures could be furnished to audit at the Directorate or in the Districts.

**(ii) Participation of user community:** In the Guidelines of NWDPR (WARASA Jan Sahbhagita effective from 2000), it is mandatory for 'watershed development' to be planned, implemented, monitored and maintained by the watershed communities themselves. The role of official agencies were to be more that of facilitators and coordinators. Guidelines require that a District Nodal Agency was to be identified at the district level and a committee under the District Nodal Officer consisting of 4 representatives from major line departments in the district, one from an NGO, one from District Rural Development Agency, one from a research organization/Krishi Vigyan Kendra (KVK) and one representative from rural engineering department/Public Works Department/Irrigation Department was to be constituted to carry out over all management and supervision of the programme. This agency was to function as a sub-committee of the District Watershed Committee (DWC) chaired by

<sup>3</sup> As per restructured strategic plan due to revision of Guidelines

<sup>4</sup> Watershed Areas' Rainfed Agricultural Systems Approach

<sup>5</sup> Programme Guidelines, DPRs of 20 selected projects under 10<sup>th</sup> Plan, Model DPR for projects under 11<sup>th</sup> Plan, Bills prepared and drawn, payment details from the Cash Book, Completion Report in respect of 10<sup>th</sup> Plan projects, progress reports in respect of 11<sup>th</sup> Plan projects

<sup>6</sup> Individual payment registers for projects under 11<sup>th</sup> Plan

<sup>7</sup> Kohima: *Tsuseru*; Zunheboto: *Ache*; Mokokchung: *Ashitongpang and Tzubapang*; Dimapur: *Vihokhu and Zuheshe* and Mon: *Hongkong Garden*.

<sup>8</sup> Kohima: *Cheidepezou and Dzonzon*; Dimapur: *Tchushuneyu and Pughubo*; Mokokchung: *Lemjalu*; Zunheboto: *Kukiye-Lukhai* and Mon: *Zangkhaio and Lokha*



the Deputy Commissioner of the District and consisting of members drawn from line departments, KVK, NGOs and chairmen of selected Watershed Associations. Centrality of community participation i.e., involvement of primary stakeholders in planning, budgeting, implementation, and management of watershed projects is among the guiding principles of the common guidelines<sup>9</sup> for watershed development projects. To ensure this aspect, the guidelines envisage constitution of Watershed Development teams, Self Help Groups and User Groups.

The Director of Agriculture was the State Nodal Officer and the District Agricultural Officers (DAOs) were the District Nodal Officers. However, the Deputy Commissioner of the District, members of other line departments, KVKs, NGOs, PWD etc., were not part of the selection or implementation of the watershed projects at any stage. In practice, all activities under the project were carried out exclusively by officers and staff of the Agriculture Department. It was seen that in many projects, DAOs were the DNOs, Project Implementing Agencies and also the Watershed Development Team Leaders (WDTLs). In several other projects, Agricultural Officers or Agriculture Field Assistants under the DAOs were the WDTLs. It was also seen that bank accounts, mandatory under the scheme, were jointly operated by the District Nodal Officer and the WDTL. Further, no evidence that Self Help Groups and User Groups were constituted was furnished to audit.

Thus, it is evident that the actual participation of the user community in implementation of the scheme was minimal.

**(iii) Lack of transparency in transactions:** Guidelines applicable for projects under the 10<sup>th</sup> plan require that project account in the name of the Watershed Association was to be opened in the local branch of any Nationalised Bank/Co-operative Bank. The Common Guidelines applicable for projects under the 11<sup>th</sup> Plan require the Watershed Committees to open separate bank accounts to receive funds for the watershed projects to be utilized for undertaking its activities.

In reply to a query, the Director stated that project accounts were opened for all the projects. Bank account numbers could be furnished for only 12<sup>10</sup> out of the 120 projects implemented under 11<sup>th</sup> Plan. It was also stated by the Director that details of project accounts opened for projects under 10<sup>th</sup> Plan is available in the respective districts. However, it was also seen during physical verification that project accounts were opened only in Vihokhu (Dimapur), Ashitongpang and Tzubapang (Mokokchung) projects but were not opened for the projects in the other three districts. Further, project funds were not routed through the bank accounts but shown as paid in cash by the DAOs/SDAOs in violation of guidelines. Findings regarding transfer of funds to the districts/sub-divisions are detailed in *paragraph 3.13*.

The Department accepted the fact (December 2010).

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<sup>9</sup> Applicable from 2008-09 onwards

<sup>10</sup> out of 100 projects (10<sup>th</sup> Plan) and 12 out of 120 projects (11<sup>th</sup> Plan)



(iv) **Unreliability of records:** Funds were drawn by the Directorate for implementation of the projects according to activities outlined in the work plan/annual plans which were identical across all the 220 projects. A Completion Report was also submitted to the GOI wherein the project-wise physical and financial achievement for 100 micro watersheds during the 10<sup>th</sup> Plan period were outlined. It was, however, seen during physical verification that there were wide variations in the activities actually taken up and those outlined in the bills for drawal of funds/completion report. Several project components stated to have been completed as per the Completion Report had never been taken up. This was also confirmed from the checklist of activities carried out and submitted by the team leaders of the State Monitoring Teams particularly in respect of Thuseru Project in Kohima District wherein most of the activities were shown as 'nil'. These variations were more obvious in the projects verified in Mon district where project activities, unlike in other districts, were oriented mostly towards tea plantations. Thus, bills prepared and drawn, records maintained at the Directorate and district levels and actual activities were not comparable and raise doubts about the veracity of the records maintained. This also proves that implementing officials had been vested with wide discretionary powers for spending project funds once they were drawn.

(v) **Non-constitution of SLNA:** According to Guidelines applicable from 2008-09, a dedicated State Level Nodal Agency (SLNA) headed by the APC/Principal Secretary of the Department and having an independent bank account was to be constituted by the State Government within a period of 6 months. Funds for the programme were to be transferred directly to the account of SLNA and not into the State Government budget. However, SLNA has not been constituted even 2 years after adoption of the new Guidelines and Central funds continue to be routed through the State budget in violation of Guidelines.

The Department accepted the fact (December 2010)

### 3.9.2 Implementation of Farm Mechanisation Scheme

Under the Scheme, assistance in the form of subsidy for procurement of equipment like tractors, power tillers, pump-sets etc., was to be provided to the farmers under State Plan Schemes, MMA and RKVY to save manual labour, increase efficiency and enhance agricultural productivity. Funds made available under these programmes for farm mechanization during the period from 2005-06 to 2009-10 is as shown in the table below:

Table: 3.8

Year	MMA	RKVY	SPS	Total
	(₹ in crore)			
2005-06	1.00	--	0.30	1.30
2006-07	1.00	--	0.28	1.28
2007-08	1.15	0.13	0.25	1.53
2008-09	1.99	0.35	0.30	2.64
2009-10	2.85	0.89	0.30	4.04
<b>Total:</b>	<b>7.99</b>	<b>1.37</b>	<b>1.43</b>	<b>10.79</b>

Source: Departmental records

It was seen during audit that the district officers/sub-divisional officers were not involved in the implementation of the scheme as it is centralized in the Directorate. The procedure followed for identification of beneficiaries could not be furnished despite several requisitions. During 2009-10, it was seen from the Cash Book that ₹ 4.03 crore was drawn against the scheme out of which ₹ 1.42 crore was kept in Civil Deposit (CD), ₹ 76.56 lakh retained in cash balance, ₹ 62.50 lakh paid to a supplier<sup>11</sup> and ₹ 1.12 crore paid to a Deputy Director in charge of the Scheme. However, it was seen from the registers furnished that the whole amount drawn is shown as subsidy paid to beneficiaries and signatures obtained from them. Supply Order for procurement of the machines (Power tillers, pump sets etc.) had been issued by the Director and the total bill, including the farmers share was submitted by the Firm. A certificate was also recorded on the bill to the effect that the farmers share *plus* the subsidy component was to be paid to the firm. However, it was not known how the farmers share is collected by the Department for payment to the firm. The procedure followed by the Department is neither transparent nor comprehensible and could not be clarified despite several requisitions. It could also not be stated how funds deposited in CD and retained in cash could be paid to beneficiaries. Thus, genuineness of the registers maintained showing payment of subsidies to beneficiaries could not be established. Further, it could not be confirmed whether the benefits of the scheme are reaching the genuine farmers.

The Department stated (December 2010) that the amount kept in CD and in Cash Book have already being paid to the Supplier and ₹ 1.12 crore was received by the Dy. Director on request by the Supplier.

But the fact remains that the procedure followed by the Department is not transparent and genuineness of the records maintained could not be established.

### **3.9.3 Construction of Agri Link Roads**

Construction of Agri Link Roads was taken up by Agriculture Department under RIDF X (2004-05 to 2008-09) and RIDF XV (2009-10 onwards) funded with negotiated loan from NABARD. As per records, 50 roads were completed under RIDF X at a total cost of ₹ 22.41 crore and 56 roads at a projected cost of ₹ 35 crore were taken up under RIDF XV. Joint physical verification of 5<sup>12</sup> roads under RIDF X and 8<sup>13</sup> roads under RIDF XV were also conducted. Audit findings are summarised below:

**(i) Selection of Projects:** It was stated by the Director that the State Level Committee under the Chairmanship of Minister selected the projects under RIDF X and XV based on list of projects surveyed and submitted by the DAOs. However, except for Mokokchung district, no other district could furnish the list of projects to audit. DAO, Mokokchung had done preliminary survey at the district level and a report was sent to

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<sup>11</sup> Kevi Angami, Kohima

<sup>12</sup> Kohima: *Touphema* and *Merema-Dziyike*; Zunheboto: *Asuphuto*; Dimapur: *Vihokhu-Shokuba* and Mon: *Langmeing*.

<sup>13</sup> Kohima: *Gariphema*; Zunheboto: *Ayiche Saghemi* and *Sukhalu*; Dimapur: *Domokhia* and *Hovishe*; Mokokchung: *Chungtia* and *Mopungchukit* and Mon: *Ngangching*



the Directorate in October 2003 and some projects out of these were taken up under RIDF X and some under RIDF XV. The DAOs of Zunheboto and Dimapur stated that identification and selection of projects were done at higher level/by VIPs. Though DAOs of Mon and Kohima stated that they were involved in the selection/identification of projects, no records to substantiate their statement were furnished. Further scrutiny revealed that in practice, the selection was done on VIPs intervention and a list of selected projects sent from the Directorate to the districts. The DAOs then conducted preliminary survey of the already selected project. Thus, the selection process was conducted and finalized at the Directorate/VIP level without survey/feasibility studies or feedback from the field functionaries and the utilisation of the roads for the purpose for which they were constructed is doubtful.

**(ii) Thin spread of resources:** It was seen from the Detailed Project Report prepared for the 56 roads (280 km with average of 5 km per road) taken up under RIDF XV that, except for minor variations, the estimate for all the roads was identical and the length of the roads varied from 4.70 to 5.30 km. As per the original proposal for some roads selected in Mokokchung, the required road length varied from 8 km to 16 km. However, these were limited to an average of 5 km. It was also stated by the beneficiaries that this was not sufficient as they do not reach the agricultural areas/fields in most of physically verified projects. No evidence that the Department had conducted preliminary survey and prioritised the projects to be undertaken based on utility like agricultural activity in the area etc. could not be furnished. A DPR was prepared for construction of 50 roads at a cost of ₹ 35 crore and submitted<sup>14</sup> to NABARD. However, it was seen that NABARD had given sanction (October 2009) for 56 roads at the same cost of ₹ 35 crore. It is, therefore, evident that the DPR was prepared at the Directorate without conducting any preliminary survey and assessing the needs of the beneficiaries but was solely for the purpose of availing loan from NABARD. The funds sanctioned was then divided equally for the 56 selected roads. Thus, the utility of many of these roads for the intended purpose after completion is doubtful.

**(iii) Non-release of State share:** Negotiated Loan was sanctioned (December 2004) by NABARD under RIDF X with the condition that 80 per cent of the project cost (₹ 22.41 crore) will be funded by NABARD and the balance 20 per cent (₹ 5.60 crore) has to be provided as State Share. Subsequently, the State Government decided that it will provide 10 per cent of the project cost and that the balance 10 per cent will be contributed by the concerned beneficiary village by way of labour input. A commitment was also made in the drawal application submitted (September 2005) to NABARD that provision for the State Share has been/will be made in the budget for the year. However, budget provision was not made in any of the years and the State share was not released by the State Government. It was seen from the Final Bills that the Department had deducted 20 per cent (₹ 5.60 crore) from the contractor's bill since the State share of 10 per cent had not been released by the State Government

<sup>14</sup> Date not made available.



and the beneficiaries contribution had not been realised. This has resulted in a liability of ₹ 5.60 crore on the State Government.

Thus, there was a violation of the condition imposed by NABARD. Besides, a further liability of ₹ 2.80 crore was also undertaken by the State Government.

**(iv) Implementation of projects:** Physical verification revealed that the estimates prepared, measurements recorded in the MBs, bills prepared and actual implementation were not comparable. Several items of work included in the estimates/MBs and Bills were actually not executed as detailed below:

**(a) Merema-Dzuyike Agri Link Road under RIDF X (Kohima)**

The Estimate for the work was framed by the Directorate for a total amount of ₹ 67.90 lakh which included mainly two items of work viz., earthwork in formation cutting/embankment formation (₹ 53.25 lakh) and 15 pipe culverts (₹ 14.65 lakh). Work Order for an amount of ₹ 64.81 lakh (including State Share: ₹ 13.99 lakh) was issued in March 2005. It was also stated in the terms and conditions of the work order that the 'Nagaland SOR for Roads & Bridges, 2003 (SOR 2003)' shall be applied. However, it was seen from the MB that though the 15 culverts were not constructed, the total value of work done was ₹ 65.22 lakh. This was limited as per work order to ₹ 64.81 lakh and payment of ₹ 51.85 lakh (after deducting 10 per cent State share and 10 per cent beneficiary contribution: ₹ 12.96 lakh) was made to the contractor in 6 RA Bills<sup>15</sup>. Further scrutiny revealed that the increase in the value of work done was due to enhancement in the quantity and rate of one item of work viz., excavation in 'Soft rock & shale with blasting' from 3712.50 cu.m to 16,077 cu.m and from ₹ 96/cu.m to (wrongly included in the estimate framed) ₹ 160.50/cu.m (actual rate as per SOR 2003) respectively.

This has led to construction of a road without the requisite culverts being constructed. Besides, construction of road without the required culverts was not only a deviation from the estimate but was also fraught with the risk of the road being washed away and remaining un-usable during the rainy season.

**(b) Domokhia Agri Link Road under RIDF XV (Dimapur)**

Construction of Domokhia Agri Link Road, Dimapur was included under RIDF XV in the list of projects compiled though it was not included in the list of applications received by the Directorate. Estimate for the work (5 km) was framed for ₹ 52.62 lakh with the major items of work being earthwork excavation (₹ 32.83 lakh) and hume pipe culvert (₹ 19.79 lakh) and work order was issued in December 2009. It was seen from the MB that work commenced in February 2009, before issue of the work order and the work is in progress (October 2010). Value of work done as per MB and 1<sup>st</sup> RA Bill was ₹ 33.12 lakh which included cutting of trees etc. (₹ 63,000), clearing and grubbing road land etc (₹ 1.15 lakh) and earthwork excavation including for drains for

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<sup>15</sup> Date of payment not recorded in the MBs and Bill copies not furnished.



5.07 km (₹ 31.34 lakh). Payment of ₹ 8.67 lakh<sup>16</sup> was also made to the contractor. It was, however, seen during physical verification that around 4 km of the road was an old village road and only around 600 metres were freshly cut. It was also stated by the beneficiaries that the existing road was only paved with sand gravel and no drains were made. Thus the estimate, measurements and work done as recorded in the MB is suspected to be fictitious.



### 3.10 Human Resource Management

#### 3.10.1 Deployment of manpower

The performance of the Department and efficient implementation of schemes/programmes depends on availability of qualified manpower. The Department had not carried out a scientific assessment of manpower requirements, category and position-wise, taking into account the present and future requirements and well defined work norms. It was also seen that manpower deployment across the 5 selected districts were uneven though the same schemes/programmes are implemented in all the districts. It was seen that 6 Agriculture Officers (AOs) were deployed in Kohima, 7 in Mokokchung, and 5 in Dimapur. However, there were only 2 AOs each in the remote districts of Zunheboto and Mon. Similarly, there were 30 Agriculture Field Assistants in Dimapur, 26 in Mokokchung, 22 in Mon and 21 in Kohima. However, there were only 10 AFAs in Zunheboto. It was further seen that 6 AOs and 12 AFAs were deployed under Jt. Director, Sugarcane, Dimapur where no programmes/schemes are implemented.

#### 3.10.2 Wasteful expenditure on idle staff

The office of the Joint Director, Sugarcane, Dimapur was established in 1960 for maintenance and supervision of the departmental Sugarcane Farm covering 100 hectares and a Workshop for bulldozer and tractors. The produce from the farm was supplied to the Nagaland Sugar Mill Company Ltd. till production in the mill was discontinued in 1989 (finally closed down in September 2001). Though the Workshop was also handed over to Horticulture Department when it was bifurcated from Agriculture Department during 1994, the mechanics and bulldozer/tractors drivers of the Workshop were retained by the Department. After closure of the Sugar Mill, the officers and staff ceased to have any function or activity and became idle. However,

<sup>16</sup> After deduction of 4 per cent work contract tax on ₹ 9.03 lakh (Sanction during the year).  
Date of payment not recorded.

no action was taken by the Department to deploy the idle staff to those offices which were functioning with shortage of manpower.

Scrutiny revealed that the office had incurred an expenditure of ₹ 6.62 crore on the pay and allowances of these idle employees (84 employees from July 2005 to August 2007: ₹ 2.42 crore and 78 employees from September 2007 to September 2010: ₹ 4.20 crore). Further, this establishment is the biggest in terms of number of employees and expenditure on pay and allowances after the Directorate.

Thus, the Department is incurring wasteful expenditure on the pay and allowance of these idle employees year after year.

The Department stated (December 2010) that there is a proposal for redeployment of field staff to other Districts/Sub-Divisions where there is a shortage of staff.

### **3.11 Monitoring and Evaluation**

Regular online monitoring of schemes under MMA, both at the Central and State Level, was to be carried out. However, no evidence that this was being done regularly could be furnished to audit.

WARASA Sahbhagita guidelines for NWDPRAs projects envisage formation of Management Committees at the National, State, District and Watershed level to review and guide the programme. Periodic review of progress, particularly during implementation phase at each of the levels was to be undertaken and suitable standard formats for reporting progress were to be evolved. Concurrent and post project impact evaluation by Internal as well as External Agencies were also to be carried out. It was seen that though State Level Monitoring teams headed by Officers from the Directorate had visited some of the projects and submitted reports, there was no evidence of any corrective action being taken on the basis of these reports. It was stated by the Director that North Eastern Regional Institute of Water and Land Management and Financial Corporation of India (FCI), Mumbai had conducted monitoring and evaluation in respect of NWDPRAs projects under 10<sup>th</sup> Plan. Impact evaluation of a few random NWDPRAs projects under 10<sup>th</sup> Plan were also stated to have been conducted by the FCI, Mumbai. However, their reports were awaited (October 2010).

As per DPR prepared for Agricultural Link Roads (RIDF XV), monitoring and evaluation was to be done by the APC and Principal Secretary, Agriculture Department at the State level. The Director of Agriculture was to directly monitor the projects. The DAOs/SDAOs along with the Junior Engineers of the Department were to monitor and supervise the work at the district/subdivisional level. However, no evidence of monitoring/supervision done at the State or District level could be furnished to audit.



### **3.12 Internal Control Mechanism**

#### **3.12.1 Non-preparation of Departmental Manual**

Departmental Manual of a Department contain rules, regulations, procedures, instructions and prescribed formats and periodicity of reports/returns to be submitted to the appropriate authorities etc., apart from guidelines for execution of schemes/projects. This is essential for the guidance of the officers and staff in carrying out their duties and also for exercising proper internal control over the activities of an organization.

Although the Department is one of the oldest departments in the State, no Departmental Manual has been prepared till date. There is also no clear demarcation of functional responsibilities at various levels. Non-preparation of Departmental Manual indicates lack of accountability at various levels in the Department.

#### **3.12.2 Absence of internal audit**

Internal Audit is an independent function within the organization, providing periodic evaluation on the level of compliance with the departmental rules and procedures.

There is no arrangement for internal audit in the Department. Internal audit has also not been conducted by the Directorate of Treasuries and Accounts in the Directorate of Agriculture or in any of the districts/sub-divisions covered by audit.

### **3.13 Vulnerability to Fraud and Corruption**

#### **3.13.1 Remittance of funds to districts/subdivisions/beneficiaries**

All funds for developmental activities are drawn by the Directorate and recorded in their Cash Book. Funds meant for the District/Sub-divisional offices are then disbursed to them through cash/bank draft.

During scrutiny of records in the selected districts and sub-divisions, it was seen that funds received from the Directorate for implementation of schemes/projects are not being recorded in the Cash Book but in a large number of payment registers maintained scheme wise/project wise. Therefore, the quantum of actual funds received by the districts/subdivisions under various programmes/schemes could not be verified by audit.

- ₹ 0.89 crore being first installment of NWDPR (11 Plan) was drawn (August 2007) by the Directorate and shown as paid (October 2007) to 8 DAOs and one SDAO. However, receipt of ₹ 0.57 crore was not recorded in the payment registers of the selected districts as detailed in the table.

Table: 3.9

SI No.	Payment made to	Date of payment	Amount (₹ in crore)
1.	DAO, Kohima	05.10.07	0.13
2.	DAO, Zunheboto	--do--	0.11
3.	DAO, Mokokchung	--do--	0.11
4.	DAO, Dimapur	--do--	0.09
5.	DAO, Mon	--do--	0.13
	<b>Total:</b>		<b>0.57</b>

Source: Departmental records

- The date and mode of receipt of funds from the Directorate is not being recorded in the payment registers maintained in Kohima, Zunheboto, Mokokchung Dimapur and Mon Districts. The concerned District/Sub-divisional Agriculture Officers also stated, in reply to a query, that funds meant for implementation of schemes are being received from the Directorate in Cash. However, information collected from the SBI, Lerie Branch, Kohima revealed that the following amounts meant for implementation of NWDPRAs were paid by Demand Draft during 2009-10 to the concerned districts as shown in the table.

Table: 3.10

(₹ in crore)

DD No. & date	Amount	Paid to	Scheme	Amount recorded in Directorate Cash Book and payment registers in the district	Difference
888312/ 10.06.2009	0.26	DAO, Mokokchung	NWDPRAs (1 <sup>st</sup> installment for 2008-09)	0.49	0.23
	0.24	DAO, Zunheboto	--do--	0.47	0.23
	0.24	DAO, Dimapur	--do--	0.47	0.23
	0.24	DAO, Mon	--do--	0.46	0.22
	0.40	DAO, Kohima	--do--	0.71 <sup>17</sup>	0.31
	0.29	DAO, Mokokchung	NWDPRAs (1 <sup>st</sup> installment for 2009-10)	0.51	0.22
	0.27	DAO, Zunheboto	--do--	0.48	0.21
	0.27	DAO, Mon	--do--	0.48	0.21
	0.27	DAO, Dimapur	--do--	0.48	0.21
	0.45	DAO, Kohima	--do--	0.63	0.18
<b>Total:</b>	<b>2.93</b>			<b>5.18</b>	<b>2.25</b>

Source: Departmental records

It can be seen that only ₹ 2.93 crore (57 per cent) of the total funds (₹ 5.18 crore) in these two occasions have been given by Demand Draft. The mode of payment and actual receipt of the balance amount of ₹ 2.25 crore (43 per cent) could not be verified. Further, the mode of payment and actual receipt of ₹ 2.11 crore (2<sup>nd</sup>

<sup>17</sup> Including ₹ 14.40 lakh meant for Peren district.



instalment for 2008-09) shown as paid (June 2009) to the above mentioned five districts in the Cash Book of the Directorate could also not be verified.

- It was seen from payment registers maintained by DAO, Mokokchung that only a portion of the funds meant for NWDPR (11<sup>th</sup> Plan) are being received through DD and credited in the Bank Accounts of individual projects jointly operated by the DAO and Watershed Team Leader<sup>18</sup>. The balance amount shown as paid to the DAO, Mokokchung in the Cash book of the Directorate is recorded as having been received in Cash by the DAO as detailed in the table.

*Table: 3.11*

Year	Installment	Amount received through DD	Amount shown as received in cash	Total (recorded in Directorate cash book)
				(₹ in crore)
2007-08	2 <sup>nd</sup>	0.39	0.26	0.65
	3 <sup>rd</sup>	0.20	0.11	0.31
2008-09	1 <sup>st</sup>	0.26	0.23	0.49
	2 <sup>nd</sup>	0.26	0.23	0.49
2009-10	1 <sup>st</sup>	0.29	0.22	0.51
	2 <sup>nd</sup>	0.29	0.22	0.51
<b>Total:</b>		<b>1.69</b>	<b>1.27</b>	<b>2.96</b>

Source: Departmental records

It can be seen from the above table that 42.81 per cent (₹ 1.27 crore out of ₹ 2.96 crore) of the funds meant for Mokokchung district was paid in cash. Thus, audit could not verify the actual receipt of funds amounting to ₹ 1.27 crore in the district.

All transfer of funds from the Directorate to the districts/sub-divisions and thereafter to the beneficiaries should be done only through the Bank to ensure transparency. The present practice of recording funds received from the Directorate in several registers has to be discontinued. All funds received should be recorded first in the Cash Book of the District/Sub-divisional Officers.

### 3.13.2 Discrepancy between Cash Book and Bank Account

Cross check of the Cash Book of the Directorate with the Bank Statement of the Account maintained in SBI, Lerie Branch, Kohima revealed that the balance in the bank was always less than the balance shown in the Cash Book during 2009-2010. The difference ranged from ₹ 1.36 crore to ₹ 10.89 crore as shown in the table.

<sup>18</sup>

SDAO or AO under the DAO.

Table: 3.12

Sl. No.	Month	Closing balance as per Cash book	Closing balance as per bank statement	Difference
		(₹ in crore)		
1	April/2009	22.38	11.49	10.89
2	May/2009	15.64	7.44	8.20
3	June/2009	7.93	3.11	4.82
4	July/2009	3.80	0.90	2.90
5	August/2009	2.73	0.12	2.61
6	September/2009	1.91	0.16	1.75
7	October/2009	7.12	3.61	3.51
8	November/2009	8.36	1.33	7.03
9	December/2009	14.59	6.04	8.55
10	January/2010	11.68	7.67	4.01
11	February/2010	4.52	3.16	1.36
12	March/2010	26.11	21.12	4.99

Source: Departmental records

It was seen that reconciliation of the Cash Book and the Bank Account was never done. Besides, since the balance in the Cash Book was always more than the balance in the bank, it was evident that all the payments were not being entered in the Cash Book and are therefore understated and unreliable. Thus, it is evident that there was outgo of Government money without it being accounted for which is vulnerable to fraud and misappropriation.

The Department stated (December 2010) that the differences occurred due to payment of inevitable advances which were not entered into the Cash Book. The fact however, remains that payment of Government money without being entered in the Cash Book is in violation of rules and is fraught with the risk of misappropriation. Further, the Department has also not carried out the reconciliation between the Cash Book and Bank Account for ascertaining and reconciling the difference.

### 3.13.3 Non-receipt of scheme funds in the districts/subdivisions

As mentioned above, funds received from the Directorate are maintained in a large number of payment registers maintained scheme-wise/project-wise in the districts/sub-divisions and complete verification of receipt of funds from the Directorate could not be done. However, cross check of scheme funds shown as paid in the Cash Book of the Directorate to DAOs and SDAOs and the payment registers made available to audit in the districts/sub-divisions revealed that ₹ 3.16 crore were not received by them as shown in the table.



Table: 3.13

Sl. No.	District/Sub-division	Year	Amount (₹ in crore)
1.	DAO, Zunheboto	2006-07	0.27
2.	DAO, Mokokchung	2005-06 to 2009-10	0.56
3.	Jt. Director, SARS Yisemyong	2005-06 to 2007-08	0.30
4.	SDAO, Tuli	2005-06 to 2009-10	0.12
5.	SDAO, Mongkolemba	2005-06 to 2009-10	0.14
6.	DAO, Dimapur	2005-06 to 2009-10	0.62
7.	SDAO, Niuland	2005-06 to 2009-10	0.28
8.	Jt. Director, Sugarcane, Dimapur	2005-06 to 2008-09	0.34
9.	SDO (Store), Dimapur	2005-06	0.07
10.	DAO, Mon	2005-06 to 2009-10	0.32
11.	SDAO, Tizit	2005-06 to 2006-07	0.14
<b>Total:</b>			<b>3.16</b>

Source: Departmental records

Thus, an amount of ₹ 3.16 crore shown as paid to the DAOs and SDAOs by the Director for implementation of schemes is vulnerable to misappropriation at either end.

#### 3.13.4 Non-receipt of payment made for preparation of DAPs in the districts

It was seen that an amount of ₹ 1.10 crore was drawn (March 2008) by the Director against expenditure for the preparation of District Action Plans under RKVY for the 11 districts in the State and the whole amount was shown as paid to the DAOs, consultant and schematic officers in the Cash Book of the Directorate. Scrutiny of records in the 5 selected districts revealed that against payment of ₹ 0.45 crore, only ₹ 0.17 crore was received by them as shown in the table below:

Table: 3.14

Rupees in crore

District	Amount paid to the Districts as per the Directorate records	Amount received by DAOs
Kohima	0.09	0.02
Dimapur	0.09	0.04
Mokokchung	0.09	0.02
Zunheboto	0.09	0.02
Mon	0.09	0.07
<b>Total</b>	<b>0.45</b>	<b>0.17</b>

Source: Departmental records

Thus, 0.28 crore shown as paid to the districts were not actually received by them and may have been utilized for purposes other than for which it was sanctioned.

The Department stated (December 2010) that there may be mistakes while recording in the Cash Book and will be rectified. But the fact remains that an amount of ₹ 0.28 crore had not been received in the five test-checked districts and therefore, the expenditure could not be vouchsafed by audit.

### **3.14 Conclusion**

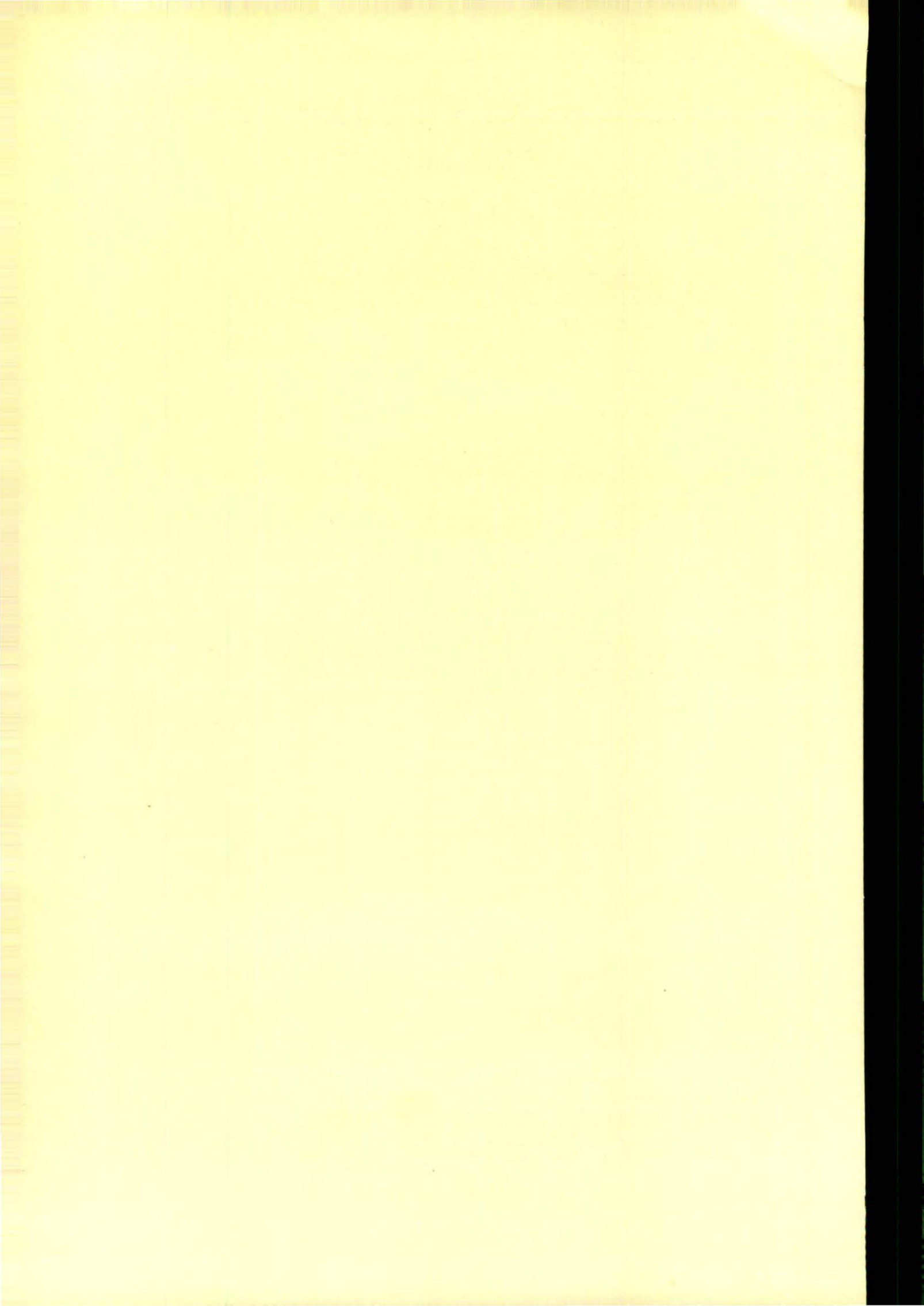
Planning process in the Department was flawed as Annual Work Plans of schemes/programmes were not integrated with State Agriculture Plan or District Agriculture Plans and the targets set in the State Agriculture Policy could not be met. The Department needs to gear up its activities to achieve its vision of 'Food for all by 2020'. Budgeting was unrealistic in view of persistent savings under Plan and huge excess expenditure under Non-plan. Financial management was deficient due to lack of coordination with the Finance Department and huge payments made to scheme/programme officers without proper accountability. Programme management was defective as the process of selection of beneficiaries/projects and implementation of schemes was not as per norms. Cash Book and records maintained for projects/schemes were inadequate and not reliable in view of large cash transactions and resultant lack of transparency especially in the devolution of scheme funds from the Directorate to the districts/sub-divisions.

### **3.15 Recommendations**

- Planning should to be revamped if the vision of 'Food for all by 2020' is to be achieved;
- Budgetary and financial controls should be strengthened for optimum utilisation of resources;
- Programme management should be made more transparent and guidelines followed;
- Internal audit should cover all the activities of the Department; and
- Large cash transactions should be avoided to contain vulnerability to fraud.



**CHAPTER - IV**  
**REVENUE RECEIPTS**





## CHAPTER-IV

## REVENUE RECEIPTS

## 4.1 GENERAL

## 4.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Nagaland during the year 2009-10, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. no.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
I.	<b>Revenue raised by the State Government</b>					
	• Tax revenue <sup>1</sup>	105.53	119.02	131.37	156.02	180.51
	• Non-tax revenue	96.82	91.14	119.48	180.55	126.35
	<b>Total I</b>	<b>202.35</b>	<b>210.16</b>	<b>250.85</b>	<b>336.57</b>	<b>306.86</b>
II.	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes	248.50	316.93	399.77	421.84	434.03
	• Grants-in-aid	1,816.35	2,245.42	2,345.40	2,642.48	2978.87
	<b>Total II</b>	<b>2,064.85</b>	<b>2,562.35</b>	<b>2,745.17</b>	<b>3,064.32</b>	<b>3412.90</b>
III.	<b>Total receipts of the State Government (I plus II)</b>	<b>2,267.20</b>	<b>2,772.51</b>	<b>2,996.02</b>	<b>3,400.89</b>	<b>3719.76</b>
IV.	<b>Percentage of I to III</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>10</b>	<b>8</b>

The above table indicates that during the year 2009-10 the revenue raised by the State Government was eight *per cent* of the total revenue receipts (₹ 3719.76 crore) against 10 *per cent* in the preceding year. The balance 92 *per cent* of receipts during 2009-10 was from the Government of India.

<sup>1</sup> For details see Statement no. 11 - Detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Nagaland for the year 2009-10. Figures under Major heads 0020, 0021, 0028, 0032, 0037, 0038, 0044 and 0045 - showing the State's share of divisible Union taxes booked in the Finance Accounts under A - Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this table.

4.1.2 The details of tax revenue raised during the period 2009-10 along with the figures for the preceding four years are mentioned in the following table.

(Rupees in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/ decrease (-) in 2009-10 over 2008-09
1.	Taxes on sales, trade etc.,	77.16	85.02	94.79	114.70	132.22	(+) 15
2.	Taxes on Vehicles	8.71	12.26	12.30	14.14	16.73	(+) 18
3.	Other Taxes on Income and Expenditure	14.89	16.35	17.72	19.86	22.54	(+) 13
4.	State Excise	1.96	2.13	2.83	3.34	3.13	(-) 6
5.	Stamps and Registration fees	0.89	1.05	1.02	1.01	1.19	(+) 18
6.	Other Taxes and duties	0.01	0.00	0.00	0.00	0.00	0
7.	Land Revenue	0.55	0.50	0.50	0.60	0.63	(+) 5
8.	Taxes and Duties on Electricity	0.01	0.02	0.02	0.03	0.11	(+) 267
9.	Taxes on Goods and Passengers	1.35	1.69	2.19	2.34	3.96	(+) 69
<b>Total:</b>		<b>105.53</b>	<b>119.02</b>	<b>131.37</b>	<b>156.02</b>	<b>180.51</b>	<b>(+) 16</b>

The concerned departments did not inform (December 2010) the reasons for variation in receipts from that of the previous year despite being requested (November 2010).

4.1.3 The details of the major non-tax revenue raised during 2009-10 along with the figures for the preceding four years are mentioned in the following table.

(Rupees in crore)

Sl. no.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase(+) / decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	5.60	5.22	5.66	11.57	10.02	(-) 13
2.	Public Service Commission	0.01	0.00	0.00	0.80	0.09	(-) 89
3.	Police	1.56	2.15	2.73	0.61	0.44	(-) 28
4.	Stationery and printing	0.05	0.08	0.07	0.01	0.01	0
5.	Public works	0.17	0.31	0.10	0.10	0.54	(+) 440
6.	Other administrative services	7.10	1.46	1.93	1.21	1.42	(+) 17
7.	Contribution and recoveries towards Pension & Other Retirement Benefits	0.40	0.23	0.21	1.05	0.21	(-) 80
8.	Miscellaneous general services	15.64	14.59	19.44	28.05	7.04	(-) 75
9.	Education, sports, art and culture	0.22	1.64	0.48	0.55	0.43	(-) 22
10.	Medical and Public Health	0.07	0.13	0.16	0.17	0.09	(-) 47
11.	Water supply and sanitation	1.06	2.26	1.07	0.98	0.94	(-) 4
12.	Housing	2.23	2.21	2.11	2.97	3.43	(+) 15



(Rupees in crore)

Sl. no.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase(+)/ decrease (-) in 2009-10 over 2008-09
13.	Social security and welfare	0.31	0.16	0.31	0.25	0.17	(-) 32
14.	Crop husbandry	0.06	0.15	0.12	0.11	0.13	(+) 18
15.	Animal husbandry	0.37	0.35	0.39	0.43	0.47	(+) 9
16.	Forestry and wildlife	6.21	5.95	4.81	4.78	7.70	(+) 61
17.	Food storage and warehousing	0.02	0.03	0.03	0.02	0.02	0
18.	Co-Operation	0.89	0.92	0.17	0.79	3.15	(+) 299
19.	Other agricultural programmes	0.04	0.05	0.01	0.01	0.03	(+) 200
20.	Minor irrigation	0.01	0.00	0.01	0.02	0.01	(-) 50
21.	Power	42.71	41.63	69.47	111.49	75.17	(-) 33
22.	Village and small industries	1.30	0.21	0.26	0.67	0.31	(-) 54
23.	Non-ferrous mining and metallurgical industries	0.05	1.91	0.30	0.89	0.59	(-) 34
24.	Road transport	7.34	8.03	8.37	9.38	10.81	(+) 15
25.	Tourism	0.26	0.30	0.21	0.13	0.30	(+) 131
26.	Other general economic services	2.57	0.07	0.08	0.08	0.12	(+) 50
27.	Miscellaneous	0.57	1.10	0.98	3.43 <sup>2</sup>	2.71 <sup>2</sup>	(-) 21
<b>Total</b>		<b>96.82</b>	<b>91.14</b>	<b>119.48</b>	<b>180.55</b>	<b>126.35</b>	<b>(-) 30</b>

The concerned departments did not inform (December 2010) the reasons for variation in receipts from that of the previous year despite being requested (November 2010).

#### 4.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2009-10 in respect of the principal heads of tax and non-tax revenue are mentioned in the following table.

<sup>2</sup> This includes Other Non-tax Revenue receipt under Social Services-0515-other Rural Development Programmes (₹ 0.17 crore) and 1054-Roads and Bridges (₹ 2.34 crore).

(Rupees in crore)

Sl. no.	Head of revenue	Budget estimates	Actual receipts	Variations excess (+) shortfall (-)	Percentage of variation
1.	Other taxes on Income and expenditure	18.70	22.54	(+) 3.84	21
2.	State excise	3.35	3.13	(-) 0.22	(-) 7
3.	Taxes on sales, Trade etc.	115.64	132.22	(+) 16.58	14
4.	Taxes on vehicles	14.00	16.73	(+) 2.73	20
5.	Interest receipts	6.50	10.02	(+) 3.52	54
6.	Police	2.85	0.44	(-) 2.41	(-) 85
7.	Stationery and printing	0.30	0.01	(-) 0.29	(-) 97
8.	Public works	1.50	0.54	(-) 0.96	(-) 64
9.	Other administrative services	3.28	1.42	(-) 1.86	(-) 57
10.	Contribution and recoveries and other retirement benefits	0.24	0.21	(-) 0.03	(-) 13
11.	Miscellaneous general services	5.50	7.04	(+) 1.54	28
12.	Social security and welfare	0.22	0.17	(-) 0.05	(-) 23
13.	Forestry & wildlife	7.49	7.70	(+) 0.21	3
14.	Co-operation	0.06	3.15	(+) 3.09	5150
15.	Power	116.00	75.17	(-) 40.83	(-) 35
16.	Village and small industries	0.24	0.31	(+) 0.07	29
17.	Road transport	12.97	10.81	(-) 2.16	(-) 17
18.	Other general economic services	0.10	0.12	(+) 0.02	20
19.	Land revenue	0.75	0.63	(-) 0.12	(-) 16
20.	Stamps & registration fee	1.08	1.19	(+) 0.11	10
21.	Taxes and duties on electricity	0.02	0.11	(+) 0.09	450
22.	Public service commission	0.21	0.09	(-) 0.12	(-) 57
23.	Education, sports, art & culture	0.30	0.43	(+) 0.13	43
24.	Medical & public health	0.19	0.09	(-) 0.1	(-) 53
25.	Taxes on goods and passengers	2.35	3.96	(+) 1.61	69
26.	Housing	3.44	3.43	(-) 0.01	0
27.	Water supply and sanitation	1.19	0.94	(-) 0.25	(-) 21
28.	Crop husbandry	0.14	0.13	(-)0.01	(-) 7
29.	Animal husbandry	1.00	0.47	(-) 0.53	(-) 53
30.	Food storage and warehousing	0.08	0.02	(-) 0.06	(-) 75
31.	Other agricultural programmes	0.05	0.03	(-) 0.02	(-) 40
32.	Minor irrigation	0.01	0.01	0	0
33.	Non-ferrous mining & metallurgical industries	0.08	0.59	(+) 0.51	638
34.	Tourism	0.30	0.30	0	0
35.	Other Rural Development Programmes	0.12	0.17	(+) 0.05	42
36.	Roads & bridges	0.15	2.34	(+) 2.19	1460
	<b>Total</b>	<b>320.40</b>	<b>306.66</b>	<b>(-) 13.74</b>	<b>(-) 4</b>

The concerned departments did not inform (December 2010) the reasons for variation despite being requested (November 2010).

#### 4.3 Cost of collection

The gross collection in respect of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for the year 2008-09, are as mentioned in the following table.



(Rupees in crore)

Sl No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2008-09
1.	Taxes on sales, trade etc.	2007-08	94.79	4.48	4.73	0.88
		2008-09	114.70	3.41	2.97	
		2009-10	132.22	4.18	3.16	
2.	Taxes on vehicles	2007-08	12.30	2.79	22.68	2.93
		2008-09	14.14	1.97	13.93	
		2009-10	16.73	2.24	13.39	
3.	Stamps and registration fees	2007-08	1.02	0.38	37.25	2.77
		2008-09	1.01	0.38	37.62	
		2009-10	1.19	0.16	13.45	

The above table indicates that the percentage of expenditure on collection during 2009-10 as compared to the all India average percentage of expenditure on collection for 2008-09 was substantially higher in case of all the above taxes. While the percentage of expenditure on collection of revenue in respect of stamps and registration fees has improved, it has gone up since 2008-09 for Taxes on sales, trade etc.

**The Government needs to take appropriate measures to bring down the cost of collection.**

#### 4.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 have not been furnished by the concerned Government departments (December 2010) despite being requested (August 2010).

#### 4.5 Write-off and waiver of revenue

The concerned departments did not inform (December 2010) the details of amounts written off despite being requested (August 2010).

#### 4.6 Failure to enforce accountability and protect interest of the Government

The Accountant General (AG), Nagaland, Kohima conducts periodical inspection of the various offices of the Government departments to test check the correctness of assessment, levy and collection of taxes/duties/fees etc., and verify the maintenance of accounts and records as per the Acts, Rules and procedures prescribed by the Government. These inspections are followed by the inspection reports (IR) issued to the heads of offices inspected with copies to the higher authorities. Serious irregularities noticed during audit are also brought to the notice of Government/head of the department by the AG. A half yearly report regarding the pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of the audit observations raised in these IRs through the intervention of the Government.

A review of IRs issued up to September 2010 pertaining to the offices under the following departments disclosed that 81 IRs involving money value of ₹ 51.92 crore were pending at the end of September 2010 as shown below:

(Rupees in crore)

Sl. No.	Name of department	No. of IRs	No. of paragraphs	Amount
1.	State Excise	5	7	0.00
2.	Forest	28	82	5.74
3.	Sales Tax	22	134	32.46
4.	Nagaland State Transport	12	37	11.54
5.	Motor Vehicle	12	38	1.84
6.	State Lottery	2	9	0.34
<b>Total</b>		<b>81</b>	<b>307</b>	<b>51.92</b>

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officers/officials who do not send replies to the IRs/paragraphs as per the prescribed time schedule and also fail to take action to recover loss/outstanding demands in a time bound manner.

#### 4.7 Audit Committee Meetings

In order to expedite the settlement of the outstanding audit observations contained in the IRs, departmental audit committees have been constituted by the Government. These committees are chaired by the Secretaries of the concerned administrative departments and their meetings are attended by the concerned officers of the state Government and officers of the AG.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly. During the year 2009-10, audit committee meetings were held with four departments<sup>3</sup> and only 17 paragraphs involving money value of ₹ 0.30 crore were settled due to poor response from the concerned departments.

It is recommended that the Government may fix targets for settlement of paragraphs in each meeting and take suitable action for failure to achieve the targets.

#### 4.8 Compliance with the earlier Audit Reports

During the period from 2003-04 to 2008-09, the Departments/Government accepted audit observations involving ₹ 11.77 crore of which ₹ 0.36 crore only had been recovered till September 2010 as mentioned below:

(Rupees in crore)

Sl. no.	Audit Report	Money value of Audit Report	Amount accepted by the departments	Amount recovered
1	2003-04	2.78	0.02	Nil
2	2004-05	1.50	1.37	0.12
3	2005-06	0.02	0.02	Nil
4	2006-07	1.17	0.24	0.24
5	2007-08	6.51	1.35	Nil
6	2008-09	11.78	8.77	Nil
<b>Total</b>		<b>23.76</b>	<b>11.77</b>	<b>0.36</b>

<sup>3</sup> State Excise, Sales Tax, Nagaland State Transport, State lottery.



The amount recovered by the departments was only 3.06 *per cent* of the amount which was accepted by them.

**It is recommended that the Government may institute a mechanism to pursue and monitor prompt recovery of dues involved in the accepted cases.**

#### 4.9 Results of Audit

This chapter contains two paragraphs relating to non-realisation of Government revenue and irregular exemption of NVAT involving ₹ 96.72 lakh.

#### PARAGRAPHS

### Public Works Department

#### 4.10 Non –realisation of Government revenue

**Due to non adherence to the provision of the NVAT Act/rules regarding deduction of tax at source on works contract from the contractors' bill, there was non-realisation of Government revenue amounting to ₹ 81.08 lakh.**

Section 92(3) of the Nagaland Value Added Tax (NVAT) Act, 2005 read with the NVAT Rules, 2005, as amended from time to time provides that tax on work contracts should be deducted at source from the contractor's bill at the rate of four *per cent* on the value of work done, after allowing deduction of 25 *per cent* on account of labour and other charges. With effect from 24 October 2008, the rate was revised to four *per cent* of the value of the total turnover of the works contract without any deduction whatsoever.

The NVAT Rules further provide that the person making such deductions at source (Drawing and Disbursing Officer) shall deduct and deposit the whole amount within ten days from the expiry of each calendar month, into the Government Treasury or designated bank through challan.

Audit scrutiny (April –May 2010) revealed that the Executive Engineers (EEs) of 12<sup>4</sup> Public Works (R&B) Divisions released payments to the contractors between November 2008 to March 2009 against 183 works bills without deducting tax at source of ₹ 81.08 lakh on works contract from the contractors' bills. This resulted in non- realisation of Government revenue amounting to ₹ 81.08 lakh.

After the cases were pointed out, the Commissioner of Taxes stated (November 2010) that the EEs would realise the tax amount and deposit it under the Head of account 0040-VAT.

The matter was reported to the Department (June-August 2010) and Government (September 2010), their replies have not been received (January 2011).

<sup>4</sup> Tseminyu (1), Peren(19), Baghty (6), Kohima (South) (22), Dimapur (55), Chiephobozou (Kohima) (25), Zunheboto (30), Aboi (8), Longleng (2), Mokokchung (8), NH-Division III, Tuensang (1) and Phek (6).

## Education Department

### 4.11 Irregular exemption of NVAT

**Director SCERT allowed exemption of NVAT to a supplier resulting in loss of revenue of ₹ 15.64 lakh.**

The Government of Nagaland, Finance Department notified (November 2004) that sales tax exemption was conferred upon all new industrial units for a period of seven years with effect from 1 December 2000, under the State Industrial Policy 2000.

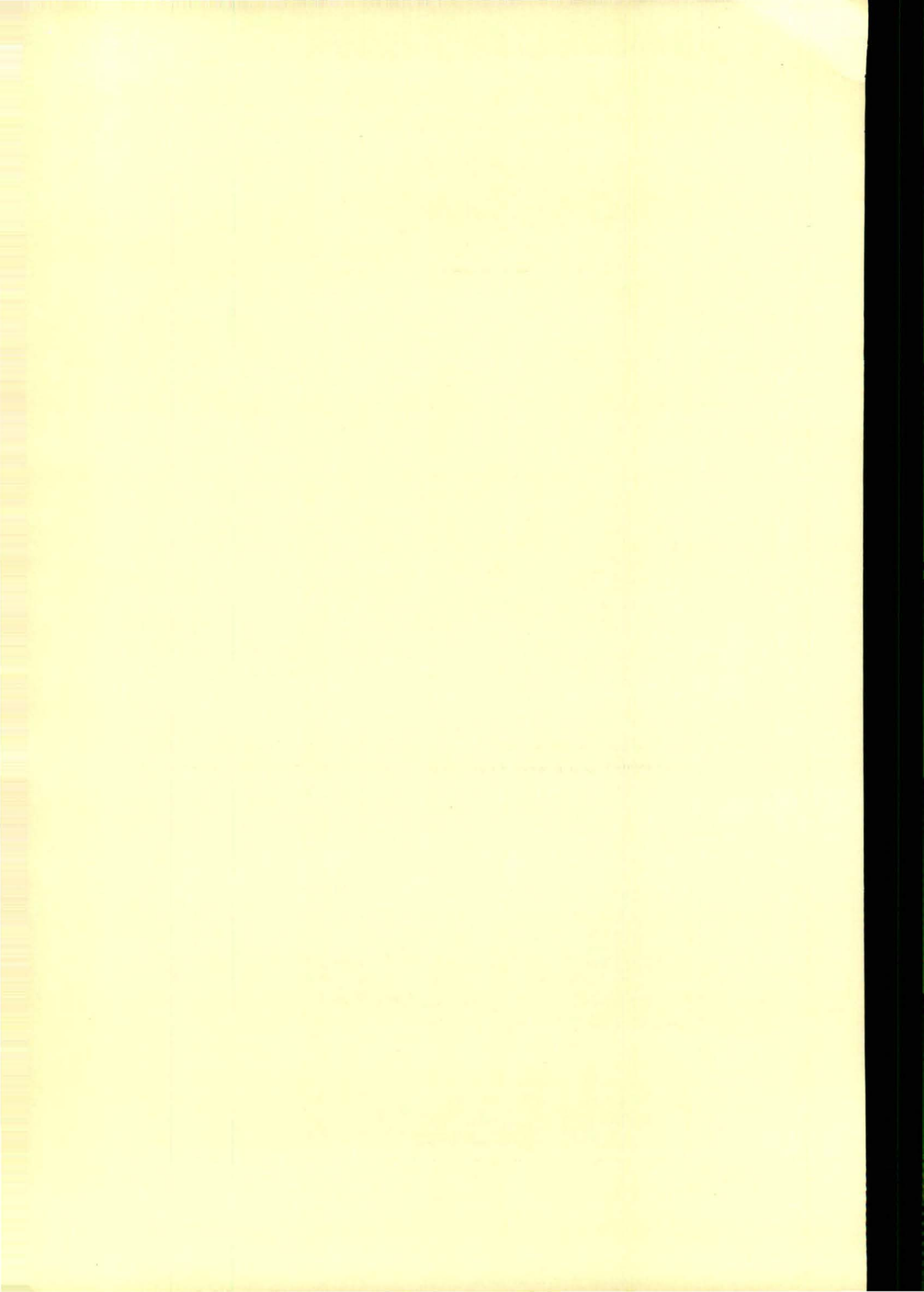
During audit scrutiny (September 2009) it was noticed that the Director, State Council for Educational Research and Training (SCERT) irregularly allowed (March 2009) tax exemption amounting to ₹ 15.64 lakh to a firm on taxable goods procured during 2008-09 which resulted in loss of revenue to that extent.

After this was pointed out, the Director, SCERT stated (October 2009) that the exemption was allowed on the ground that the firm comes under the purview of the above mentioned Government notification. The reply is not tenable as the tax exemption was allowed for a transaction that took place beyond the seven year period specified in the notification. Further the items supplied were branded items manufactured by other firms from outside the State of Nagaland. The Commissioner of Taxes also stated (November 2010) that the SCERT would realise the tax amount and deposit it under the Head of account 0040-VAT.

The matter was reported to the Department (June-August 2010) and the Government (September 2010), their replies have not been received (January 2011).



**CHAPTER - V**  
**COMMERCIAL ACTIVITIES**





## Chapter V

### Government Commercial and Trading Activities

#### Overview of State Public Sector Undertakings

##### Introduction

**5.1** The State Public Sector Undertakings (PSUs) consist of State Government companies and statutory corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. In Nagaland, there were six State PSUs (all Government companies) of which, one Government company was non-working. The state PSUs occupy insignificant place in state economy. The State working PSUs registered a turnover of ₹ 4.06 crore for 2009-10, as per their latest finalised accounts as of November 2010. This turnover was equal to 0.05 per cent of State Gross Domestic Product. The State working PSUs incurred an overall loss of ₹ 2.57 crore in the aggregate for 2009-10 as per their latest finalised accounts. Out of five working PSUs three PSUs had employed 245 personnel during 2009-10. Remaining PSUs did not furnish the details. During 2009-10, neither any new PSU was established nor was any existing PSU closed down.

##### Audit Mandate

**5.2** Audit of Government Companies is governed by Section 619 of Companies Act, 1956. According to section 617, a Government company is one in which not less than 51 *per cent* of paid up capital is held by Government. A Government company includes a subsidiary of a Government company. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act. However, there was no 619-B company in Nagaland.

**5.3** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by statutory auditor, who is appointed by CAG as per provisions of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

##### Investment in State PSUs

**5.4** As on 31 March 2010, the investment (capital and long term loans) in six PSUs was ₹ 70.01 crore as per details given below:

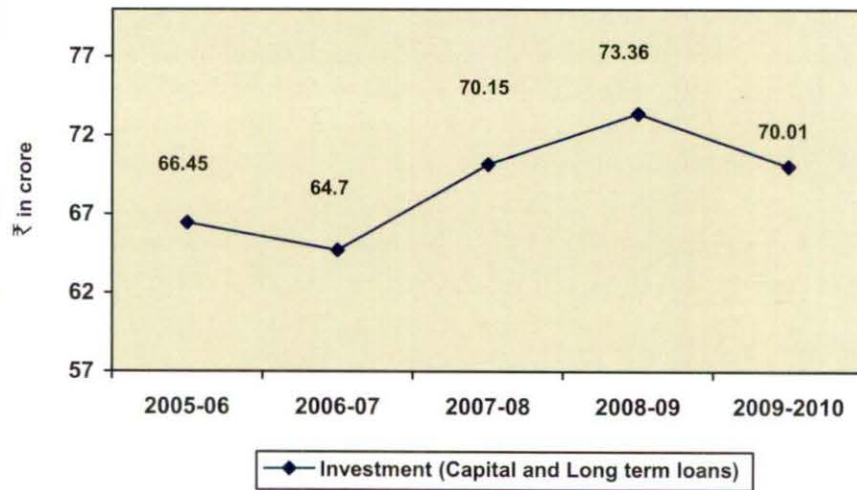
Table.5.1

(₹ in crore)

Type of PSUs	Government Companies		
	Capital	Long Term Loans	Total
Working PSUs	25.96	39.09	65.05
Non-working PSUs	4.96	--	4.96
<b>Total:</b>	<b>30.92</b>	<b>39.09</b>	<b>70.01</b>

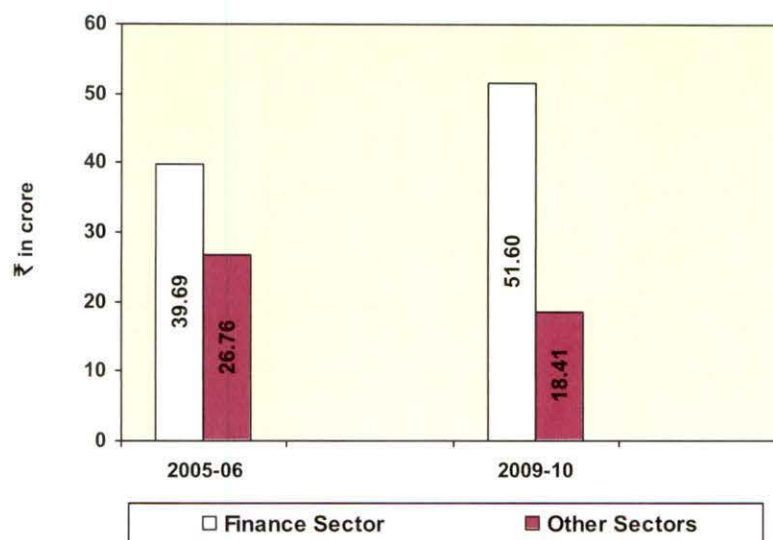
The summarised position of Government investment in State PSUs is detailed in **Appendix –5.1**.

**5.5** As on 31 March 2010, of the total investment in State PSUs, 92.92 per cent was in working PSUs and the remaining 7.08 per cent was in non-working PSU. The total investment consisted of 44.17 per cent towards capital and 55.83 per cent in long term loans. The investment has grown by 5.36 per cent from ₹ 66.45 crore in 2005-06 to ₹ 70.01 crore in 2009-10 as shown in graph below:-



**5.6** The investment in various sectors at the end of 31 March 2006 and 31 March 2010 are indicated below in the bar chart.





### Budgetary outgo, grants/subsidies, guarantees and loans

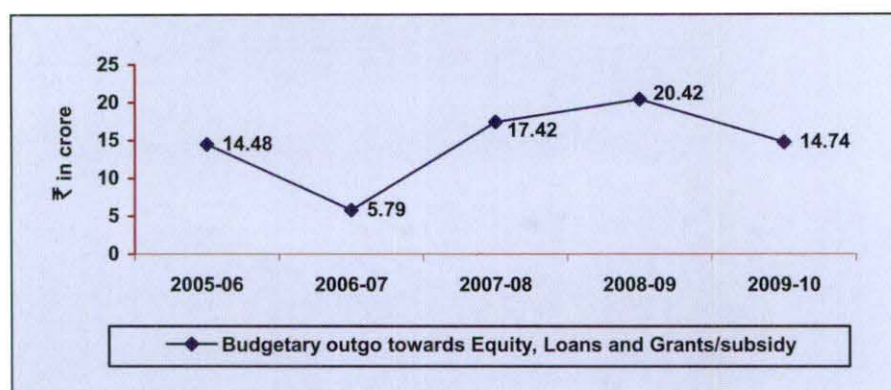
5.7 The details regarding budgetary outgo towards equity, loans grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.2**. The summarised details for three years ended 2009-10 are given below.

Table. 5.2

(Amount: ₹ in crore)

Sl No	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from Budget	02	0.47	03	4.11	2	1.75
2.	Loans given from Budget	01	7.15	02	7.40	--	--
3.	Grants/subsidy received	04	9.80	04	8.91	04	12.99
4.	Total outgo (1+2+3)		17.42		20.42		14.74
5.	Loans written off	--	--	--	--	--	--
6.	Total waiver (5 above)	--	--	--	--	--	--
7.	Guarantees issued	02	7.27	02	39.40		36.00

5.8 The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below:



### Reconciliation with finance Accounts

5.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance department should carry out reconciliation of differences. Since the accounts of the companies are in arrears from six to 26 years, actual amount invested by Government in PSUs is not known. Hence the difference, if any, between the figures invested by Government as per the Finance Accounts and the figures in the accounts of companies with respect to equities, loans and guarantees could not be worked out.

### Performance of PSUs

5.10 The financial results of PSUs, financial position and the working results of PSUs are detailed in **Appendix 5.3**. A ratio of PSU turnover to GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2005-06 to 2009-10.

Table.5.3

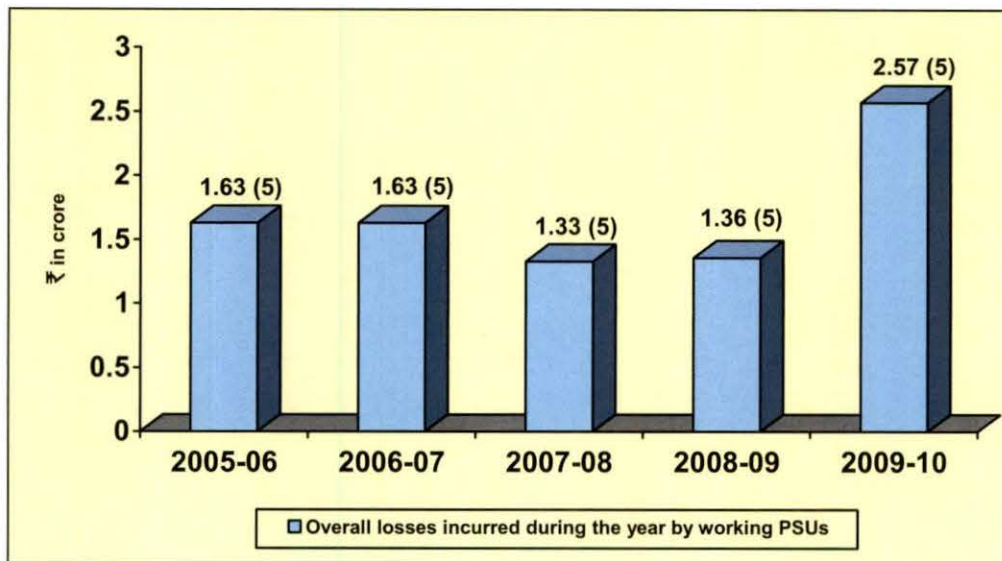
(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover	1.89	1.89	3.70	3.51	4.06
State GDP	6374.56	6957.97	7168.52	7552.63	8474.12
Percentage of turnover to State GDP	0.03	0.03	0.05	0.05	0.05

(Source: Audit reports for the years 2004-05 to 2007-08 and statement furnished by the Companies)

5.11. Losses incurred by State working PSUs during 2005-06 to 2009-10 are given below in a bar chart.





(Figures in bracket represent the number of working PSUs in respective years)

5.12 Some key parameters pertaining to State PSUs are given below:

Table.5.4

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Return on capital employed ( <i>per cent</i> )	6.79	4.50	3.65	--	--
Debt	38.54	36.35	40.29	44.11	39.09
Turnover	1.89	1.89	3.70	3.51	4.06
Debt/Turnover ratio	20.39:1	19.23:1	10.89:1	12.57:1	9.63:1
Accumulated losses	26.96	26.96	26.95	28.63	34.02

#### Arrears in finalisation of Accounts

5.13 The accounts of the companies for every financial year are required to be finalized within six months from the end of relevant financial year under section 166, 210, 240, 619 and 619-B of Companies Act, 1956. The table below provides details of progress made by working PSUs in finalisation of accounts by September 2010.

Table.5.5

(Rupees in crore)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10
1	No. of working PSUs	5	5	5	5
2	No. of accounts finalized during the year	2	3	3	12
3	Number of accounts in arrears	88	90	92	85
4	Average arrears per PSU (3/1)	17.6	18	18.4	17.00
5	Number of working PSUs with arrears in accounts	5	5	5	5
6	Extent of arrears (in years)	9 to 26	9 to 26	9 to 26	6 to 26

5.14 The PSUs having arrears of accounts need to take effective measures for early clearance of backlog and make the accounts up to date. The PSUs should ensure that

at least one year's accounts are finalized each year so as to restrict further accumulation of arrears.

**5.15** In addition to above, the accounts of the only non-working PSU in the State were also in arrears for 32 years. As no purpose is served by keeping this non-working company in existence, Government needs to expedite closing down of this company.

**5.16** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalized and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and the officials of the government were informed every quarter by audit, of the arrears in finalization of accounts, no remedial measure were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

**5.17** In view of above state of arrears it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

#### **Accounts comments and Internal Audit**

**5.18** Four working companies forwarded their 12 audited accounts to the Accountant General during 2009-10. Out of the 12 accounts, one account was selected for supplementary audit and one account was issued Non-Review certificate, rest 10 accounts are pending for selection for supplementary audit/issue of Non-Review certificates.

Out of the 12 accounts received during the year, the statutory auditors had given qualified certificates to five accounts and seven accounts received unqualified certificates.



## PARAGRAPHS

## NAGALAND STATE MINERAL DEVELOPMENT CORPORATION LIMITED

## 5.19 Irregular award of contract

**Non-observance of the laid down procedure for purchase of high value plant, machinery etc., for 'Modernisation and expansion of Mini Cement Plant, Wazeho led to cost overrun of ₹ 10.73 crore and the plant has not yielded any output even after lapse of seven years resulting in loss of potential revenue of ₹ 15.55 crore**

The Nagaland State Mineral Development Corporation Ltd. (Corporation) decided (2002) to modernize the existing 50 TPD<sup>1</sup> Mini Cement Plant at Wazeho in Phek district as the existing plant & machinery was obsolete. Considering the growing demand of cement in Nagaland, it was also decided to expand the plant capacity to 150 TPD by adding a separate line of 100 TPD VSK<sup>2</sup> at the same location.

After several attempts to obtain funding failed, the State Government decided (2003) to finance this project with negotiated loan from the Life Insurance Corporation of India under Plan Scheme (2003-04) at a cost of ₹ 1128.89 lakh on the basis of a Detailed Project Report prepared (August 2003) by the 'National Council for Cement and Building Materials (NCB), Haryana'.

National open tenders were called (April 2004) for the work of 'Expansion of existing 50 tpd VSK Mini Cement Plant by addition of a 100 tpd VSK Mini Cement Plant' (estimated cost of ₹ 530 lakh for manufacture, supply and commissioning of 100 tpd plant). In response, five firms<sup>3</sup> submitted their quotations.

Scrutiny of the comparative statements prepared for tender eligibility, scope and other conditions, plant and machinery with specifications, positive and negative comparisons and list of critical items and desired capacities revealed that though SEPL, Jodhpur had quoted the lowest but all the machineries offered by them were not as per the required specifications. It was also observed that the machineries offered by the other firms (Movers India Ltd and Promac, Bangalore) were as per the required specifications and of better quality. It was further seen from the Reports of

<sup>1</sup> tonne per day

<sup>2</sup> Vertical Shaft Kiln

<sup>3</sup>

Sl No.	Name of the firm	Price quoted (inclusive of all taxes)
1.	M/s RRL, Jorhat	₹ 1532.14 lakh
2.	M/s Promac, Bangalore	₹ 847.41 lakh
3.	M/s Minitech, New Delhi	₹ 811.20 lakh
4.	M/s Saboo Engineering Pvt. Ltd. (SEPL), Jodhpur	₹ 732.02 lakh
5.	M/s Movers India Ltd., Bangalore	₹ 1273.74 lakh

the Technical Committee which had conducted a tour of the other plants and factories that SEPL had so far supplied only one 100 tpd plant which was not functioning. While highlighting their inexperience and deficiencies, the technical team had stated (May 2004) that SEPL was not trustworthy and the firm was placed fifth in the order of merit. The Report submitted by the Management Team of the corporation had also stated that the machineries offered by SEPL were of smaller/shorter size, below the desired specifications, fragile and not suitable for areas like Wazeho and that the integrity of the firm was doubtful.

The State Level Tender Board (SLTB) of the Government, however, disregarded the above reports and recommended (June 2004) that negotiation with SEPL be made to get the deficiencies in technology improved and to reduce the amount quoted. Further, it was recommended that the estimated cost be revised since all the tenderers had quoted higher than the estimated project cost.

On request by Corporation, SEPL agreed (June 2004) to manufacture and supply higher capacity machineries of the required specifications at an enhanced amount of ₹ 840 lakh excluding all taxes & duties and commissioning & erection charges and the Corporation entered (June 2004) into agreement with them though that the rate was higher than the rates quoted by other two firms<sup>4</sup>. The DPR was revised (August 2004) and the project cost enhanced to ₹ 1695 lakh, out of which the estimated cost of this work was increased to ₹ 952 lakh excluding the erection and commissioning charges (₹ 20 lakh) on the basis of the technical specifications and rates quoted by SEPL.

The DPR was again revised in September 2005 and the project cost further enhanced to ₹ 1849.40 lakh as price escalation was claimed by the firm due to increase in the price of steel.

The expansion and modernization works were completed and the Plant was inaugurated (June 2008) followed by trial operation (July 2008) which was not successful as the capacity was not achieved and the cement produced was not of acceptable quality. A number of major defects were detected in the Plant and Machinery after it was put on trial run and corporation decided to engage an independent consultant to study and suggest rectification/modifications to the Plant. The Consultant in its report (June 2009) stated that 'mistakes in design and supply of equipments and improper erection and scant respect for details during commissioning had caused the major trouble'. The consultant had also suggested several modifications in the Plant which have been carried out by the corporation (November 2010).

The Corporation as on March 2009 had spent ₹ 22.02 crore on the project out of the total amount of ₹ 22.22 crore received as funds for the expansion and modernization project, which was ₹ 3.53 crore (₹ 22.02 crore-₹ 18.49) crore above the revised

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<sup>4</sup> M/s Minitech (₹ 811.20 lakh) and M/s Promac (₹ 847.41 lakh) including 32 lakh being erection & commissioning ranges.



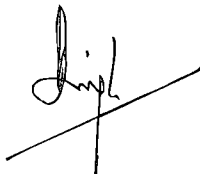
estimated project cost as per DPR, September 2005 and ₹ 10.73 crore (₹ 22.02 crore ₹ 11.29 crore) above the DPR, August 2003.

Thus, the decision of the Government to award the work of 'Manufacturing, supply, erection and commissioning of the Mini Cement Plant at Wazeho' to SEPL without following the laid down procedures and also disregarding several forewarnings regarding their inexperience and doubtful integrity led to cost overrun of ₹ 10.73 crore and time over run by seven years as the plant could not run successfully till date resulting in loss of potential revenue of ₹ 15.55 crore worked out on the basis of projections made in the DPR.

The Management accepted (November 2010) the fact and stated that the Cement Plant is now ready for operation and as per the directive of the Government of Nagaland and Board of Directors of the Corporation, negotiation is being done with one local Company to hand over the plant on lease basis for operation and maintenance.

The matter was reported to the Government (October 2010); replies have not been received (December 2010).

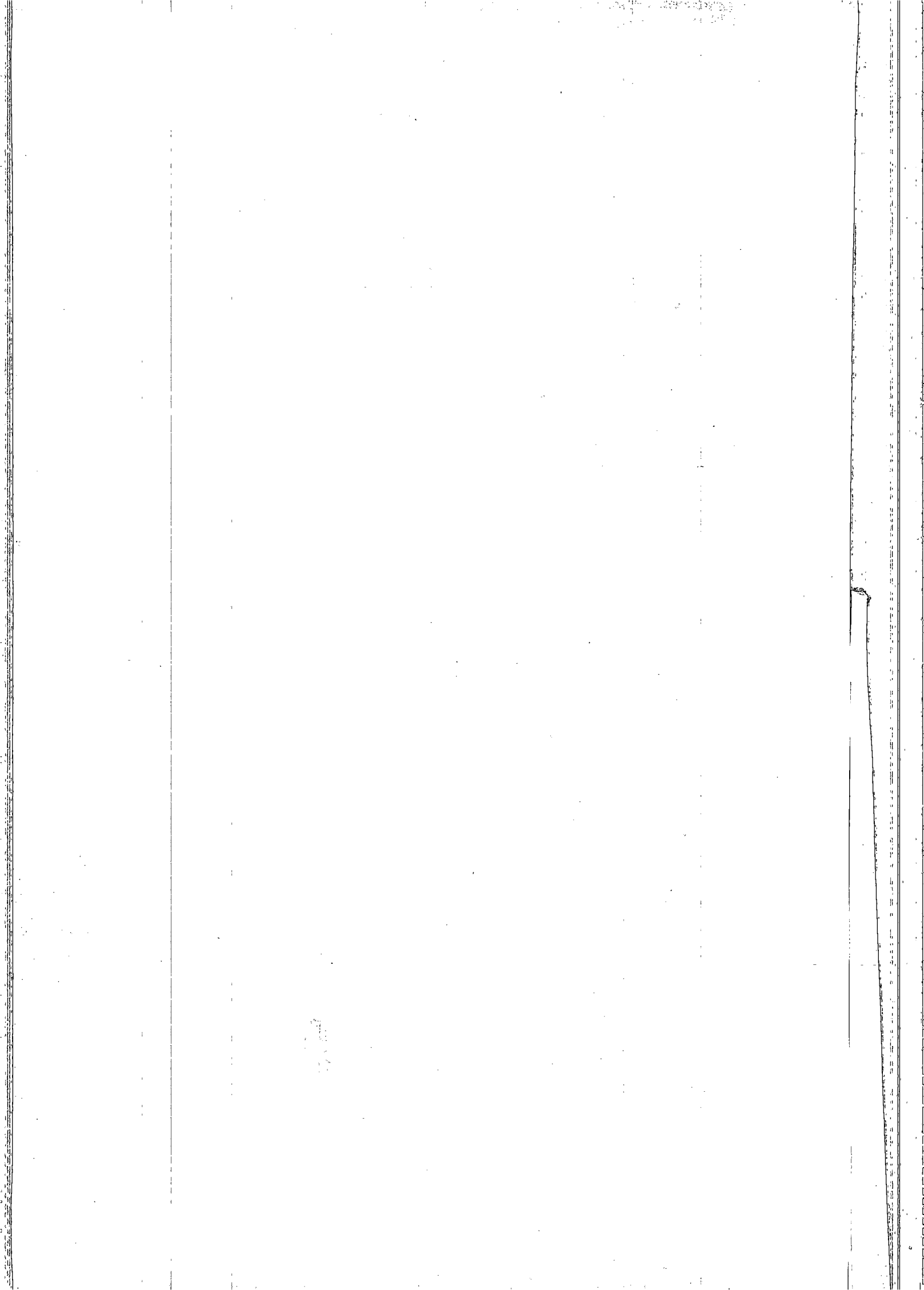
Kohima  
The

  
(Rajesh Singh)  
Accountant General (Audit)  
Nagaland

Countersigned

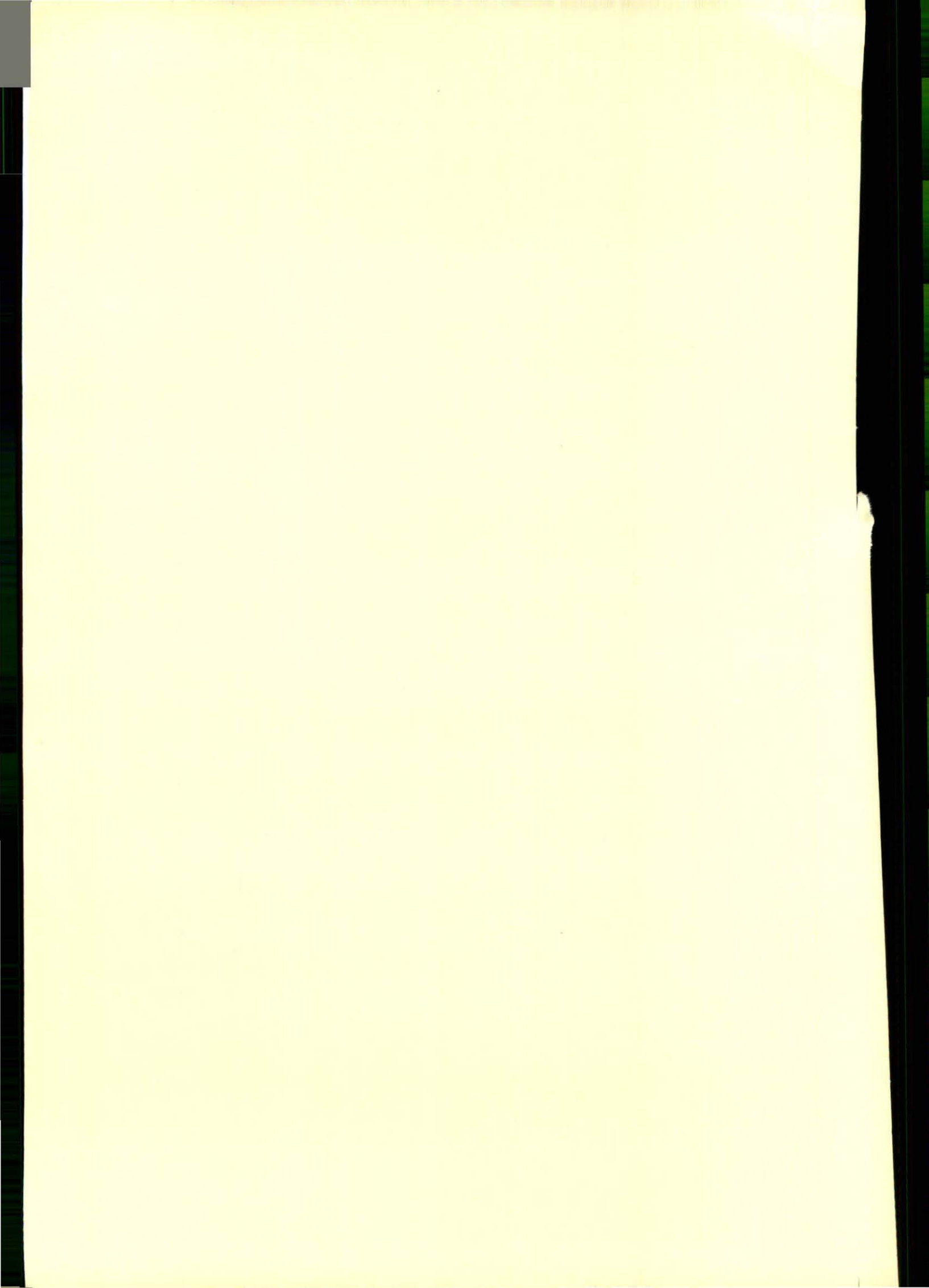
New Delhi  
The

  
(Vinod Rai)  
Comptroller and Auditor General of India





# APPENDICES





Appendix 1.1

Statement showing delay in release of funds.

(Reference: Paragraph 1.8.4; Page 7)

(Rupees in lakh)

Year	GOI Sanction Order No.	Date	Amount	GON Sanction Order No.	Date	No. of Days delay
2004-05	F.No.48(8)PFI/2004-157	24-11-04	277.00	DUDA/BADP-8/2005/380	31-03-05	81
				DUDA/BADP-8/2005/381	31-03-05	
	F.No.48(8)PFI/2004-282	23-03-05	139.00	DUDA/BADP-8/2005/503	16-12-05	70
2005-06	F.No.44(1)PFI/2005-124	15-12-05	139.00	DUDA/BADP-8/2005/503	16-12-05	-
2006-07	F.No.44(1)PFI/2006-70	30-08-06	500.00	ii.DUDA/BADP-9/2005/300	26-03-07	192
				DUDA(Scheme-13)/2005(Pt)/310	30-03-07	
	F.No.44(1)PFI/2006-192	19-12-06	499.00	DUDA/BADP-5/2007/	31-07-07	240
	F.No.44(1)PFI/2006-267	16-03-07	100.00	DUDA/BADP-8/2005/	13-04-07	14
2007-08	F.No.44(6)PFI/2007-115	23-08-07	601.67	ii.DUDA/BADP-5/2007	21-12-07	106
				DUDA/BADP-46/2003	28-03-08	203
	F.No.44(6)PFI/2007-244	18-01-08	333.33	DUDA/BADP-5/2007(Pt)	19-08-08	199
				DUDA/BADP-5/2007(Pt)	30-09-08	241
2008-09	F.No.44(5)PFI/2008-246	12-09-08	1035.00	DUDA/BADP-46/2003	08-12-08	73
				DUDA/BADP-5/2007(Pt)	20-03-09	175
				DUDA(Scheme-13)/2005(Pt-I)/	23.01.09	119
	F.No.44(5)PFI/2008-489	11-02-09	115.00	DUDA/BADP-5/2007	30-03-09	33
	F.No.44(5)PFI/2008-612	23-03-09	1524.47	DUDA/BADP-5/2007	10-07-09	95
2009-10	F.No.44(5)PFI/2009-229	20-08-09	1035.00	DUDA/BADP-5/2007	14-12-09	101
				No.2/1/2009-BADP	23-02-10	800.00

**APPENDIX-2.1**

**Statement showing the excess drawal of pay and allowances in respect of the establishment of Project Engineer, Police Engineering Project Division, Chumukedima**

**(Reference: Paragraph 2.2; Page 19)**

Sl. No.	Month of pay & allowances.	Bill No. and date	Treasury voucher no.	Net amount drawn (₹)	Actual net amount to be drawn as per pay bill. (₹)	Excess amount drawn (Col 4-Col 5) (₹)
1	September 2008	Not available	35 of 03/10/2008	636964	620044	16920
2	October 2008	Not available	143 of 03/11/2008	637627	586867	50760
3	November 2008	Not available	145 of 02/12/2008	659108	586708	72400
4	January 2009	Not available	59 of 02/02/2009	715646	646422	69224
5	February 2009	Not available	219 of 03/03/2009	711622	637702	73920
	February 2009	Not available	218 of 03/03/2009	417727	408487	9240
<b>Total</b>				<b>3778694</b>	<b>3486230</b>	<b>292464</b>



## APPENDIX-2.2

Statement showing the excess drawal of pay and allowances in respect of the establishment of the Superintendent of Police, Dimapur

(Reference: Paragraph 2.3; Page 19)

Sl. No.	Month of pay & allowances.	Bill No.	Net amount drawn (₹)	Actual net amount to be drawn as per pay bill. (₹)	Excess amount drawn (Col 4-Col 5) (₹)
1	March 2009	3 of 25.3.09	2865781	2707741	158040
2	April 2009	15 of 27.4.09	2952339	2800147	152192
3	May 2009	31 of 26.5.09	2896460	2742337	154123
4	June 2009	45 of 24.6.09	2923691	2775127	148564
5	July 2009	64 of 27.7.09	3000640	2911633	89007
6	August 2009	84 of 25.8.09	2984780	2879598	105182
7	September 2009	99 of 24.9.09	2970765	2935253	35512
8	October 2009	118 of 27.10.09	2863719	2795610	68109
<b>Total</b>			<b>23458175</b>	<b>22547446</b>	<b>910729</b>

**APPENDIX-2.3**

**Statement showing remittances to other divisions form bank accounts  
CA No.10530522804at SBI Main Branch, Kohima)**

**(Reference: Paragraph 2.4; Page 20)**

Date	Name of Division	Amount transferred as per cash Book (₹)	Page No. of Cash Book	Actual amount transferred as per Bank Statement (₹)	Cheque No	Difference (₹)
17.12.08	Phek	40,00,000	63	36,00,000	663371	4,00,000
18.12.08	Dimapur	3,30,00,000	64	2,97,00,000	663372	33,00,000
18.12.08	Pfutsero	25,00,000	64	22,50,000	663373	2,50,000
18.12.08	Zunheboto	2,30,00,000	64	2,07,00,000	663375	23,00,000
18.12.08	Mon	52,50,000	64	23,25,000	663379	29,25,000
18.12.08	Peren	25,00,000	64	22,50,000	663380	2,50,000
18.12.08	Aboi	25,00,000	64	22,50,000	663382	2,50,000
18.12.08	Mokokchung	47,50,000	64	42,75,000	663385	4,75,000
19.12.08	Atoizu	22,50,000	65	20,25,000	663386	2,25,000
19.12.08	Tsemenyu	25,00,000	65	20,50,000	663388	4,50,000
19.12.08	Baghty	63,50,000	65	57,15,000	663392	6,35,000
19.12.08	Construction, Kohima	50,00,000	65	45,00,000	663397	5,00,000
19.12.08	Longleng	77,50,000	65	69,75,000	663398	7,75,000
19.12.08	Wokha	52,50,000	65	47,25,000	663402	5,25,000
15.01.09	Tuli	15,00,000	158	13,50,000	663404	1,50,000
15.01.09	Mankolemba	12,50,000	158	11,25,000	663405	1,25,000
25.03.09	Zunheboto	19,00,000	163	18,05,000	663471	95,000
25.03.09	Pfutsero	28,50,000	163	27,07,500	663469	1,42,500
25.03.09	Atoizu	57,00,000	163	54,15,000	663467	2,85,000
25.03.09	Tuli	42,75,000	165	40,61,250	663484	2,13,750
25.03.09	Construction, Kohima	1,47,25,000	165	1,39,88,750	663486	7,36,250
25.03.09	Naginimora	14,25,000	165	13,53,750	663481	71,250
25.03.09	Peren	42,75,000	165	40,61,250	663482	2,13,750
25.03.09	Phek	14,25,000	165	13,53,750	663483	71,250
25.03.09	Longleng	99,75,000	165	94,76,250	663487	4,98,750
25.03.09	Baghty	28,50,000	165	27,07,500	663497	1,42,500
25.03.09	Tuensang	28,50,000	165	27,07,500	663498	1,42,500
25.03.09	Tsemenyu	4,75,000	165	4,51,250	663485	23,750
25.03.09	Changtongya	28,50,000	165	27,07,500	663488	1,42,500
25.03.09	Mankolemba	66,50,000	165	63,17,500	663499	3,32,500
25.03.09	Aghunato	14,25,000	166	13,53,750	663500	71,250
25.03.09	Dimapur	3,75,25,000	166	3,56,48,750	663504	18,76,250
25.03.09	Aboi	28,50,000	166	27,07,500	663503	1,42,500
31.03.09	Atoizu	36,11,000	170	34,30,000	663552	1,81,000



*Appendices*

12.04.09	Peren	3,00,00,000	73	2,55,00,000	663571	45,00,000
17.04.09	Tuensang	1,72,50,000	74	1,50,00,000	663580	22,50,000
17.04.09	Baghty	1,03,80,000	74	90,00,000	663581	13,80,000
17.04.09	Aboi	4,02,50,000	74	3,50,00,000	663582	52,50,000
17.04.09	Longleng	2,30,00,000	74	2,00,00,000	663584	30,00,000
17.04.09	Dimapur	42,69,000	74	40,50,800	663586	2,18,200
17.04.09	Dimapur	10,66,000	74	10,12,700	663592	53,300
17.04.09	Mon	27,88,000	75	26,48,600	663594	1,39,400
17.04.09	Construction, Kohima	25,42,000	75	24,14,900	663595	1,27,100
21.04.09	Phek	31,98,000	75	30,38,900	663599	1,59,100
21.04.09	Pfutsero	38,54,000	75	36,61,300	663600	1,92,700
21.04.09	Peren	22,14,000	75	21,03,300	206901	1,10,700
21.04.09	Mokokchung	8,20,000	76	7,79,000	206903	41,000
21.04.09	Tsemenyu	22,96,000	76	21,81,200	206906	1,14,800
21.04.09	Tuensang	33,62,000	76	31,93,900	206911	1,68,100
27.04.09	Aghunato	9,02,000	77	8,56,900	206924	45,100
27.04.09	Aboi	9,02,000	78	8,56,900	206930	45,100
27.04.09	Dimapur	30,00,000	78	28,50,000	206931	1,50,000
27.04.09	Pfutsero	5,00,000	79	4,75,000	206932	25,000
27.04.09	Kiphere	18,86,000	79	17,91,700	206938	94,300
27.04.09	Tuli	5,74,000	79	5,45,300	206943	28,700
30.04.09	Mankolemba	20,50,000	83	19,47,500	206944	1,02,500
11.05.09	Naginimora	8,20,000	172	7,79,000	206958	41,000
10.06.09	Wokha	18,04,000	89	17,13,800	209106	90,200
		<b>37,67,13,000</b>		<b>33,94,69,450</b>		<b>3,72,43,550</b>

APPENDIX – 2.4

Statement showing the excess amount of ACP Arrears drawn by Deputy Inspector of School, Aghunato.

(Reference: Paragraph: 2.6; Page 22.)

SI No	SI No of employee in ACPS Order	Name of Employee	Effective Date	Admissible			Inadmissible/ Double drawal Amount			
				Period of arrears	Amount (₹)	B/No&Date TV & Date	Period	Amount (₹)	B/No&Date TVNo&date	
1	112	Kiyelu, SIS	21/2/08	21/2/08 to 30/11/08	14182	258 of 11/08 182 of 17/12/08	21/7/08 to 31/3/09	23524	417 of 03/2009 182 of 31/3/09	
2	113	BB Mathia Mishra, GT		21/6/08 to 30/11/08	16799			23524		
3	114	Virendra Pandey, HGT	31/10/08	1/11/08 to 30/11/08	1895			1/11/08 to 31/03/09		8019
4	115	Z.V. Lucas, GT			18655					23524
5	116	R.P. Singh, HGT			13537					16968
6	117	K Shihevi, HGT			32087					19389
7	118	Khezheto, GT			16766					21623
8	119	P K Ghosh, GT			14807					19389
9	120	S Kumar, Gt			14807					19389
10	121	R K Singh, GT			15978					21623
11	122	Pramod Kumar, GT	21/2/08	21/2/08 to 30/11/08	13247				19389	
12	123	J Prasad, GT	21/2/08		14807				19389	
13	124	Subhas Prasad,GT			13259				16113	
14	125	A N Choudary,GT			14768				15245	
15	126	Chandra Pd Singh,GT			12702			21/2/08 31/3/09	13172	
16	127	P Tiwari, GT			14026				16341	
17	128	U K Singh			14027				15166	
18	129	H C Misra,GT			12461				14169	
19	130	Suman Bhagat,GT			14027				16113	
<b>Total</b>									<b>342069</b>	



APPENDIX – 2.5

Statement showing the excess amount of ACP Arrears drawn by Deputy Inspector of Schools, Zunheboto.

(Reference: Paragraph: 2.6; Page 22.)

Sl. No.	Sl No of employee in ACPS Order	Name of Employee	Effective Date	Admissible			inadmissible/ Double drawal Amount		
				Period of arrears	Amount (₹)	B/No & Date TV & Date	Period	Amount (₹)	B/No & Date TV No & date
1	70	Yekikhe, P/T	1/3/02	1/3/02 to 30/9/08	8337	291 of NIL	1/3/02 to 28/2/09	16520	523 of 2/ 09 139 of 27/03/09
2	71	Tokhevi,P/T	1/3/02	1/3/02 to 30/9/08	8304	149 of 6/11/08	1/3/02 to 28/2/09	8960	
3	74	V.Vikali,P/T	1/3/02	1/3/08 to 30/09/08	7631	302 of Nil 138 of 6/11/08	1/3/02 to 28/2/09	9060	
4	76	Y.khetoli,P/T	1/3/02	1/3/02 to 30/9/08	4129	301 of Nil 139 of 6/11/08	1/3/02 to 28/02/09	7571	523 of 2/09 139 of 27/03/09
5	79	K.Hotoli,A/T	1/03/02	1/3/02 to 28/2/09	4076	523 of 2/ 09 139 of 27/03/09	1/3/02 to 30/9/08	8337	300 of NIL 140 of 6/11/08
6	83	Y.Hokheli,A/T	13/3/04	13/3/04 to 30/9/08	6655	299 of NIL 141 of 6/11/08	13/3/04 to 28/2/09	9844	554 of 2/09 179 of 31/3/09
7	98	K.Nagatoli,A/T	26/4/04	26/4/04 to 30/9/08	6258	292 of NIL 148 of 6/11/08	26/4/04 to 28/2/09	9463	555 of 2/09 180 of 31/3/09
8	99	K.Xutovi,A/T	26/4/04	26/4/04 to 28/2/08	9463	521 of NIL 133 of 27/3/09	24/4/04 to 30/9/08	7359	292 of NIL 148 of 6/11/08
9	425	Ancily,G/T	21/2/08	01/2/08 to 31/01/09	9823	470 of 2/09 211 of 10/02/09	1/1/08 to 28/2/09	11422	545 of NIL 151 of 27/3/09
10	426	Hotoli G/T			6293		1/1/08 to 28/2/09	6552	547 of 3/ 09 152 of 27/03/09
11	427	P.K Jha G/T			7061		1/1/08 to 28/2/09	8222	545 of NIL 151 of 27/3/09
12	430	Hukheli G/T		01/2/08 to 31/01/09	6130		1/1/08 to 28/2/09	8182	547 of 3/ 09 152 of 27/03/09
13	431	Hovito G/T			4914		1/1/08 to 28/2/09	7362	545 of NIL 151 of 27/3/09
14	432	Hutoli G/T			6130		1/1/08 to 28/2/09	9986	547 of march 09
15	433	Tohei G/T			6130		1/1/08 to 28/2/09	9986	152 of 27/03/09
16	434	Toyevi G/T			1/1/08		1/1/08 to 28/2/09	9986	547 of 3/ 09 152 of 27/03/09

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17	435	S. Banerjee G/T	21/2/08	01/2/08 to 31/01/09	6757	470 of 2/09 211 of 10/02/09	1/1/08 to 28/2/09	7846	545 of NIL 151 of 27/3/09
18	436	Tokugha G/T			2813		1/1/08 to 28/2/09	9986	547 of 3/ 09 152 of 27/03/09
19	437	O.M Prakash G/T			10556		1/1/08 to 28/2/09	12318	545 of NIL 151 of 27/3/09
20	438	Keneth G/T			3516		1/1/08 to 28/2/09	12318	
21	439	B.P kutty G/T			5619		1/1/08 to 28/2/09	6552	
22	440	Vikheli G/T			6314		1/1/08 to 28/2/09	10816	547 of 3/ 09 152 of 27/03/09
23	441	Khezhetto G/T			10545		1/1/08 to 28/2/09	10816	
24	442	Khutoli G/T			6314		1/1/08 to 28/2/09	12296	545 of NIL 151 of 27/3/09
25	443	Vihuto G/T			7029		1/1/08 to 28/2/09	10816	547 of 3/ 09 152 of 27/03/09
	-do-	-do-					1/8/08 to 28/2/09	8182	545 of Nil 154 of 27/3/09
26	444	Lhogholi G/T			7029		1/1/08 to 28/2/09	10816	547 of 3/ 09
27	445	Kanilu G/T			7029		1/1/08 to 28/2/09	10816	152 of 27/03/09
28	447	Kukhavi G/T			4926		1/1/08 to 28/2/09	5344	545 of Nil 154 of 27/3/09
29	448	Hoito G/T			4926			5744	
30	449	Huqhetto G/T			3607			4206	
31	450	Ardo			5619			6552	
<b>Total</b>							<b>312673</b>		



APPENDIX – 2.6

Statement showing the excess amount of ACP Arrears drawn by Head Master Government High School, Aghunato.

(Reference: Paragraph: 2.6; Page 22.)

SI No	SI No of employee in ACPS Order	Name of Employee	Effective Date	Admissible			Inadmissible/ Double drawal Amount		
				Period of arrears	Amount (₹)	B/No & Date TV & Date	Period	Amount (₹)	B/No & Date TV No & date
1	448	Shri K Jakheho, GT	21/2/08	21/2/08 to 30/11/08	23096	44 of 11/08 63 of 11/12/08	01/8/07 to 30/11/08	43738	46 of 12/08 70 of 15/12/08
2	449	B.D Saikia, GT			19484		43738		
3	450	R.S Singh, GT			19191		23200		
4	451	Purlemla, GT			13645		18680		
5	452	Khetoli, GT			16269		23000		
6	453	Eunice, GT			16269		22744		
7	NA	R Kumar, GT	Name not available in the list of Employees to whom the ACP was granted by the Directorate of School Education.			21/2/08 to 30/11/08	23096	44 of 11/08 63 of 11/12/08	
<b>Total</b>								<b>198196</b>	

APPENDIX – 2.7

Statement showing excess payment to suppliers on procurement of GMS Pipes

(Reference: Paragraph: 2.8; Page 24.)

(Amount in rupees)

SI No.	Name of Supplier	Date of Supply Order	Name of PHED, Division	Amount paid (less CST/NST)	CST added @ 4 percent	CST applicable @ 3 percent	CST applicable @ 2 percent	Excess payment
1	Shri T.Sema	13-06-2007	Urban Division, Dimapur	69806922.86	2792276.91	2094207.69		698069.23
2	Shri K. Angami	01-10-2007	Store Division, Dimapur	63500319.00	2540012.76	1905009.57		635003.19
3	T. Sema	28-12-2007		46536973.00	1861478.92	1396109.19		465369.73
4	K. Angami	13-06-2007		69807087.00	2792283.48	2094212.61		698070.87
5	Kati AO	09-04-2008		13461831.00	538473.24	403854.93		134618.31
6	Kati AO	10-04-2008		5416568.00	216662.72	162497.04		54165.68
7	G Rio & Sons	09-04-2008		9436358.00	377454.32	283090.74		94363.58
8	Kati AO	09-04-2008		28277572.00	1131102.88	848327.16		282775.72
9	T. Sema	09-04-2008		20275989.00	811039.56	608279.67		202759.89
10	Paul Metha & Bros	20-05-2008		34599014.00	1383960.56	1037970.42		345990.14
11	Honlem Konyak	10-07-2008		16100065.00	644002.60		322001.30	322001.30
12	Shri T.Sema	06-10-2008		88712672.00	3548506.88		1774253.44	1774253.44
13	Paul Metha & Bros	06-10-2008		88712672.00	3548506.88		1774253.44	1774253.44
14	Paul Metha & Bros	13-02-2009		23361518.00	934460.72		467230.36	467230.36
15	Inaka Sumi	20-05-2008		22417482.00	896699.28		448349.64	448349.64
16	Paul Metha & Bros	10-02-2009		48214546.00	1928581.84		964290.92	964290.92
17	Inaka Sumi	12-08-2009		25873995.00	1034959.80		517479.90	517479.90
18	Paul Metha & Bros	11-01-2010		69988746.00	2799549.84		1399774.92	1399774.92
<b>Total:</b>				<b>744500329.86</b>	<b>29780013.19</b>	<b>830131336.17</b>	<b>7667633.92</b>	<b>11278820.26</b>

Say: Rs.1.13 crore



## APPENDIX-3.1

## Statement showing instances of payments made to officers/staff

(Reference: Paragraph 3.8.7; Page 40)

Sl No.	Name of scheme	Name of Payee	Date of payment	Amount paid (₹)
	<i>2009-10</i>			
1.	Farm Mechanisation	L.Mero	16.02.2010	40,36,000
2.	Farm Mechanisation	L Mero	05.05.2010	33,94,000
3.	Farm Mechanisation	L. Mero	05.05.2010	8,88,000
4.	Farm Water Development	L Mero	06.05.2010	70,00,000
5.	Farm Mechanisation	L. Mero	05.05.2009	28,80,000
6.	Agri Marketing	L. Mero	12.04.2010	22,00,000
5.	Oilseeds Development Programme	Howoto	22.04.2010	18,75,000
6.	Pulses Development Programme	Howoto	18.02.2010	30,00,000
7.	Pulses Development Programme	Howoto	19.03.2010	1,88,000
8.	Integrated Cereal Development Programme	Howoto	10.02.2010	45,00,000
9.	Integrated Cereal Development Programme	Howoto	16.02.2010	44,50,000
10.	Integrated Cereal Development Programme	Howoto	16.04.2010	44,75,000
11.	Development of Agri marketing	Inavi	09.04.2010	75,00,000
12.	Agri marketing	Inavi	13.04.2010	44,12,000
13.	Development of Agri Marketing and TPT	Inavi	14.04.2010	44,13,000
14.	Agri Marketing and quality control	Pungotso	12.04.2010	50,00,000
15.	Marketing Development and Post Harvest management	Pungotso	14.04.2010	73,77,120
16.	Agro Nag	Pungotso	06.11.2009	37,64,000
17.	Agro Nag	Pungotso	06.11.2009	19,71,040
18.	Buy back Policy	Pungotso	04.12.2009	3,00,00,000
	<b>Total:</b>			<b>10,33,23,160</b>

Appendix – 5.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2010 in respect of Government companies)

(Reference: Paragraph: 5.4; Page 64)

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>5</sup>				Loans <sup>**</sup> outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
<b>A. Working Government Companies</b>													
<b>FINANCE</b>													
1	Nagaland Industrial Development Corporation Ltd, Dimapur	Industries & Commerce	26.03.70	10.87	--	4.73	15.60	--	36.00	--	36.00	2.31:1 (2.29: 1)	93
<b>Sector wise total</b>				<b>10.87</b>	<b>-</b>	<b>4.73</b>	<b>15.60</b>	<b>-</b>	<b>36.00</b>	<b>-</b>	<b>36.00</b>	<b>2.31:1 (2.29: 1)</b>	<b>93</b>
<b>MANUFACTURING</b>													
2	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology & Mining	21.05.81	1.60	--	--	1.60	--	--	--	--	--	120
<b>Sector wise total</b>				<b>1.60</b>	<b>--</b>	<b>--</b>	<b>1.60</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>120</b>
<b>SERVICES</b>													
3	Nagaland Hotels Ltd, Dimapur	Industries & Commerce	17.03.82	0.07	--	0.40	0.47	2.23	--	--	2.23	4.74:1 (22.32:1)	
<b>Sector wise Total</b>				<b>0.07</b>	<b>-</b>	<b>0.40</b>	<b>0.47</b>	<b>2.23</b>	<b>--</b>	<b>--</b>	<b>2.23</b>	<b>4.74:1 (22.32:1)</b>	
<b>MISCELLANEOUS</b>													
4	Nagaland Handloom & Handicrafts Development Corporation Ltd., Dimapur	Industries & Commerce	27.02.79	5.92	1.14	--	7.06	--	0.73	--	0.73	0.10:1 (0.11:1)	--
5	Nagaland Industrial Raw materials Supply Corporation, Dimapur	Industries & Commerce	28.03.73	1.23	--	--	1.23	--	--	0.13	0.13	0.11:1 (0.46:1)	32
<b>Sector wise total</b>				<b>-</b>	<b>7.15</b>	<b>1.14</b>	<b>8.29</b>	<b>-</b>	<b>0.73</b>	<b>0.13</b>	<b>0.86</b>	<b>0.10:1 (0.16:1)</b>	<b>32</b>
<b>Total A(All sector wise working Government companies)</b>				<b>-</b>	<b>19.69</b>	<b>1.14</b>	<b>25.96</b>	<b>2.23</b>	<b>36.73</b>	<b>0.13</b>	<b>39.09</b>	<b>1.51:1 (1.82:1)</b>	<b>245</b>



Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>5</sup>				Loans <sup>**</sup> outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
<b>B. Non-working Government Companies</b>													
<b>MANUFACTURING</b>													
1.	*Nagaland sugar Mills Company Ltd.	Industries & Commerce	22.3.73	4.96	-	-	4.96	-	-	-	-	-	-
	<b>Sector wise total</b>	-	-	<b>4.96</b>	-	-	<b>4.96</b>	-	-	-	-	-	-
	<b>Total B(All sector wise non-working Government companies)</b>	-	-	<b>4.96</b>	-	-	<b>4.96</b>	-	-	-	-	-	-
<b>Grand Total (A+B)</b>				<b>24.65</b>	<b>1.14</b>	<b>5.13</b>	<b>30.92</b>	<b>2.23</b>	<b>36.73</b>	<b>0.13</b>	<b>39.09</b>	<b>1.26:1 (1.51:1)</b>	<b>245</b>

<sup>5</sup> Paid-up capital includes share application money.

<sup>\*\*</sup> Loans outstanding at the close of 2009-10 represent long-term loans only.

\* Figures of 1995-96 have been adopted as Company has not furnished information since 1996-97.

Appendix – 5.2

Statement showing equity, loan received out of the budget, grants and subsidy received/receivable guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010  
(Reference: Paragraph: 5.7; Page 65)

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment <sup>(d)</sup>	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
<b>A. Working Government Companies</b>													
<b>FINANCE</b>													
1	Nagaland Industrial Development Corporation Limited	1.50	--	2.20	4.24	--	6.44	36.00	--	--	--	--	--
<b>Sector wise total</b>		1.50	--	2.20	4.24	--	6.44	36.00	--	--	--	--	--
<b>MANUFACTURING</b>													
2..	Nagaland State Mineral Development Corporation Limited	--	--	-	4.22	--	4.22	--	--	--	--	--	--
<b>Sector wise total</b>		--	--	--	4.22	--	4.22	--	--	--	--	--	--
<b>MISCELLANEOUS</b>													
4.	Nagaland Handloom and Handicrafts Development Corporation Limited	0.25	--	--	3.75	--	3.75	--	--	--	--	--	--
5.	Nagaland Industrial Raw Materials Supply Corporation Limited	--	--	--	0.78	--	0.78	--	--	--	--	--	--
<b>Sector wise total</b>		0.25	--	--	4.53	--	4.53	--	--	--	--	--	--



Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment <sup>@</sup>	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
<b>Total A (All sector wise working Government companies)</b>		1.75	--	2.20	12.99	--	15.19	36.00	--	--	--	--	--
<b>B. Non-working companies</b>													
MANUFACTURING													
1.	Nagaland Sugar Mills company Ltd.												
<b>Grand Total (A + B)</b>		1.75	--	2.20	12.99	--	15.19	36.00	--	--	--	--	--

<sup>@</sup> Figures indicate total guarantees outstanding at the end of the year

Appendix 5.3

Summarised financial results of Government companies for the latest year for which accounts were finalised  
(Reference: Paragraph: 5.10; Page 66)

(Figures in column 5 (a) to (6) and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn over	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>a</sup>	Return on capital employed <sup>s</sup>	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>A. Working Government Companies</b>														
<b>FINANCE</b>														
1	Nagaland Industrial Development Corporation	2000-01 to 2003-04	2009-10	(-) 0.13	1.43	0.15	(-) 1.71	1.33	-	12.50	(-) 8.70	36.83	(-)0.28	--
<b>Sector wise total</b>				<b>(-) 0.13</b>	<b>1.43</b>	<b>0.15</b>	<b>(-) 1.71</b>	<b>1.33</b>	<b>-</b>	<b>12.50</b>	<b>(-) 8.70</b>	<b>36.83</b>	<b>(-)0.28</b>	<b>--</b>
<b>MANUFACTURING</b>														
2	Nagaland State Mineral development Corporation Ltd., Kohima	1998-99	2010-11	(-)0.64		0.17	(-)0.81	0.07	--	0.80	(-)7.68	6.83	(-)0.81	--
<b>Sector wise total</b>				<b>(-) 0.64</b>	<b>-</b>	<b>0.17</b>	<b>(-) 0.81</b>	<b>0.07</b>	<b>--</b>	<b>0.80</b>	<b>(-)7.68</b>	<b>6.83</b>	<b>(-)0.81</b>	<b>--</b>
<b>SERVICES</b>														
3	Nagaland Hotels Limited	1987-88	2001-02	--	--	--	--	--	--	--	--	--	--	--
<b>Sector wise total</b>				<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>MISCELLANEOUS</b>														
4	Nagaland Handloom and Handicrafts	1984-85 to	2010-11	(-)0.02	--	0.02	(-)0.00	2.27	--	3.01	(-)2.80	1.54	(-)0.00	--

<sup>a</sup> Paid up capital as on 31 March 1988 was ₹ 200 only



Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turn over	Impact of Accounts Comments	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>@</sup>	Return on capital employed <sup>s</sup>	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Development Corporation	1989-90												
5	Nagaland Industrial Raw Materials Supply Corporation	1983-84	2010-11	(-) 0.04	0.01	-	(-) 0.05	0.39	--	0.10	(-) 0.14	0.19	(-) 0.04	--
<b>Sector wise total</b>				(-) 0.06	0.01	0.02	(-) 0.05	2.66	--	3.11	(-) 2.94	1.73	(-) 0.04	--
<b>Total A (All sector wise working Government companies)</b>				(-) 0.83	1.44	0.34	(-) 2.57	4.06	--	16.41	(-) 19.32	45.39	(-) 1.13	--
<b>B. Non working Government companies</b>														
<b>MANUFACTURING</b>														
1	Nagaland Sugar Mills Company Ltd.	1977-78	1992-93	--	--	--	--	--	--	4.96	(-) 14.70	(-) 0.69	--	--
<b>Sector wise total</b>				--	--	--	--	--	--	4.96	(-)14.70	(-)0.69	--	--
<b>Total (All sector wise non-working Government companies)</b>				--	--	--	--	--	--	4.96	(-)14.70	(-)0.69	--	--
<b>Grand Total (A+B)</b>				(-)0.83	1.44	0.34	(-) 2.57	4.06	--	21.37	(-) 34.02	44.70	(-) 1.13	--

<sup>@</sup> Capital employed represents net fixed assets (including capital works-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).

<sup>s</sup> Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

