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

FOR THE YEAR ENDED 31 MARCH 2001

GOVERNMENT OF NAGALAND



**COMPTROLLER AND AUDITOR GENERAL OF INDIA
2002**

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COMMISSION OF INVESTIGATION

FOR THE YEAR ENDED 31 MARCH 2001

COMMISSION OF INVESTIGATION
COMPTROLLER AND AUDITOR
GENERAL OF THE

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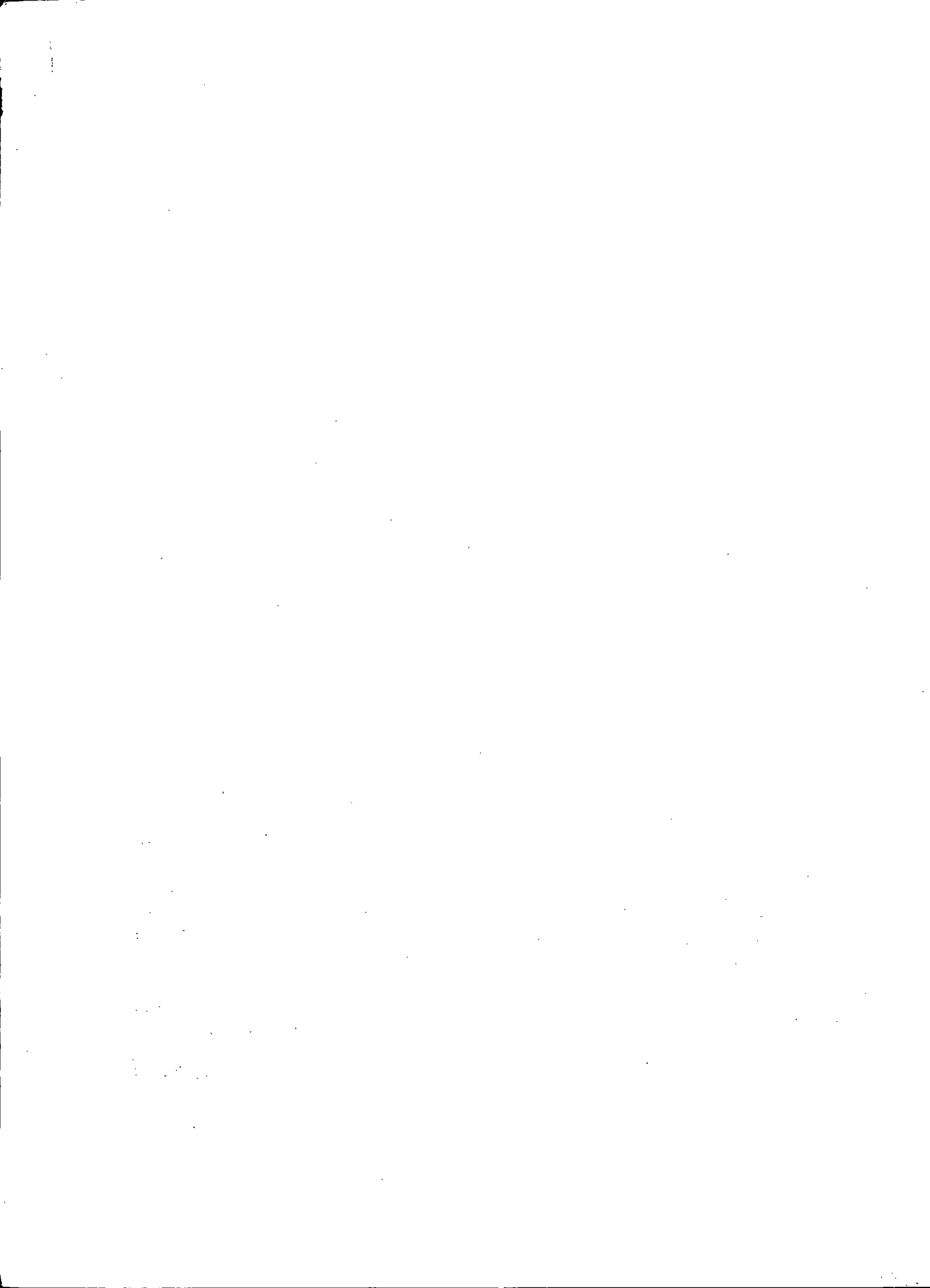
PREFACE

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

Chapter I and II of this Report respectively contain audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2001.

The remaining Chapters deal with the findings of performance audit and audit of transactions in various departments including the Public Works and Irrigation Departments and audit of Stores and Stock, Revenue Receipts, Government Companies and Statutory Corporations, Autonomous Bodies and departmentally run commercial undertakings.

The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2000-01 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 2000-01 have also been included wherever necessary.



O V E R V I E W

OVERVIEW

This Report includes two Chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2000-01 and six other Chapters with 7 audit reviews and 27 paragraphs dealing with the results of the audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview.

1. An overview of the finances of the State Government

Assets and liabilities

Assets of the State Government increased by 15 *per cent* from Rs.1804.59 crore in 1999-2000 to Rs.2079.08 crore in 2000-01, while liabilities increased by 19 *per cent* from Rs.1634.17 crore in 1999-2000 to Rs.1944.79 crore in 2000-01 indicating deterioration in the financial condition of the Government.

Revenue receipts

Revenue receipts of the State Government increased from Rs.1131.46 crore in 1999-2000 to Rs.1254.10 crore in 2000-01 registering an increase of 11 *per cent*. The increase was mainly on account of increase in grants-in-aid from the Central Government (Rs.545.08 crore), in addition to the increase of Rs.6.75 under State Tax Revenue, in relation to the year 1999-2000. The total receipts from the Central Government (Rs.1168.62 crore) during the year represented 93 *per cent* of the total revenue receipts (Rs.1254.10 crore), and 91 *per cent* of the revenue expenditure (Rs.1290.23 crore), Non-Tax revenue raised by the State, increased only by 0.95 *per cent* from Rs.38.86 crore in 1999-2000 to Rs.39.23 crore in 2000-01.

Revenue expenditure

Revenue expenditure of the State grew by 13 *per cent* from Rs.1140.80 crore in 1999-2000 to Rs.1290.23 crore in 2000-01 and constituted 85 *per cent* of total expenditure in 2000-01. This consisted of Non-Plan expenditure (57 *per cent*) and Plan component (34 *per cent*).

Capital expenditure

Capital expenditure increased by 67 *per cent* from Rs.134.61 crore in 1996-97 to Rs.224.40 crore during 2000-01, and constituted 15 *per cent* of the total

expenditure during the year. The capital expenditure was mainly under "Plan", and on Economic and Social Services.

During 2000-01, the State Government paid interest of Rs.177.09 crore on debt and other obligations and constituted 14 *per cent* of the Revenue expenditure. The interest burden also increased by 16 *per cent* over the previous year.

Investments and returns

The State Government invested Rs.2.99 crore during 2000-01. Of this, Rs.0.30 crore was invested in Government Companies, and Rs.2.69 crore in Co-operative institutions. With these fresh investments, the total investment of the Government as of March 2001 stood at Rs.51.04 crore. No dividend/interest was received by the Government on such investments.

Fiscal deficit

Fiscal deficit is the excess of revenue and capital expenditure (including net loans given), over revenue receipts (including grants-in-aid received). During 2000-01, fiscal deficit was Rs.271.43 crore, and recorded an increase of 98 *per cent* from Rs.137.07 crore in 1996-97 to Rs.271.43 crore in 2000-01.

Public debt and other liabilities

During the five years ending 2000-01, there was 151 *per cent* growth in internal debt, 73 *per cent* growth in loans and advances from Central Government and 64 *per cent* growth in other liabilities.

Ways and means Advances/Overdrafts

The Ways and Means Advances/Overdrafts obtained from Reserve Bank of India had increased (1788 *per cent*) from Rs.13.00 crore in 1996-97 to Rs.245.47 crore in 2000-01. Similarly, overdraft availed by Government had increased by 209 *per cent* over a period of 5 years ending March 2001. As of March 2001, Rs.69.29 crore on account of Ways and Means Advances and Rs.99.30 crore towards overdrafts were to be repaid by the Government.

Analysis of financial performance with indicators

Some of the major findings that emerged from analysis of financial performance of the State Government with various indicators were: - (i) the interest burden on the Government was substantial and showed a rise up trend; (ii) there was negative BCR in all the five years ending 2000-01, suggesting that Government had been depending heavily on borrowings for meeting its Plan and Non-plan expenditure, and (iii) the Government had not been earning any dividend/interest on investments.

(Paragraph 1)

2. Appropriation Audit and Control over expenditure

Excess expenditure over grants/appropriations not regularised for the past several years: Though it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1009.80 crore pertaining to the years from 1991-92 to 1999-2000 except 1992-93 was yet to be regularised.

Overall savings/excess

Against gross provision of Rs.2222.13 crore, gross expenditure during the year, was Rs.1923.64 crore. The overall saving of Rs.298.48 crore was the net effect of excess of Rs.51.81 crore 17 cases of grants and 1 appropriations, and saving of Rs.350.30 crore in 64 cases of grants and 5 cases of appropriations.

Supplementary grants

Supplementary grants of Rs.29.53 crore obtained in 24 cases proved unnecessary in view of aggregate saving of Rs.45.81 crore. In other 9 cases, supplementary provision of Rs.30.06 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.13.86 crore.

In 55 cases, against additional requirement of Rs.31.72 crore, supplementary provision of Rs.297.36 crore was obtained resulting in saving exceeding Rs.10 lakh in each case, aggregating Rs.265.64 crore

Surrender of savings

Against the total excess of Rs.51.81 crore available under 17 grants and appropriation during the year, savings aggregating Rs.144.18 crore available under 13 cases of grants (savings exceeded Rs.1 crore in each case) were not surrendered, though as per financial rules; spending dependants were required to surrender grants/appropriations to the Finance Department, as and when any saving was initiated. In 13 grants; against the available savings of Rs.31.55 crore, the amount surrendered was 41.24 indicating injudicious surrender of Rs.9.69 crore in excess of available savings.

Reconciliation of Departmental expenditure

Controlling officers were required to reconcile the departmental figure of expenditure, with those booked by the Sr. Deputy Accountant General (A&E) before closure of accounts for the year. But, such reconciliation in respect of Rs.88.56 crore had not been carried out by two controlling officers.

Abstract Contingent bills

33 Drawing and Disbursing officers of 6 Departments did not submit, as of December 2001, detailed countersigned contingent bills (DCC) for Rs.0.37 crore; drawn in 37 abstract contingent (AC) bills during the period May 1999 to August 2000. As per the Treasury Rules, DCC bills are required to be submitted to the Accountant General duly countersigned by the Controlling officer within 2 months of the drawals of AC bills.

(Paragraph 2)

3. AUDIT REVIEWS

3. Prevention and Control of Diseases

In order to contain the magnitude of the diseases causing major health problems, GOI started various Centrally sponsored Schemes grouped under a common heading "Prevention and Control of Diseases". A review of the implementation of the programme for the period from 1996-97 to 2000-01 by audit revealed that the main objective of the programme for prevention and control of diseases remained unfulfilled for lack of effective planning. Inadequate infrastructural facilities and poor performance of some of crucial functionaries plagued the programme. Non imparting of required training to key personnel adversely affected the programme.

A. National Blindness Control Programme

Against the requirement of 3025 cataract surgery per year as per norm at the rate of 250 per lakh population, the target fixed for cataract surgery ranged between 300 and 450 per year and the actual achievement thereagainst ranged between 224 and 430 during 1996-2001. This indicated a very poor performance in implementation of the programme.

The DM/Us are required to operate 1500 cataract surgery per year. At this rate, against the requirement of 4500 cataract surgery during 1998-2001, 12 cataract operations only were performed during the period indicating a shortfall of 99.97 per cent of prescribed standard.

(Paragraph 3.1)

B. National Tuberculosis Control Programme

Against the target of 7109 cases to be detected during 1996-2001, 6143 cases were detected of which 3151 cases were brought under treatment.

The State TB Control Society and 3 District TB Control Societies failed to utilise Central assistance of Rs.35.98 lakh out of the total grants of Rs.44.14 lakh received from GOI.

(Paragraph 3.2)

C. National AIDS Control programme

The Department reported expenditure of Rs.1169.60 lakh against the actual expenditure of Rs.840.06 lakh. Thus the expenditure was inflated by Rs.329.54 lakh on account of advance payments to Departmental officers and NGOs.

The programme funds of Rs.17.86 lakh was unauthorisedly diverted on procurement of vehicles.

The incidence of HIV/AIDS infection rate among STD patients and antenatal mothers was on much higher side and registered as of 2000 at 6.96 *per cent* and 1.63 *per cent* against the goal to be achieved below 1 *per cent*.

(Paragraph 3.3)

D. National Leprosy Eradication Programme

Of the Central assistance of Rs.39 lakh received from GOI during 1996-2001, the DHs and State Leprosy officer are suspected to have misappropriated Rs.37.02 lakh.

There was no impact on detection and treatment of leprosy cases during Modified Leprosy Eradication Campaign despite incurring of expenditure of Rs.68.55 lakh on campaign.

(Paragraph 3.4)

3.2 Modernisation of State Police Forces

The scheme "Modernisation of Police Forces" a centrally sponsored scheme was introduced by the Government of India during 1969-70 with a view to improving the efficiency and effectiveness of the State Police organisation. A review of the implementation of the scheme in the State during 1996-97 to 2000-2001 revealed the following points: -

In deviation to the norms and directives of the government of India, Rs.51.03 lakh was unauthorisedly/irregularly drawn by the Director General of Police for purchase of Bomb disposal (20.23 lakh), Training materials (28.23 lakh) and forensic science Laboratory equipments (2.57 lakh) which were not permissible under the scheme.

The Department irregularly issued Arms and Ammunitions worth Rs.75.71 lakh and vehicles worth Rs.82.42 lakh to special Nagaland Armed Police located at Delhi and to 9th NAP (Indian Reserve Battalion-IRB) located at Chumukedima though both the Battalions did not fall under the purview of the scheme.

The department made an irregular expenditure of Rs.47.98 lakh on procurement of inadmissible items, which were not envisaged in the scheme.

The Department furnished utilisation certificate of Rs.2.70 crore against actual expenditure of Rs.1.34 crore. Inflated expenditure was reported to Government of India for the sole purpose of obtaining more funds.

(Paragraph 3.5)

3.3 Functioning of Youth Resources and Sports Department

The Youth Resources and Sports Department was created in August 1993 to promote sports activities and overall development of youth in the State. The activities of the Department for the period 1996-2001 indicated that the department failed to achieve its objectives because of its faulty programme. All the activities of the Department were centered in Kohima district only, as a result the youth resources and sports activities of other 7 districts in the State remained grossly neglected.

Payment of Rs.1.82 crore to 494 beneficiaries towards 50 percent project cost under the scheme "Self Employment" proved infructuous due to failure of the Department to associate Banks in providing assistance.

The Department constructed youth Hostel in March 1987 at Dimapur at a total cost of Rs.64.78 lakh. The hostel could not be utilised after its construction and remained vacant for 11 years resulting in unproductive lacking up of funds.

The Department started (1975-76) construction of Sports Complex at Dimapur and suspended the construction in 1994 due to shortage of funds after incurring an expenditure of Rs.207.06 lakh. This indicated that work was taken up by the Department in ill-planned manner.

The department constructed five indoors stadia at a cost of Rs.3.88 crore. But the stadia so constructed remained grossly underutilised as no tournament was held in 4 stadia reportedly due to non availability of funds during the last five years ended March 2001.

(Paragraph 3.6)

3.4 Drinking water

(A) Accelerated Rural Water Supply programme

The scheme of Accelerated Rural Water Supply Programme aims to provide safe and adequate drinking facilities to the rural population. The poor achievement was mainly for unrealistic planning, non-utilisation of central fund resulted in reduction of central assistance financial irregularities, emphasis on non-priority scheme, procurement of materials without assessing requirement, non-receipt of materials on the advance payment.

These are highlighted below: -

-Central assistance of Rs.6.04 crores had been reduced during 2000-01 due to under utilisation of funds and shortfall in state's matching share.

-State sector BMS funds of Rs.28.58 crores were diverted for payment of salary to work charged staff and subsequently charged the expenditure to ongoing scheme to show the utilisation matching share under State sector schemes.

-BMS fund of Rs.1.56 crore for rural water supply programme were unauthorisedly diverted for repair/renovation of administrative building residential quarters and ground water exploration at Kohima town.

-The Department incurred expenditure of Rs.2.42 crore against habitation which were either under the covered habitation or existence of the habitation was not identified. Rs.6.18 crore was spent on fully covered habitation leaving a side 397 habitation uncovered.

-Rupees 0.26 crore provided for HRD activities were utilised for meeting the normal office expenditure of the Department.

-96 schemes approved under state sector (MNP) have been discontinued after incurring expenditure of Rs.2.16 crore upto March 1997

-Due to non completion of the scheme "providing water supply to Longkeim-Chare 21 villages" as of September 2001, the expenditure of Rs.1.63 crore incurred between 1991 and 1995 became wasteful.

(Paragraph 4.1)

3.5 Drinking Water

(B) Accelerated urban water supply programme

The programme was launched in March 1994 to provide financial support to the medium town having population below 20,000 as per 1991 census. The objective of the scheme was largely frustrated due to inadequate planning, inaccurate preparation of estimate, delay in completion, unauthorised extra expenditure extension of undue benefit to the contractor.

Audit review revealed that: -

-Rupees 0.50 crore of HUDCO loan remitted to Executive Engineer (PHE) Zunheboto was not accounted for, Rs.0.20 crore meant for Phek town project was diverted to Mokokchung town project.

-Department incurred expenditure of Rs.0.64 crore on non-priority work like construction of office building and procurement of fire fight vehicles outside the provision.

-Committed contribution of local bodies (5 percent) Rs.0.45 crore was not realised.

-There were cost over-run (Rs.1.96 crore) due to delay in execution, undue financial benefit to the contractor (Rs.0.18 crore), doubtful expenditure of (Rs.1.37 crore) on raw water raising mainline, unauthorised extra expenditure of Rs.0.32 crore and expenditure of Rs.0.98 crore on fictitious works was incurred on Phek and Zunheboto town project by the Executive Engineers (PHE) Phek and Zunheboto Division.

(Paragraph 4.2)

3.6 Integrated audit of Works and Housing Department including manpower management

The primary objective of Works and Housing Department was to construct maintain and repair of roads, bridges and government buildings. Working of the Department including Manpower Management was reviewed in audit.

Due to delayed release of loan received from LIC and NABARD and keeping money idle in Government Account, the Government paid interest of Rs.1.68 crore.

Despite receipt of fund of Rs.318.93 lakh, the implementing agencies lagged behind in programme implementation and kept money in the form of deposit-at-all. Out of which, Rs.213.60 lakh was encashed after retaining from 7 to 550 days which led to a loss of interest of Rs.4.86 lakh at Government borrowing rate.

The Department made excess entertainment of staff (1427 posts) over sanctioned posts which resulted in extra expenditure of Rs.2185.44 lakh.

The Department spent Rs.94.24 crore including Rs.34.51 crore from plan towards wages to work charged staff without work.

The department made unnecessary procurement of store materials without assessing requirement which resulted in idle outlay of Rs.284.20 lakh.

Due to delay in finalisation of tenders and handing over site, there was time overrun of 6 to 10 years and cost overrun of Rs.697.95 lakh in construction of officer's hostel at Kohima and Railway over bridge at Dimapur.

The Department made poor utilisation of machinery between 45 to 82 percent which resulted in wasteful expenditure of Rs.42.76 lakh on pay and allowance of 12 Drivers and handymen rendered idle.

(Paragraph 4.3)

3.7 Stores and Stock Management

The Stores and Stock Management in Police Department was flawed as requirements were not based on actual data or past consumption. Purchases were made centrally without assessment of requirement leading to locking up of large inventories and public funds.

The department procured anti-riot equipment in an unbridle manner and in excess of requirements of Rs.52.90 lakh though such equipment worth Rs.45.13 lakh was lying unutilised for more than 4 years.

The department procured (between April 1997 and July 1999) 4187 Bullet Proof Jackets of different categories at a total cost of Rs.3.86 crore. The jackets remained unutilised after its procurement due to their heavy weight. While, placing the supply orders, the department did not specify the weight and size of the jackets and this indicated that procurement was made without any proper planning.

Against the authorised reserve stock limit of Rs.25 lakh, the Police Engineering Project Division at Chumukedima accumulated stores exceeding the ceiling limit by Rs.25.59 crore. No reserve stock limit was prescribed for Police Central Store, Chumukedima and Police Engineering Project Division, Alichen. As a result

stock held by these store and division for Rs.176.92 lakh and 956 lakh was unauthorised.

(Paragraph 5.1)

3.8 Internal Control Mechanism of Sales Tax Department

Healthy administrative and sound financial management coupled with sound application of rules and regulations allows for efficient functioning of a Department. The levy, assessment and collection of Sales Tax is governed by Nagaland Sales Tax (NST) Act, 1967 and Rules 1970. The Department has, in pursuance of Sales Tax Act and Rules, prescribed Control register, Assessment and Demand collection register, movement register for proper control over registration of assesses, submission of returns and assessment and collection of taxes.

Out of 18,000 cases of assessment in 6 selected units, required to be finalised only 6697 cases were finalised during 1996-2001 registering a shortfall of 55 *per cent* to 69 *per cent* due to lack of a monitoring system for watching disposal of assessment cases.

Taxable turnover of Rs.84.12 crore in case of 21 dealers of Dimapur circle, was irregularly exempted which resulted in loss of revenue of Rs.6.68 crore for lack of internal control mechanism.

10 registered dealers of Dimapur circle concealed turnover of Rs.40.82 crore during the period from 1995-96 to 1999-2000 and this resulted in evasion of tax and penalty of Rs.9.33 crore. This indicated that internal control mechanism was either very poor or non-existent.

32 dealers of Dimapur and Kohima circle imported raw materials worth Rs.186.85 crore between 1995-96 to 1998-99. But not a single consignment was recorded in the movement register of the check gate at Dimapur. This resulted in evasion of tax of Rs.20.05 crore.

There was abnormal delay in disposal of appeal cases by the appellate authority which resulted in locking up of revenue amounting to Rs.4.14 crore.

(Paragraph 6.1)

4 Paragraphs**(a) Fraudulent drawal/misappropriation**

(i) Failure on the part of the Treasury Officer to exercise statutory checks resulted fraudulent drawal of pension for Rs.152.11 lakh by using identical computerised forms as are used by the A.G's Office.

(Paragraph 3.8)

(ii) Rupees 10 lakh being GPF non-refundable advance fraudulently drawn by the Deputy Inspector of School, Peren and payment made to the employees without documentary evidence and suspected misappropriation of Rs.1.54 lakh by reducing cash balance.

(Paragraph 3.15)

(iii) Due to omission to exercise the prescribed check by the Executive Engineer, PHE, Mokokchung, there was a fraudulent drawal of Rs.5.86 lakh through duplicate and triplicate copy of the supplier's bills.

(Paragraph 4.8)

(b) Avoidable/infructuous/extra expenditure/unauthorised/unnecessary purchase/excess payment/undue financial benefit/fictitious payment

(i) The Deputy Commissioner, Mokokchung incurred infructuous expenditure of Rs.63.28 lakh, on salaries to idle staff.

(Paragraph 3.13)

(ii) The Inspector General of Prisons, Kohima made payment of Rs.15 lakh to the contractor without execution of the work.

(Paragraph 3.14)

(iii) Due to non-procurement of the materials from the authorised dealer at manufacturers rate the General Manager, NST, Dimapur made an extra expenditure of Rs.117.61 lakh

(Paragraph 3.16)

(iv) Due to non-acceptance of lowest rates offered by the firms resulted in an extra expenditure on fabrication of bus bodies for Rs.32.16 lakh by the General Manager, NST, Dimapur.

(Paragraph 3.17)

(v) Due to arbitrary allowance of price escalation and enhancement the rate by the Chief Engineer, Power, the department incurred an extra avoidable expenditure of Rs.56.01 lakh on procurement of material.

(Paragraph 4.5)

(vi) Due to irregular allowance of interest beyond the period of final settlement of pending bills resulted in excess payment of Rs.24.04 lakh made by the Executive Engineer, PHE, Tuensang in addition to extra avoidable expenditure of Rs.66.66 lakh incurred thereon.

(Paragraph 4.6)

(vii) The contractor was allowed an undue financial benefit of Rs.33.28 lakh by the Executive Engineer, Referral Hospital, Dimapur by allowing advance payment in excess of stipulated limit involving loss of interest of Rs.32.95 lakh to the Government.

(Paragraph 4.9)

(c) Locking up of funds

(i) The Director, Food and Civil supplies, Dimapur had procured 17 mini trucks at a cost of Rs.70.42 lakh inspite of having a fleet of 66 Trucks led to locking up of Government funds and involving loss of interest of Rs.24.34 lakh to the government.

(Paragraph 3.10)

(ii) Lack of proper planning and co-ordination resulted in suspension of construction of Horangke Hydel Project and Rs.213.20 lakh spent on procurement of the machinery by the Executive Engineer, Hydro Electric Division, Kohima much in advance of requirement led to locking up of Government funds and also cost of fund by Rs.242.15 lakh.

(Paragraph 4.4)

(d) Other points of interest

(i) Rupees 120 lakh was drawn by the Director, Art and Culture, Nagaland, Kohima between March 1997 and March 2000 through AC bills for development works of second World War Museum at Kohima and kept in civil deposit by floating financial rules.

(Paragraph 2.21)

(ii) Rupees 269.03 lakh was drawn in advance of requirement by the Commissioner for procurement of 16,502 metre red blanket for Gaon Burahs/Dubashies and village guards resulted in loss of interest of Rs.14.70 lakh.

(Paragraph 2.22)

(iii) Medical reimbursement of Rs.115.40 lakh was made by the Chief Engineer (R&B) and Director of Health Services without supporting documents and due to laxity of the Director General of Police, Chief Engineer (R&B), Director of Health Services, Director of Food and civil supplies, Director of Rural Development Blocks resulted in non-adjustment of medical advance of Rs.91.41 lakh even after a lapse of 3 to 48 months.

(Paragraph 3.11)

(iv) Commandant 1st NAP Battalion, Chumukedima, Superintendent of Police, Phek and Tuensang failed to enforce recovery of Rs.108.08 lakh towards cost of Police guards against banks/agencies.

(Paragraph 3.12)

(v) Due to arbitrary action of the Minister and the Department of the Veterinary and Animal Husbandry Government unnecessarily incurred expenditure of Rs.42 lakh in payment of compensation to the suppliers.

(Paragraph 3.18)

5. Revenue

(e) Concealment of turnover/wrong assessment

Due to concealment of taxable turnover by a dealer resulted in evasion of tax amounting to Rs.9.63 lakh besides penalty of Rs.28.89 lakh was not levied.

(Paragraph 6.6)

Concealment of purchase value of raw materials by a dealer led to evasion of tax of Rs.3.88 lakh and penalty of Rs.10.92 lakh

(Paragraph 6.7)

Due to wrong assessment by the assessing authority the dealer escaped tax of Rs.6.19 lakh in addition to interest of Rs.3.09 lakh

(Paragraph 6.8)

(f) Loss of revenue/misappropriation

Government suffered loss of revenue of Rs.7.39 lakh due to irregular grant of exemption from payment of forest royalty.

(Paragraph 6.9)

Non-accounting of the revenue in Cash Book by the Executive Engineer, PHE Department, Kohima resulted in misappropriation of funds of Rs.2.21 lakh.

(Paragraph 6.10)

Non-accounting of revenue realised into the cash book resulted in misappropriation of funds of Rs.4.87 lakh

(Paragraph 6.11)

Government suffered loss of revenue of Rs.22.64 lakh due to non-deduction of works tax at source.

(Paragraph 6.12)

6. Commercial

(g) General

(i) There were six Government companies and nine departmentally managed Government commercial and quasi-commercial undertakings, in the State, as on 31 March 2001. The total investment in six Government companies (including one subsidiary) was Rs.57.88 crore (equity: Rs.18.74 crore; long term loans: Rs.29.53 crore and share application money: Rs.9.61 crore).

(Paragraph 8.1.1 & 8.1.2)

(ii) None of the Government companies had finalised their accounts for the year 2000-01. The extent of arrears ranged from nine to twenty three years. Proforma account of all the departmentally-managed Government commercial and quasi commercial undertakings were in arrears ranging from two years to thirty years.

(Paragraph 8.1.5.1 & 8.1.11)

CHAPTER I

AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

Introduction

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

Financial position of the State

1.2 In the Government accounting system comprehensive accounting of the fixed assets like land and buildings etc., owned by the Government is not done. However, the Government, accounts do capture the financial liabilities of the Government and the assets created out of the expenditure incurred by it. An abstract of such liabilities and the assets as on 31 March 2001, compared with the corresponding position on 31 March 2000 is given in the table below:-

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF NAGALAND ON 31 MARCH 2001

Table No.1.1

		(Rupees in crore)	
As on 31.03.2000	LIABILITIES	As on 31.03.2001	
681.45	Internal Debt		871.58
	Market loans bearing interest	578.11	
	Market loans not bearing interest	0.11	
	Loans from LIC	31.66	
	Loans from other institutions	192.41	
	Ways and Means Advances	69.29	
34.50	Overdrafts from Reserve Bank of India		99.30
430.01	Loans and Advances from Central Government		459.06
	Pre-1984-85 loans	27.55	
	Non-Plan Loans	61.11	
	Loans for State Plan Schemes	276.66	
	Loans for Central Plan Schemes	3.11	
	Loans for Centrally Sponsored Plan Schemes	10.93	
	Ways & Means Advances	75.00	
	Loans for Special Schemes	4.70	
0.35	Contingency Fund		0.35
373.04	Small Savings, Provident Funds, etc.		405.46
85.68	Deposits		90.25
2.83	Reserve Funds		3.49
26.31	Remittance Balances		14.30
170.42	Surplus on Government Account-		134.29
	Accumulated surplus upto 31 March 2000	170.42	
	Less deficit of current year	(-)36.13	
1804.59			2079.08
ASSETS			
1765.44	Gross Capital outlay on Fixed Assets-		1989.83
	Investments in shares of Companies, Corporations, etc.	51.04	
	Other capital outlay	1938.79	
41.48	Loans and Advances-		52.40
	Other Development Loans	47.92	
	Loans to Government servants' etc.	4.48	
1.89	Advances		1.93
56.11	Suspense and Miscellaneous Balances		71.54
(-) 60.33	Cash Balance		(-)36.62
	Cash in Treasuries and Local Remittances	0.17	
	Deposits with Reserve Bank	(-)127.56	
	Departmental Cash Balance including Permanent Advances	21.73	
	Investment of earmarked funds	9.74	
	Cash Balance Investments	59.30	
1804.59			2079.08

Source: Finance Accounts

1.3 While the liabilities consist mainly of internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay, loans and advances given by the State Government and the cash balances. It would be seen from the table that while the liabilities grew by 19 per cent from Rs.1634.17 crore in 1999-2000 to Rs.1944.79 crore during 2000-01, the assets grew by only 15 per cent from Rs.1804.59 crore in 1999-2000 to Rs.2079.08 crore during 2000-01, mainly as a result of revenue deficit of Rs.36.13 crore.

Sources and applications of funds

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

SOURCES AND APPLICATION OF FUNDS

Table No.1.2

		(Rupees in crore)	
		Sources	
1999-2000			2000-01
1,131.46	1. Revenue receipts		1254.10
15.98	2. Recoveries of Loans and Advances		6.45
231.11	3. Increase in Public debt other than overdraft		219.17
95.32	4. Net receipts from Public Account		11.17
	34.98	Increase in Small Savings	32.42
	58.27	Increase in Deposits and Advances	5.52
	(-) 1.46	Decrease in Reserve Funds	0.66
	(-) 4.09	Net effect of Suspense and Miscellaneous transactions	(-)15.42
	7.62	Net effect of Remittance transactions	(-)12.01
---	5. Overdrafts from Reserve Bank of India (Net)		64.80
1,473.87	Total		1555.69
		Application	
1,140.80	1. Revenue expenditure		1290.23
10.21	2. Lending for development and other purposes		17.35
179.34	3. Capital expenditure		224.40
9.19	4. Increase in closing cash balance		23.71
134.33	5. Reduction of overdraft payable to Reserve Bank of India		---
1,473.87	Total:-		1555.69

Source:- Finance Accounts

1.5 The main sources of funds include the revenue receipts of the Government, recoveries of the loans and advances, public-debt and the receipts in the Public Account. These are applied mainly on revenue and capital expenditure and for reduction of overdraft liability obtained from Reserve Bank of India. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. While their relative share went up from 76.77 per cent in 1999-2000 to 80.61 per cent during 2000-01, the share of recoveries of loans and advances remained stagnant at 1.08 per cent upto 1999-2000 but went down to 0.41 per cent, during 2000-01 the net receipts from the Public Account went down from 6.47 per cent in 1999-2000 to 0.72 per cent in 2000-01. This was mainly due to (decrease) of 480.53 (490-9.47) per cent in deposits and advances compared to last year. The share of receipts from Public Debt went down from 15.68 per cent to 14 per cent.

1.6 The funds were mainly applied for revenue expenditure, whose share went up from 77.40 per cent to 82.94 per cent, but remained marginally higher than the share of revenue receipts (80.61 per cent) in the total receipts of the State Government. This led to the revenue deficit of Rs.36.13 crore. While the percentage of capital expenditure went up from 12.17 per cent to 14.42 per cent, lending for development purposes both the absolute terms as also in percentage basis, went up from 0.69 per cent to 1.12 per cent. Balance funds were utilised in repayment of overdrafts from RBI (4.17 per cent) and increase in closing balance (1.52 per cent).

Financial operations of the State Government

1.7 Table No.1.14 gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1290.23 crore) during the year exceeded the revenue receipts (Rs.1254.10 crore) resulting in a revenue deficit of Rs.36.13 crore. The revenue receipts comprised Tax Revenue (Rs.46.25 crore), Non-tax Revenue (Rs.39.23 crore), State's share of Union Taxes and Duties (Rs.96.48 crore) and Grants-in-Aid from the Central Government (Rs. 1072.14 crore). The main sources of own tax revenue were sales tax (59 per cent), State Excise (4 per cent), Taxes on Vehicles (11 per cent) and stamps and registration fees (4 per cent). Non-tax revenue came mainly from interest receipts (9 per cent), Other Administrative Services (5 per cent), Housing (6 per cent), Forestry and Wildlife (7 per cent), Power (51 per cent) and Road Transport (13 per cent).

1.8 The capital receipts comprised Rs.6.45 crore from recoveries of loans and advances and Rs.335.97 crore from public debt. Against this, the expenditure was Rs.224.40 crore on capital outlay, Rs.17.35 crore on disbursement of loans and advances and Rs.52 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.601.87 crore, against which the disbursements made were Rs.590.70 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs.23.71 crore in the cash balance which brought down the negative balance of Rs.60.33 crore at the beginning of the year to Rs.36.62 crore at the year end.

1.9 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in table under paragraph 1.3 and the time series data for the five year's period from 1996-97 to 2000-01 presented in the table given below.

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

Table No.1.3

	1996-97	1997-98	1998-99	1999-2000	2000-01
(Rupees in crore)					
Part A. Receipts					
I. Revenue Receipts	855.13	860.99	989.38	1131.46	1254.10
(i) Tax Revenue	32.59 (4)	31.57 (4)	30.56 (3)	39.50 (3)	46.25(4)
Sales Tax	16.15 (50)	16.52 (52)	16.10 (53)	23.04 (58)	27.30(59)
State Excise	2.00 (6)	2.10 (7)	1.89 (6)	1.73 (4)	1.77(4)
Taxes on vehicles	3.88 (12)	3.86 (12)	4.37 (14)	4.59 (12)	5.28(11)
Stamps and Registration fees	5.76 (18)	3.66 (12)	1.94 (6)	1.85 (5)	1.77(4)
Land Revenue	0.16 (*)	0.08 (*)	0.12 (*)	0.26 (*)	0.35(1)
Other Taxes	4.64 (14)	5.35 (17)	6.14 (20)	8.03 (20)	9.78(21)
(ii) Non Tax Revenue	33.45 (4)	27.52 (3)	44.15 (5)	38.86 (3)	39.23(3)
(iii) State's share in Union taxes and duties	274.75 (32)	380.81 (44)	437.19 (44)	526.04 (47)	96.48(8)
(iv) Grants in aid from GOI	514.34 (60)	421.09 (49)	477.48 (48)	527.06 (47)	1072.14(85)
2. Misc. Capital Receipts	---	---	---	---	---
3. Total revenue and Non-debt capital receipt (1+2)	855.13	860.99	989.38	1131.46	1254.10
4. Recoveries of Loans and Advances	4.08	4.45	13.18	15.98	6.45
5. Public Debt Receipts	99.29	242.57	394.17	344.23	335.97
Internal Debt (excluding Ways & Means Advances and Overdrafts)	63.54	83.84	104.65	167.24	163.05
Net transactions under Ways and Means Advances and Overdraft	---	122.14	72.69	---	123.34
Loans and Advances from Government of India ¹	35.75	36.59	216.83	176.99	49.58
6. Total receipts in the Consolidated Fund (3+4+5)	958.50	1108.01	1396.73	1491.67	1596.52

¹ Includes Ways & Means Advances from Government of India.

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
7. Contingency Fund Receipts	---	---	---	---	---
8. Public Account receipts	367.24	343.25	427.00	538.71	601.87
9. Total receipts of the State (6+7+8)	1325.74	1451.26	1823.73	2030.38	2198.39
Part B. Expenditure/Disbursement					
10. Revenue Expenditure	847.31	988.18	1,012.40	1140.80	1290.23
Plan	172.44 (20)	199.68 (20)	205.94 (20)	229.38 (20)	231.00(18)
Non-Plan	674.87 (80)	788.50 (80)	806.46 (80)	911.42 (80)	1059.23(82)
General Services (including interest payments)	352.90 (41)	417.96 (42)	460.41 (45)	544.60 (48)	623.33(48)
Social Services	242.57 (29)	262.81 (27)	293.78 (29)	330.39 (29)	351.15(27)
Economic Services	251.84 (30)	307.41 (31)	258.21 (26)	265.81 (23)	315.75(25)
Grants-in-aid and contribution	---	---	---	---	---
11. Capital Expenditure	134.61	133.69	155.78	179.34	224.40
Plan	132.38 (98)	132.99 (99)	151.83 (97)	179.21 (100)	215.85(96)
Non-Plan	2.23 (2)	0.70 (1)	3.95 (3)	0.13 (*)	8.55(4)
General Services	13.13 (10)	9.88 (8)	10.63 (7)	11.80 (7)	28.51(13)
Social Services	57.09 (42)	49.94 (37)	55.19 (35)	77.11 (43)	81.02(36)
Economic Services	64.39 (48)	73.87 (55)	89.96 (58)	90.43 (50)	114.87(51)
12. Disbursement of Loans and Advances	14.36	8.27	19.11	10.21	17.35
13. Total (10+11+12)	996.28	1130.14	1187.29	1330.35	1531.98
14. Repayments of Public Debt	30.99	31.12	207.26	247.45	52.00
Internal Debt (excluding Ways & Means Advances and Overdrafts)	19.37	17.46	22.53	31.19	31.47
Net transactions under Ways and Means Advances and Overdraft	---	---	---	149.58	---
Loans and Advances from Government of India ²	11.62	13.66	184.73	66.68	20.53
15. Appropriation to Contingency Fund	---	---	---	---	---
16. Total disbursement out of Consolidated Fund (13+14+15)	1027.27	1161.26	1394.55	1577.80	1583.98
17. Contingency Fund disbursements	---	---	---	---	---
18. Public Account disbursements	359.06	291.90	396.22	443.39	590.70
19. Total disbursement by the State (16+17+18)	1386.33	1453.16	1790.77	2021.19	2174.68
Part C. Deficits					
20. Revenue Deficit (1-10)(-)/Surplus (+)	(+) 7.82	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13
21. Fiscal Deficit (3+4-13)	137.07	264.70	184.73	182.91	271.43
22. Primary Deficit (21-23)	46.87	152.08	49.90	30.63	94.34
Part D. Other data					
23. Interest payments (included in revenue expenditure)	90.20	112.62	134.83	152.28	177.09
24. Arrears of Revenue (Percentage of Tax & Non-Tax Revenue Receipts)	5.62 (9)	12.38 (21)	26.22 (35)	@	@
25. Financial assistance to local bodies etc.	22.50	23.99	18.30	31.94	19.12
26. Ways and Means Advances/Overdrafts availed (days)	13.00 (5)	364.94 (96)	402.49 (40)	195.29 (74)	454.04(192)
27. Interest on WMA/Overdraft	0.03	0.90	0.94	1.22	21.14
28. Gross State Domestic Product (GSDP)	1914.04	2324.10	NA	NA	@
29. Outstanding Debt (year end)	650.84	862.28	1,049.18	1145.96	1429.93
30. Outstanding guarantees (year end)	@	@	@	@	@
31. Maximum amount guaranteed (year end)	NIL	NIL	NIL	@	@
32. Number of incomplete projects	@	@	@	@	@
33. Capital blocked in incomplete projects	@	@	@	@	@

Source: Finance Accounts.

1.10 Expenditure (Rs.1514.63 crore) during the year 2000-01 registered an increase of 15 per cent (Rs.194.49 crore) over that of 1999-2000 (Rs.1320.14 crore). Financial operatives of the Government resulted in a fiscal deficit of Rs.271.43 crore, which met by additional market borrowings, overdraft from RBI and use of surplus from Public Account.

@ Information awaited from the Government (January, 2002).

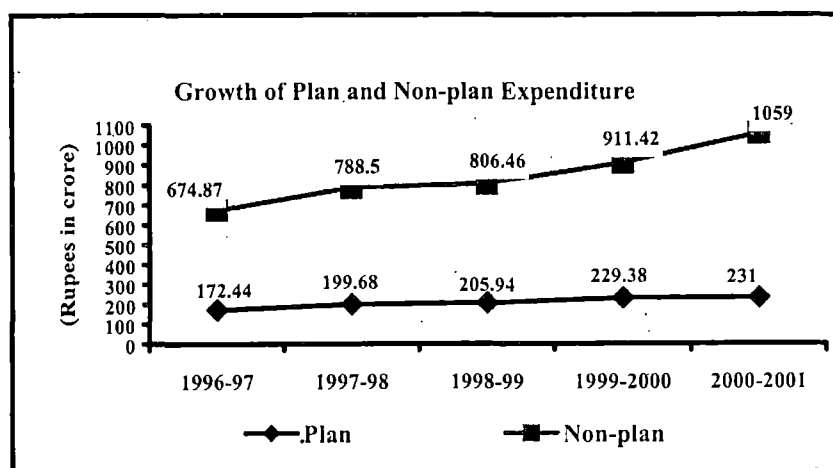
Note: Figures in brackets represents percentages (rounded off) to total of each sub-heading. (*) indicates negligible percentage.

per cent during 2000-01; this was mainly due to increase (from 60 per cent to 85 per cent) in the grants-in-aid from GOI.

Revenue expenditure

1.15 The revenue expenditure accounted for most (85 per cent) of the expenditure of the State Government and increased by 13 per cent during 2000-01. Nearly 82 per cent of total revenue expenditure consisted of Non-Plan expenditure. Non-Plan component of revenue expenditure also recorded a higher average of annual growth of 11.03 per cent during 1996-2001, compared to an annual growth of 7.5 per cent in the Plan expenditure. Growth of Plan and Non-Plan revenue expenditure can be seen in Chart No.1.2. below:

Chart No.1.2



1.16 Sector-wise analysis shows that while the expenditure on General Services increased by 70 per cent, from Rs.262.70 crore in 1996-97 to Rs.446.24 crore in 2000-01, the corresponding increases in expenditure on Social Services and Economic Services from Rs.242.57 crore to Rs.351.15 crore and Rs.251.84 crore to Rs.315.75 crore were only 45 and 25 per cent respectively. As a proportion of total expenditure, the share of General Services increased from 31 per cent in 1996-97 to 35 per cent in 2000-01, whereas the share of Social Services and Economic Services decreased from 29 and 30 per cent in 1996-97 to 27 and 25 per cent in 2000-01 respectively.

Interest payments

1.17 Interest payments increased steadily by 96 per cent from Rs.90.20 crore in 1996-97 to Rs.177.09 crore in 2000-01. This is further discussed in the Section on Financial indicators.

Financial assistance to local bodies and other institutions

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

Table No.1.4

		1996-97		1997-98		1998-99		1999-2000		2000-01	
		Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans
<i>(Rupees in crore)</i>											
(A)	Universities and Educational Institutions	0.25	---	0.24	---	0.42	---	0.42	---	0.94	---
(B)	Municipal Corporations	---	---	---	---	---	---	---	---	---	---
(C)	Zila Parishad	---	---	---	---	---	---	---	---	---	---
(D)	Development Agencies	16.40	---	12.53	---	12.77	---	13.57	---	13.01	---
(E)	Hospitals and other Charitable Institutions	0.53	---	0.03	---	2.02	---	0.02	---	---	---
(F)	Other Institutions	5.32	7.27	11.19	2.59	3.09	2.74	17.93	8.42	5.17	---
Total		22.50	7.27	23.99	2.59	18.30	2.74	31.94	8.42	19.12	---
Percentage of growth over previous year		161	14	7	(-) 64	(-) 24	6	75	207	(-)40	---
Assistance as percentage of Revenue expenditure		3	0.86	2	0.26	2	0.27	3	0.74	1	---

Source: Detailed Appropriation Accounts

1.19 The assistance to the local bodies and other institutions went down during 2000-01. The financial assistance to universities and educational institutions went up by 276 per cent from Rs.0.25 crore in 1996-97 to Rs.0.94 crore in 2000-01. Other institutions witnessed decrease of 3 per cent from Rs.5.32 crore in 1996-97, Rs.5.17 crore in 2000-01. Although, the loans declined sharply to nil during 2000-01.

Loans and Advances by the State Government

1.20 The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, co-operatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that, after continuous improvement in repayment of loans and advances for four years, there was a sharp fall (60 per cent) in the last year i.e., 2000-01.

Table No.1.5

	<i>(Rupees in crore)</i>				
	1996-97	1997-98	1998-99	1999-2000	2000-01
Opening balance	27.24	37.52	41.34	47.26	41.49
Amount advanced during the year	14.36	8.27	19.10	10.21	17.35
Amount repaid during the year	4.08	4.45	13.18	15.98	6.45
Closing balance	37.52	41.34	47.26	41.49	52.39
Net addition	10.28	3.82	5.92	(-) 5.77	10.90
Interest received	0.19	0.49	0.54	0.65	0.73

Source: Finance Accounts

1.21 Though the Departmental authorities and Controlling Officers were required to furnish information about the arrears in recovery (principal as well as interest) of loans as on 31 March 2001 to the Sr. Deputy Accountant General (Accounts and Entitlements) by June, the information is awaited (January 2002) despite reminders.

Capital expenditure

1.22 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e., Public Sector Undertakings (PSUs), Corporations, etc., and loans and advances. The share of capital expenditure (Rs.224.40 crore) to the

total expenditure (Rs.1514.63 crore) increased marginally by 1 per cent in 2000-01 over that of 1999-2000. Capital expenditure was mainly on plan works under Social Services (36 per cent), Economic Services (51 per cent) and General Services (13 per cent).

Quality of expenditure

1.23 Government spends money for different activities, ranging from maintenance of law and order and regulatory functions to various developmental activities. Government expenditure is broadly classified into Plan and Non-Plan and revenue and capital. While the Plan and Capital expenditure are usually associated with asset creation, the Non-Plan and revenue expenditure are identified with expenditure on establishment, maintenance and services.

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

1.25 The following table No.1.6 lists out the trend in these indicators:

Table No.1.6

	1996-97	1997-98	1998-99	1999-2000	2000-01
1. Plan expenditure as a percentage of:-					
Revenue expenditure	20	20	20	20	18
Capital expenditure	98	99	97	100	96
2. Capital expenditure (per cent)	14	12	13	14	15
3. Expenditure on General Services (per cent)					
Revenue	31	31	32	35	48
Capital	10	8	7	7	13
4. Amount of wastage and diversion of funds detected during test audit (Rupees in crore)	0.75	0.65	18.99	257.43	46.33

Source: Finance Accounts and Audit Report

1.26 It would be seen that, the share of Plan expenditure on the revenue side has remained static (20 per cent) from 1996-97 to 1999-2000 and thereafter decreased by 2 per cent, while the share of the capital sector has been increasing from 1996-97 to 1999-2000 excepting 1998-1999 and thereafter decreased in 2000-01. However, from 1996-97 on wards, the share of expenditure on General Services, has increased on the revenue side, and declined on the capital side upto 1999-2000 but increased again in 2000-01. The substantial amounts of wastage and diversion of funds detected during test audit negatively impinged on the quality of expenditure as brought out in the succeeding paragraphs and reviews.

Financial management

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

Investments and returns

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

Table No.1.7

(Rupees in crore)				
	Sector	Number of concerns	Amount invested	
			As on 31.3.2001	During 2000-01
(1)	Statutory Corporations	1	0.04	---
(2)	Government Companies	5 ²	26.15 ³	0.30
(3)	Joint Stock Companies	2	6.91	---
(4)	Co-operative Institutions	@	17.94	2.69
Total:-			51.04	2.99

Source: Finance Accounts

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

Table No.1.8

(Rupees in crore)				
Year	Investment at the beginning of the year	Return	Total interest liability	Rate of interest on Government borrowing (%)
1996-97	32.09	NIL	4.43	13.85 (May 1996) 13.75 (January 1997)
1997-98	35.61	*	4.67	13.05 (May 1997)
1998-99	41.59	NIL	5.13	12.15 (April 1998) 12.50 (October 1998)
1999-2000	46.70	---NIL	5.63	12.25 (April 1999) 11.85 (September 1999)
2000-01	48.05	**	5.13	10.52 (April 2000) 10.82 (July 2001)
Total:-			24.99	

Source: Finance Accounts

1.30 Thus, even while the Government was raising high cost borrowings from the market, it had been increasing the investments in the above institutions by borrowing from the open market year after year without getting any return

² Excludes one subsidiary company, i.e. Nagaland Hotels Ltd.

³ Investment shown here is as per Finance Accounts 2000-01.

@ Information is awaited from Government (January, 2002).

* Rs.2000 received as dividend.

** Information regarding dividend is awaited from Government.

therefrom. During the last five years alone, interest liability on the investments made out of borrowed funds at the prevailing market borrowing rates worked out to Rs.24.99 crore which represents 49 *per cent* of the total investments of Rs.51.04 crore made as on March 2001. As on 31 March 2001, five of the Government companies in which Government had invested Rs.51.04 crore had accumulated losses of Rs.6.63 crore.

Arrears of revenue

1.31 The arrears of revenue pending collection as of March 1999 increased by 112 *per cent*. The outstanding arrears registered a secular increase during the preceding four years (table under paragraph 1.8) and their percentage increased from 4 *per cent* of the revenue raised during 1994-95 to 35 *per cent* during 1998-99. Of the arrears of Rs.26.22 crore as of March 1999, Rs.4.47 crore (17 *per cent*) were pending for more than five years, and pertained mainly to Sales Tax (Rs.3.74 crore) and Central Sales Tax (Rs.0.71 crore) and Professional Tax (Rs.0.02 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

1.32 Information regarding arrears of revenue for the year 1999-2000 and 2000-2001 was not furnished by the Department (January 2002) despite repeated reminders.

Ways and Means Advances and Overdrafts

1.33 Under an agreement with the Reserve Bank of India, the State Government had to maintain with the Bank a minimum daily cash balance of Rs.0.10 crore. If the balance fell below the agreed minimum on any day, the deficiency had to be made good by taking Ways and Means Advances (WMA)/Overdrafts (OD) from the Bank. In addition, special WMA are also made by the Bank whenever necessary. Recourse to WMA/OD means a mismatch between the receipts and expenditure of the Government, and hence reflects poorly on the financial management of the Government. During the year 2000-01, Government obtained Rs.245.47 crore as Ways and Means Advances on 136 days in addition to the outstanding balance of Rs.10.75 crore from the preceding year. Against this, only Rs.186.93 crore was repaid, leaving an outstanding balance of Rs.69.29 crore on 31 March 2001.

1.34 The Ways and Means Advances obtained had increased from Rs.13.00 crore in 1996-97 to Rs.245.47 crore in 2000-01 indicating an increase of 1788 *per cent*. Similarly, overdraft availed by the Government during 2000-01 was Rs.208.57 crore in addition to the opening balance of Rs.34.50 crore at the beginning of the year. Of this, Rs.143.77 crore was repaid with interest of Rs.20.60 crore leaving an outstanding balance of Rs.99.30 crore at the end of the year. The overdrafts obtained (gross) had increased by Rs.208.57 crore in 2000-01 w.e.f. 1996-97 constituting an increase of 209 *per cent*. The Government was increasingly depending on overdrafts/ways and means advances for meeting its financial requirements.

Deficit

1.35 Deficits in Government account represent gaps between the receipts and expenditure. The nature of deficit is an important indicator of the prudence of

financial management of the Government. Further, the ways of financing the deficit, and the application of the funds raised in this manner, are important pointers of the fiscal prudence of the Government. The discussion in this section relates to three concepts of deficit viz., Revenue Deficit, Fiscal Deficit and Primary Deficit.

1.36 The Revenue Deficit is the excess of revenue expenditure over revenue receipts. The Fiscal Deficit may be defined as the excess of revenue and capital expenditure (including net loans given) over the revenue receipts (including grants-in-aid received and certain non-debt capital receipts). Primary Deficit is fiscal deficit less interest payments. The following exhibit gives a break-up of the deficits in Government account:

OVERALL FINANCIAL TRANSACTIONS OF GOVERNMENT

Table No.1.9

(Rupees in crore)				
CONSOLIDATED FUND				
RECEIPT	Amount	DISBURSEMENT	Amount	
Revenue	1254.10	Revenue deficit: 36.13	Revenue	1290.23
Misc. capital receipts	---		Capital	224.40
Recovery of loans & advances	6.45		Loans & advances disbursement	17.35
Sub-total:	1260.55	Gross fiscal deficit: 271.43	Sub-total:	1531.98
Public debt receipts	335.97		Public debt repayment	52.00
Total:	1596.52	A: Surplus in Consolidated Fund: 12.54	Total:	1583.98
RECEIPT	Amount	DISBURSEMENT	Amount	
PUBLIC ACCOUNT				
Small savings, PF etc.	98.83		Small savings, PF etc.	66.41
Deposits & advances	100.01		Deposits & advances	94.58
Reserve funds	0.84		Reserve funds	0.18
Suspense & Misc.	46.85		Suspense & Misc.	62.27
Remittances	355.25		Remittances	367.26
Total: Public Account	601.87	B-Surplus in Public Account: 11.17 Surplus utilised as under: (i) Increase in closing cash balance: 23.71 (ii) Financed Surplus in Consolidated Fund: 12.54	Total: Public Account	590.70

Source: Finance Accounts

1.37 The above table No.1.9 shows that gross fiscal deficit of Rs.271.43 crore was financed by net proceeds of Public Debt. The balance surplus of Rs.12.54 crore (Rs.283.97 crore – Rs.271.43 crore) in the PublicDebt and Surplus of Rs.11.17 crore in the Public Account led to increase in the closing cash balance which brought down the negative cash balance to Rs.36.62 crore at the end of current year against the negative cash balance of Rs.60.33 crore at the end of preceding year.

1.38 Table under paragraph 1.8 shows that except for 1996-97, the State had a revenue deficit every year during 1996 to 2001. The fiscal deficit had increased from Rs.137.07 crore in 1996-97 to Rs.271.43 crore in 2000-01 registering a increase of 98 per cent during the five years ending March 2001, and was highest during the year 2000-01 (Rs.271.43 crore).

Application of the borrowed funds (Fiscal Deficit)

1.39 The fiscal deficit (FD) represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for meeting Capital Expenditure (CE) and for giving loans to various bodies for developmental and other purposes. The relative proportions of these

applications would indicate the financial prudence of the State Government and also the sustainability of its operations because continued borrowing for revenue expenditure would not be sustainable in the long run. The following table shows the position for the last five years:-

Table No.1.10

Ratio of	(Rupees in lakh)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
RD/FD	(-) 0.06	0.48	0.13	0.05	0.13
CE/FD	0.98	0.51	0.84	0.98	0.83
Net loans/FD	0.08	0.01	0.03	(-) 0.03	0.04
Total	1.00	1.00	1.00	1.00	1.00

Source: Finance Accounts

Guarantees given by the State Government

1.40 Guarantees given by the State Government for due discharge of certain liabilities like repayment of loans, share capital, etc., raised by the statutory corporations, Government companies and cooperative institutions etc., and payment of interest and dividend by them. They constitute contingent liability of the State. No law under Article 293 of the Constitution had been passed by the State Legislature laying down the maximum limits within which Government may give guarantees on the security of the Consolidated Fund of the State. As indicated in the table of paragraph 1.8, the maximum amount of loans (principal only) guaranteed as of March 2001 was Rs.7.24 crore. The information regarding the outstanding amount of principal as well as interest thereon, and the guarantee fee payable by these institutions was not furnished by the Government.

Public debt

1.41 The Constitution of India provides that a State may borrow within the territory of India, upon the security of Consolidated Fund of the State within such limits, if any, as may from time to time, be fixed by an Act of Legislature of the State. No law had been passed by the State Legislature laying down any such limit. The details of the total liabilities of the State Government as at the end of the last five years are given in the following table No.1.11.

Table No.1.11

Year	(Rupees in crore)					
	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities ⁴	Total liabilities	Ratio of debt to GSDP
1996-97	386.16	264.68	650.84	304.12	954.96	0.50
1997-98	574.68	287.60	862.28	349.43	1211.71	0.52
1998-99	729.49	319.69	1,049.18	369.73	1418.91	#
1999-2000	715.95	430.01	1145.96	461.55	1607.51	#
2000-01	970.88	459.05	1429.93	500.20	1930.13	#

Source: Finance Accounts

1.42 During the five year period, the total liabilities of the Government had grown by 102 per cent. This was on account of 151 per cent growth in internal debt, 73 per cent growth in loans and advances from Central Government and 64 per cent growth in other liabilities. During 2000-01, Government borrowed

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

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

Rs.104.96 crore in the open market at interest rates of 10.52 and 10.82 per cent per annum.

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

Table No.1.12

	(Rupees in crore)				
	1996-97	1997-98	1998-99	1999-2000	2000-01
Internal Debt (excluding Ways and Means Advances and Overdrafts from RBI)					
Receipt during the year	63.54	83.84	104.65	167.24	163.05
Repayment-principal	19.37	17.47	22.53	31.19	31.47
Interest	45.01	59.12	64.30	83.67	95.87
Sub-total:-	64.38	76.59	86.83	114.86	127.34
Net funds available (<i>per cent</i>)	(-) 0.84	7.25	17.82	52.38	35.71
	(-1)	(9)	(17)	(31)	(22)
Loans and advances from GOI					
Receipt during the year	35.75	36.59	46.83	51.99	49.58
Repayment-Principal	11.62	13.66	14.73	16.68	20.53
Interest	27.11	30.77	33.92	38.27	43.13
Sub-total:-	38.73	44.43	48.65	54.95	63.66
Net funds available (<i>per cent</i>)	(-) 2.98	(-) 7.84	(-)1.82	(-) 2.96	(-)14.08
	(-8)	(-21)	(-0.04)	(-) 0.06	(-28)
Other liabilities					
Receipt during the year	99.33	96.76	91.23	159.36	192.03
Repayment-Principal	63.59	51.44	70.93	67.54	151.38
Interest	18.08	22.73	24.89	27.03	38.09
Sub-total:-	81.67	74.17	95.82	94.57	189.47
Net funds available (<i>per cent</i>)	17.66	22.59	(-)4.59	64.79	2.56
	(18)	(23)	(-5)	(41)	(1)

Source: Finance Accounts

1.44 It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. The increase of 120 per cent in outstanding debt from Rs.650.84 crore in 1996-97 to Rs.1429.93 crore in 2000-01 with its resultant repayment and interest obligations had affected the net availability of funds.

Indicators of the financial performance

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

Sustainability

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

Flexibility

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

Vulnerability

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

Transparency

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

1.46 Information available in Finance Accounts can be used to flesh out Sustainability, Flexibility and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix—I*. indicates the behaviour of these indices/ratios over the period from 1996-97 to 2000-01. The implications of these indices/ratios on the state of the financial health of the State Government are discussed in the following paragraphs.

The behaviour of the indices/ratios is discussed below

Balance from current revenues (BCR)

1.47 BCR is defined as revenue receipts minus plan assistance grants minus non-plan revenue expenditure. A positive BCR shows that the State Government has surplus from its revenues for meeting plan expenditure. The table at 1.15 shows that the State Government had negative BCRs during all the five years suggesting that Government had to depend entirely on borrowings for meeting its plan expenditure.

Interest ratio

(ii) The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In the case of Nagaland the ratio has moved in a narrow range of 0.10 to 0.14. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

Capital outlay vs capital receipts

(iii) This ratio would indicate to what extent the capital receipts are applied for capital formation. A ratio of less than one would not be sustainable in the long term in as much as it indicates that a part of the capital receipt is being diverted to unproductive revenue expenditure. On the contrary, a ratio of more than one would indicate that capital investments are being made from revenue surplus as well. The trend analysis of this ratio would throw light on the fiscal performance of the State Government. A rising trend would mean an improvement in the performance. In the case of Nagaland the ratio has all along been less than one except during 1996-97 indicating that a part of the capital receipts is being used for unproductive revenue expenditure.

Tax receipts vs Gross State Domestic Product (GSDP)

(iv) Tax receipts consist of State taxes and State's share of Central taxes. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would imply that the Government can tax more, and hence its flexibility. A high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Nagaland States' own tax receipts to GSDP ratio declined from 0.017 in 1996-97 to 0.014 in 1997-98. Sales tax/GSDP ratio also witnessed a decline from 0.008 in 1996-97 to 0.007 in 1997-98. This suggests that while the State Government had the option to mobilise more resources through taxation, it chose the easier option of borrowing to meet its increasing revenue and fiscal deficits. The GSDP data for the year 1998-99 to 2000-01 was not made available by the Government. Hence no analysis could be made for these years.

Return on Investment (ROI)

(v) The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and cooperative institutions. It shows that the ROI in case of Government of Nagaland has been nil and suggests that the investments in the Public Sector Undertakings (PSUs) were used to finance their loss, rather than generate revenue.

Capital repayments vs Capital borrowings

(vi) This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In the case of Nagaland, this ratio has shown mixed trends and ranged between 0.10 and 0.64 during 1996-2001. Its decrease to 0.10 in 2000-01 from 0.64 in 1998-99 suggests that there was sufficient Capital available for investment during the year.

Debt vs Gross State Domestic Product (GSDP)

(vii) The GSDP is the total internal resource base of the State Government which can be used to service debt. An increasing ratio of Debt vs GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Nagaland, this ratio had

moved in the range between 0.49 to 0.52 during 1996-97 and 1997-98. The GSDP data for 1998-99 to 2000-01 was not made available by the State Government. Hence, the ratio has not been worked out.

Revenue deficit vs Fiscal deficit

(viii) The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. The ratio has gone up from (-)0.06 in 1996-97 to 0.13 in 2000-01.

Primary deficit vs Fiscal deficit

(ix) Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Nagaland, this ratio moved from 0.34 in 1996-97 to 0.35 during 2000-01, suggesting availability of funds for investment during 2000-01, relative to the position in 1996-97.

Guarantees vs Revenue receipts

(x) Outstanding guarantees, including the letters of comfort issued by the Government, indicate the risk exposure of the State Government and should therefore be compared with the ability of the Government to pay viz., its revenue receipts. Thus, the ratio of the total outstanding guarantees to total revenue receipts of the Government would indicate the degree of vulnerability of the State Government. In the case of Nagaland this ratio has been static.

Assets vs Liabilities

(xi) This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In the case of Nagaland this ratio, though positive, has declined sharply from 1.34 in 1996-97 to 1.08 in 2000-01 indicating that the liabilities have grown at a faster rate than the assets and a contra indicator to solvency.

Budget

(xii) There was no delay in submission of the budget and their approval. The details are given in the following table No.1.13.

Table No.1.13

Preparation	Month of submission	Month of approval
Vote on Account	NIL	NIL
Budget	March 2000	March 2000
Supplementary	March 2001	March 2001

Chapter II of this Report carries a detailed analysis of variations in the budget estimates and the actual expenditure as also of the quality of budgetary

procedure and control over expenditure. The analysis reveals defective budgeting and inadequate control over expenditure, as evidenced by persistent resumption (surrenders) of significant amounts every year, vis-à-vis the final modified grant. Significant variations (excess/savings) between the final modified grant and actual expenditure were also persistent.

Accounts

(xiii) There are 88 Divisions in the State, responsible for maintaining and rendering the accounts to the Sr. Deputy Accountant General (A&E), Nagaland in respect of Public Works Department (44 Divisions), Public Health Engineering Department (10 Divisions), Power Department (16 Divisions) and Forest Department (19 Divisions). All the 89 Divisions had delayed submission of their monthly accounts. The delay ranged between 1 and 396 days resulting in exclusion of the transactions of the department concerned from the monthly accounts. However, since all the transactions had to be incorporated in the annual Finance and Appropriation Accounts, the final closure of these accounts also got delayed.

Conclusion

1.48 State Government had a negative BCR during all the five years ending March 2001 suggesting that Government had been depending heavily on borrowings for meeting its plan and non-plan expenditure. Dependence on GOI grant is high about 71 *per cent* of total expenditure. Interest ratio of the Government increased to 0.14 during 2000-01 as compared to 0.10 in 1996-97 indicating adverse implications on the sustainability of the State on account of increased interest burden. The capital outlay versus capital receipts ratio has all along being less than one except during 1996-97 indicating that a part of the capital receipts is being used for unproductive revenue expenditure. Decline of Assets/liabilities ratio from 1.34 in 1996-97 to 1.08 in 2000-01 indicates adversely on the solvency of the Government. Major portion of the incremental expenditure was utilised on clearance of RBI overdraft.

Table No.1.14
(Reference: paragraph 1.6)
ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR
2000-2001

RECEIPTS				DISBURSEMENTS				(Rupees in crore)
1999-2000	2000-01		1999-2000		Non-Plan	Plan	Total	2000-01
	SECTION A: REVENUE							
1131.46	I. Revenue Receipts		1140.80	I. Revenue Expenditure			1290.23	
39.50	Tax Revenue	46.25	544.60	General Services	613.96	9.37	623.33	
38.86	Non-tax Revenue	39.23	330.39	Social Services	273.08	78.07	351.15	
526.04	State's share of Union Excise Duties	96.48	163.15	Education, Sports, Art and Culture	162.30	19.54	181.84	
29.88	Non-plan grants	581.07	70.85	Health and Family Welfare	61.31	15.13	76.44	
425.34	Grant of State Plan Scheme	384.55	51.52	Water Supply, Sanitation, Housing and Urban Development	29.38	10.65	40.03	
9.78	Grant for Central Plan Scheme	19.00	6.21	Information and Broadcasting	6.08	1.10	7.18	
52.96	Grants for Centrally Sponsored Plan Schemes	76.79	7.79	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	---	7.98	7.98	
9.10	Grant for Special Plan Scheme (NEC)	10.73	3.87	Labour and Labour Welfare	2.85	1.55	4.40	
			23.32	Social Welfare and Nutrition	6.10	22.05	28.15	
			3.68	Others	5.06	0.07	5.13	
			265.81	Economic Services	172.19	143.56	315.75	
			80.37	Agriculture and Allied Activities	53.21	51.81	105.02	
			28.89	Rural Development	3.41	20.54	23.95	
			6.48	Special Areas Programme	1.58	8.34	9.92	
			10.90	Irrigation and Flood Control	4.34	8.49	12.83	
			34.13	Energy	57.86	0.47	58.33	
			29.64	Industry and Minerals	12.01	16.44	28.45	
			30.49	Transport	29.71	0.70	30.41	
			0.17	Science, Technology and Environment	0.02	0.46	0.48	
			44.74	General Economic Services	10.05	36.31	46.36	
9.34	II. Revenue Deficit carried over to Section-B	36.13	---	II. Revenue Surplus carried over to Section-B				---
1140.80	Total: Section A-Revenue	1290.23		Total: Section A-Revenue				1290.23

Audit Report (Civil) for the year ended 31 March 2001

(Rupees in crore)											
RECEIPTS				DISBURSEMENTS							
1999-2000			2000-01	1999-2000			Non-Plan	Plan	Total	2000-01	
	SECTION-B										
(-) 69.53	III. Opening cash balance including Permanent Advances and Cash Balance Investment		(-)60.33	—	III. Opening Overdraft from RBI						—
—	IV. Miscellaneous Capital Receipts		—	179.34	IV. Capital Outlay	8.55	215.85	224.40	224.40	224.40	
				11.80	General Services	—	28.51	28.51			
				77.11	Social Services	1.19	79.83	81.02			
				5.68	Education, Sports, Art and Culture	—	10.06	10.06			
				20.83	Health and Family Welfare	—	12.93	12.93			
				46.83	Water Supply, Sanitation, Housing and Urban Development	—	55.84	55.84			
				0.04	Information and Broadcasting	—	—	—			
				3.71	Social Welfare and Nutrition	—	0.68	0.68			
				0.02	Others	1.19	0.32	1.51			
				90.43	Economic Services	7.36	107.51	114.87			
				3.29	Agriculture and Allied Activities	7.36	12.92	20.28			
					Rural Development	—	0.13	0.13			
				8.29	Special Areas Programme	—	13.66	13.66			
				34.07	Energy	—	52.80	52.80			
				9.81	Industry and Minerals	—	9.15	9.15			
				34.96	Transport	—	18.82	18.82			
				0.01	General Economic Services	—	0.03	0.03			
15.98	V. Recoveries of Loans and Advances		6.45		V. Loans and Advance disbursed	—				17.35	
0.35	From Government Servants	0.88		1.80	To Government Servants	—		2.48			
15.26	From Others	5.57		8.41	To Others	—		14.87			
	VI. Revenue Surplus brought down		—		VI. Revenue deficit brought down					36.13	

(Rupees in crore)							
Receipts				Disbursements			
1999-2000			2000-01	1999-2000			2000-01
344.23	VII. Public Debt receipts		335.97	247.45	VII. Repayment of Public Debt-		52.00
167.24	Internal debt other than Ways and Means Advances and Overdrafts	163.05		31.19	Internal debt other than Ways and Means Advances and Overdrafts	31.47	
	Net transactions under:-				Net transactions under:-	---	
	Ways and Means Advances including overdrafts	*123.34			Ways and Means Advances including overdrafts	---	
176.99	Loans and Advances from Central Government	49.58		66.68	Repayment of Loans and Advances to Central Government	20.53	
---	VIII. Appropriation to Contingency Fund	---	---	---	VIII. Appropriation to Contingency Fund	---	---
---	IX. Amount transferred to Contingency Fund	---	---	---	IX. Expenditure from Contingency Fund	---	---
538.71	X. Public Account receipts-		601.87	443.39	X. Public Account disbursements-		590.70
86.03	Small Savings And Provident Funds	98.83		51.05	Small Savings and Provident Funds	66.41	
0.58	Reserve funds	0.84		2.04	Reserve Funds	0.18	
99.67	Suspense and Miscellaneous	46.85		103.76	Suspense and Miscellaneous	62.27	
273.29	Remittance	355.25		265.67	Remittances	367.26	
79.14	Deposits and Advances	100.01		20.87	Deposits and Advances	94.58	
	XI. Closing Overdraft from Reserve bank of India			(-) 60.33	XI. Cash Balance at end-		(-)36.62
				0.17	Cash in Treasuries and Local Remittances	0.17	
				(-) 86.34	Deposits with Reserve Bank	(-)127.56	
				17.04	Departmental Cash balance including Permanent Advances	21.73	
				---	Cash Balance Investment	59.30	
				8.80	Investment in earmarked funds	9.74	
829.40	Total:-		883.96	829.40	Total:-		883.96

Source: Finance Accounts

* Represents receipts: Rs.454.04 crore (and Rs.195.29 crore) and disbursements: Rs.330.70 crore (and Rs.344.87 crore) for the years 1998-99 and 2000-01 respectively and 1999-2000 respectively.

Table No.1.15
Financial Indicators for Government of Nagaland

	1996-97	1997-98	1998-99	1999-2000	2000-01
(1)	(2)	(3)	(4)	(5)	(6)
SUSTAINABILITY					
BCR (Rupees in crore)	(-) 135.67	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20
Primary Deficit (PD) (Rupees in crore)	46.87	152.08	49.90	30.63	94.34
Interest Ratio	0.10	0.13	0.14	0.13	0.14
Capital outlay/Capital receipts	1.02	0.93	0.88	0.69	0.96
Total tax receipts/GSDP	0.16	0.18	NA	NA	NA
State Tax Receipts/GSDP	0.017	0.14	NA	NA	NA
Return on Investment ratio	NIL	NIL	NIL	NIL	NIL
FLEXIBILITY					
BCR (Rupees In crore)	(-) 135.67	(-) 272.47	(-) 210.89	(-) 277.14	(-)296.20
Capital repayments/Capital borrowings	0.31	0.26	0.64	0.22	0.10
State Tax receipts/GSDP	0.017	0.14	NA	NA	NA
Debt/GSDP	0.49	0.52	NA	NA	NA
VULNERABILITY					
Revenue Surplus (+)/Revenue Deficit(-) (Rupees in crore)	(+) 7.82	(-) 127.19	(-) 23.02	(-) 9.34	(-)36.13
Fiscal Deficit (FD) (Rupees In crore)	137.07	264.70	184.73	182.91	271.43
Primary Deficit (PD) (Rupees In crore)	46.87	152.08	49.90	30.63	94.34
PD/FD	0.34	0.57	0.27	0.17	0.35
RD/FD	(-) 0.06	0.48	0.13	0.05	0.13
Outstanding Guarantees/revenue receipts	@	@	@	@	@
Assets/Liabilities	1.34	1.17	1.13	1.10	1.08

Note :

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

EXPLANATORY NOTES

1. The summarised financial statements are based on the Finance Accounts and Appropriation Accounts of the State Government and are subject to notes and explanations contained therein.
2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc. do not figure in the accounts.
3. The capital outlay represents capital expenditure booked in the accounts.

@ Information awaited from the Government (January 2002).

4. Although a part of revenue expenditure (grants) and the loans are used by the recipients for capital formation, its classification in the Government accounts remains unaffected by end use.

5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government account, with the result that cumulative position of such surplus or deficit was not ascertainable. The balancing figure of Rs.127.72 crore as on 31 March 1983 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1983-84 which took the place of balance sheet. The current figure as on 31 March 2001 was Rs.134.29 crore after accounting for the revenue deficit of Rs.36.13 crore during 2000-01.

6. Suspense and Miscellaneous balances include cheques issued but not paid, inter-departmental and inter-Governmental payments and other pending settlements. The balance under Suspense and Miscellaneous had increased from Rs.56.11 crore as on 31 March 2000 to Rs.71.54 crore as on 31 March 2001.

7. The closing cash balance as reported by the Reserve Bank of India was Rs.123.31 crore (debit) against the general cash balance of Rs.127.56 crore (debit) shown in the accounts. The difference of Rs.4.25 crore (debit) as on 31 March 2001 was under reconciliation.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Introduction

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

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

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

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

Summary of Appropriation Accounts 2000-2001
Appropriation Accounts : 2000-2001
Total number of Grants : 76 (73 Grants and 3 Appropriations)
Total Provision and Actual Expenditure

Table No.2.1

Provision	Amount		Expenditure	
	(Rupees in crore)			
Original	1738.04 ¹			
Supplementary	484.09			
Total Gross Provision	2222.13		Total gross expenditure	1923.64
Deduct estimated recoveries in reduction of expenditure	12.99		Deduct actual recoveries in reduction of expenditure	4.03
Total net Provision	2209.14		Total net expenditure	1919.61

Voted and Charged Provision and expenditure

Table No.2.2

	Provision		Expenditure	
	Rupees in crore			
	Voted	Charged	Voted	Charged
Revenue	1288.04	198.40	1117.95	181.24
Capital	384.10	351.29	241.75	382.70
Total Gross	1672.44	549.69	1359.70	563.94
Deduct recoveries in reduction of expenditure	12.99	---	4.03	---
Total : Net	1659.45	549.69	1355.67	563.94

2.5 The summarised position of actual expenditure, excess and savings during 2000-2001 against grants/appropriation was as follows:-

Table No.2.3

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
(Rupees in crore)						
Voted	I Revenue	1079.61	208.43	1288.04	1117.95	(-) 170.09
	II Capital	189.73	170.25	359.98	228.42	(-) 131.56
	III Loans and Advances	11.85	12.57	24.42	13.33	(-) 11.10
	Total Voted	1281.19	391.25	1672.44	1359.70	(-) 312.74
Charged	IV Revenue	190.48	7.92	198.40	181.24	(-) 17.16
	V Capital	---	---	---	---	---
	VI Public Debt.	266.37	84.91	351.28	382.70	(+) 31.42
Total Charged	456.85	92.83	549.68	563.94	(+) 14.26	
	Appropriation to contingency Fund (if any)	NIL	NIL	NIL	NIL	NIL
Grant Total		1738.04	484.08	2222.12	1923.64	(-) 298.48

Source: Appropriation Accounts

¹ There is a difference of Rs.22.79 lakh between the original Provision and Appropriation Act for the year 2000-2001. The discrepancy till remained unreconciled as of January 2002.

2.6 The overall saving of Rs.298.49 crore was the net result of excess of Rs.51.81 crore in 17 case of grants and 1 case of appropriation, and saving of Rs.350.30 crore in 64 cases of grants and 5 cases of appropriations.

Result of Appropriation Audit

Saving or excess over provisions

2.7 The excess of Rs.12.18 crore under Revenue Section and Rs.39.63 crore under Capital Section as detailed in Appendix-II requires regularisation under Article 205 of the Constitution.

Excess over grants in previous years not regularised

2.8 Cases of excess expenditure over the budget provision reported in the Report of the Comptroller and Auditor General of India (Civil), Government of Nagaland are required to be regularised under Article 205 of the Constitution of India. However, it was noticed that excess expenditure of Rs.1009.80 crore reported during 1991-92 to 1999-2000 except 1992-93 had not been regularised. No action had been taken by the Government (Finance Department) for regularisation of the excess as of January 2002. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

Table No.2.4

Serial No.	Year of Audit Report	Total number of Grants/ Appropriations	Grant Number	Amount involved (Rupees in crore)
1.	1991-92	20	1,3,4,16,18,19,21,31,34,46,55,58,61,63, 65,69,70,35,36,72	152.27
2.	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31, 35,43,53,62,72	32.86
3.	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
4.	1995-96	30	1,3,4,5,7,9,11,19,27,32,35,37,40,44,47, 48,49,50,51,52,55,59,61,64,65,66,68,72, 31,54	42.55
5.	1996-97	31	1,3,11,14,18,19,30,31,32,35,36,37,38,40, 46,47,50,51,52,53,55,62,64,65,66,67,69, 73,41,48,60	33.43
6.	1997-98	26	1,13,15,16,18,28,31,35,43,44,46,47,48, 55,60,64,65,67,71,74,76,36,53,62,68,75	241.09
7.	1998-99	26	1,7,11,13,18,23,26,28,30,31,35,37,38,43, 44, 46,47,49,55,57,58,60,62,64,66,76	263.80
8.	1999-2000	26	1,4,7,11,13,14,18,25,28,31,32,35,37,42, 45,46,51,58,60,64,67,68,69,74,75,76	167.14
		Total:-		1009.80

Source: Appropriation Accounts

2.9 Supplementary provision made during the year constituted 26 per cent of the original provision as against 16 per cent in the previous year.

Unnecessary/excessive/insufficient supplementary grants

2.10(a) Supplementary provision of Rs.29.53 crore made in 24 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs.45.81 crore as detailed in Appendix—III.

(b) In 55 cases of grants/appropriations, against additional requirement of Rs.31.72 crore, supplementary grants and appropriation of Rs.297.36 crore were obtained, resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.265.64 crore. Details of these cases are given in Appendix-IV.

(c) In 9 cases of grants/appropriations, supplementary provisions of Rs.30.06 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.13.86 crore as per details given in Appendix—V.

Persistent savings

2.11 In 6 cases of grants, there were persistent savings in excess of Rs.10 lakh in each case, and 10 *per cent* or more of the provision. Details are given in Appendix—VI.

Significant excess/savings

2.12(a) In 5 grants, the expenditure exceeded the approved provision by more than Rs.50 lakh in each case, and also by more than 10 *per cent* of the total provision. Details are given in Appendix—VII. In 2 out of above 5 grants, the expenditure exceeded the approved provision by 360 *per cent* and 4204 *per cent*.

(b) In 40 cases of grants, expenditure fell short by more than 50 lakh in each case, and also by more than 10 *per cent* of the total provision as detailed in Appendix—VIII.

Anticipated saving not surrendered

2.13 According to rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 13 cases of grants, the amount of available savings of Rs.1 crore and above in each grants not surrendered aggregated Rs.144.18 crore. Details are given in Appendix—IX.

Surrender in excess of savings

2.14 In 13 grants, the amount surrendered was in excess of actual savings, indicating inadequate budgetary control. As against the total amount of actual saving of Rs.31.55 crore, the amount surrendered was Rs.41.24 crore resulting in excess surrender of Rs.9.69 crore. Details are given in Appendix—X.

Trend of Recoveries and Credits

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

2.16 During 2000-2001, the actual recoveries (Rs.8.13 crore) were less than the estimated recoveries (Rs.17.25 crore) by Rs.9.12 crore. This was the net result of less recoveries of Rs.11.18 crore in 10 grants, and excess recovery of Rs.2.06 crore in one grant. Details are given in *Appendix* to the Appropriation Accounts.

Unreconciled Expenditure

2.17 Financial rules require that the Departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). In respect of 2 controlling officers, expenditure of Rs.88.56 crore pertaining to 2000-2001 remained unreconciled till January 2002.

2.18 The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 23 *per cent* to 5 *per cent* of the total expenditure in the last three accounting years (1998-99 to 2000-2001), as shown below:-

Table No.2.5

Year of account	No. of controlling officers	No. of controlling officers who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved (Rupees in crore)
1998-99	76	25	23	405.00
1999-2000	76	06	10	174.00
2000-2001	76	02	5	88.56

Abstract Contingent Bills

2.19 According to the Treasury Rules, the Detailed Countersigned Contingent (DCC) Bills in respect of any amount drawn on Abstract Contingent (AC) Bills are required to be submitted to the Controlling Authority within one month of the drawal of the bills, who shall submit the same with his countersignature to the Accountant General within another month. Every drawing and disbursing officer will furnish a certificate to every fresh abstract contingent bill to the effect that detailed countersigned contingent bills have been submitted to the controlling officer in respect of abstract contingent bills drawn more than a month before the date of that bill.

2.20 Information collected (January 2001) from the Sr. Deputy Accountant General (A&E) revealed that 33 DDOs of 6 Departments had drawn Rs.0.37 crore on AC bills during the period from May 1999 to August 2000 which were lying outstanding as of January 2002. Details are shown in *Appendix-XI*. Thus, non-observance of rules by the DDOs resulted in non-adjustment of Rs.0.37 crore drawn in AC bills due to non-submission of DCC bills.

SECTION—B-PARAGRAPHS

ART AND CULTURE DEPARTMENT

2.21 Drawal of money in advance of requirement

Rs.120 lakh was drawn between March 1997 and March 2000 and kept in Civil Deposit by floating financial rules.

Financial rules prohibit drawal of money from the treasury unless it is required for immediate disbursement. Drawal of money to avoid lapse of budget grant and keeping the money in 'Civil Deposits' (CD) for subsequent utilisation violates the provision of financial rules.

2.21.2 Pursuant to Government sanctions issued in March 1997, March 1999 and March 2000, the Director Art and Culture Nagaland, Kohima had drawn Rs.40 lakh each through AC bills in the above three years for consultancy services, boundary fencing, approach road, site development and development works of Second World War Museum (SWWM), at Kohima and deposited the same in Civil Deposits in the same months. Of these amounts, Rs.40 lakh each was withdrawn on 17 October 1997, 8 April 1999 and November 2000 and paid to the Executive Engineer and Secretary, Nagaland Art and Culture Council (NACC) respectively on the same dates for execution of the works.

2.21.3 Neither any details/records in support of execution of works nor the expenditure incurred thereon were made available to audit nor any Detailed Countersigned Contingency (DCC) bills against the AC bills had been obtained and submitted to the Senior Deputy Accountant General (Accounts & Entitlement), as of October 2001.

2.21.4 Thus, the Director flouted financial rules by drawing the money in advance of requirement and could not substantiate as to how the amount was finally spent. Besides, by debiting the expenditure to final head of account inflated the actual expenditure by Rs.40 lakh in each of financial years 1996-97, 1997-98 and 1999-2000.

2.21.5 The matter was reported to Government and Department in June 2001. In reply, Government stated (August 2001) that the amounts of Rs.40 lakh for each year were drawn and paid to the Executive Engineer and Secretary, NACC as grants in aid for the project. But the reasons for keeping the money in Civil Deposits and non-submission of DCC bills were not stated.

HOME (GENERAL ADMINISTRATION) DEPARTMENT

2.22 Drawal of funds in advance of requirements and to avoid lapse of budget grant

Drawal of Rs.269.03 lakh in advance of requirement resulted in loss of interest of Rs.14.70 lakh

Rule 290 of the Central Treasury Rules Vol.I provides that no money shall be drawn from Treasury unless it is required for immediate disbursement. Drawal of money in anticipation of requirements or to avoid lapse of budget grant is also not permissible.

2.22.2 Test check (September 2000) of the records (April 1999 to August 2000) of the Commissioner of Nagaland revealed that the Commissioner drew Rs. 269.03 lakh (March 2000: Rs.45.38 lakh; June 2000: Rs.223.65 lakh) for procurement of 16,502 metre red blanket for Gaon Buras/Dubashies and village guard's clothing, equipment/furniture during 1999-2000 and 2000-01 respectively. The bills were drawn by recording a certificate on the body of supplier's bills that materials were received in full and in good condition and entered in stock register.

2.22.3 It was, however, noticed from the stock register that materials were actually procured between June 2000 and January 2001 without observing any codal formalities. The basis of selection of firms, however, could not be made available to audit. The materials, so procured, were issued to 3 Deputy Commissioners, Sub-Divisional Officers between July 2000 and January 2001 for utilisation, and payments to the suppliers were made in September 2000 (Rs.45.38 lakh), December 2000 (Rs.79.14 lakh) and January 2001 (Rs.144.51 lakh).

2.22.4 Thus, it appeared that Rs.269.03 lakh was drawn in advance of requirements of which Rs.45.38 lakh was drawn to avoid lapse of budget grant, which was irregular and this irregular drawals resulted in loss of interest of Rs.14.70² lakh (Calculated at Government borrowing rate).

2.22.5 In reply, the Commissioner stated (August 2001) that materials were received before drawal of funds and payments to suppliers were released after physical verification of stock and after replacement of defective materials by the suppliers. The reply is not tenable as no documentary evidence regarding

² Rs.45.38 lakh x 11.85 x 5 months ÷ 1200 =	Rs. 2.24 lakh.
Rs.223.65 lakh x 11.85 x 5 months ÷ 1200 =	Rs 11.04 lakh
Rs.144.51 lakh x 11.85 x 1 months ÷ 1200 =	Rs. 1.42 lakh
Total:-	Rs.14.70 lakh

issue of supply orders and receipt of materials prior to drawal of funds, stock entry and physical verification report of materials could not be made available to audit.

2.22.6 The matter was reported to Government in June 2001; the reply had not been received (January 2002).

CHAPTER III
CIVIL DEPARTMENTS

SECTION: 'A' REVIEWS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.1 Programmes for Prevention and Control of Diseases

A. National Blindness Control Programme

Highlights

A review of the programme in audit showed that objective of the programme was not fulfilled due to lack of proper planning and co-ordination. Lack of proper infrastructural facilities and with poor performance of some of crucial functionaries plagued the programme. Non imparting of required training to the ophthalmic staff adversely affected implementation of the programme.

The District Blindness Control Society (DBCS) Mokokchung, had not rendered accounts for Rs.6.08 lakh drawn from Bank accounts during 1996-2000. A further sum of Rs.12.50 lakh released by GOI in February 2001 to the Chairman, DBCS, Mokokchung for civil works and furnishing of Eye OT Ward at Mokokchung Civil Hospital had neither been deposited to the Society's bank account nor handed over to the executing agency (EE, MED) indicating possible diversion and misappropriation of the amounts.

(Paragraph 3.1.4 (ii) & (iii))

Against the requirement of 3,025 cataract surgery per year as per norms, the target fixed ranged between 300 and 450 per year and the actual achievement there against ranged between 224 and 430 during 1996-97 to 2000-2001.

(Paragraphs 3.1.7)

Against the requirement of 4,500 cataract operations by DMUs during 1998-99 to 2000-2001, only 12 cataract operations were performed indicating a shortfall of 99.97 per cent.

(Paragraph 3.1.8)

Vision screening of school children was non existent upto 1998-99. Eye screening was done on 10,277 children out of 729,944 children indicating a poor percentage (1.4) of coverage during the period 1999-2001.

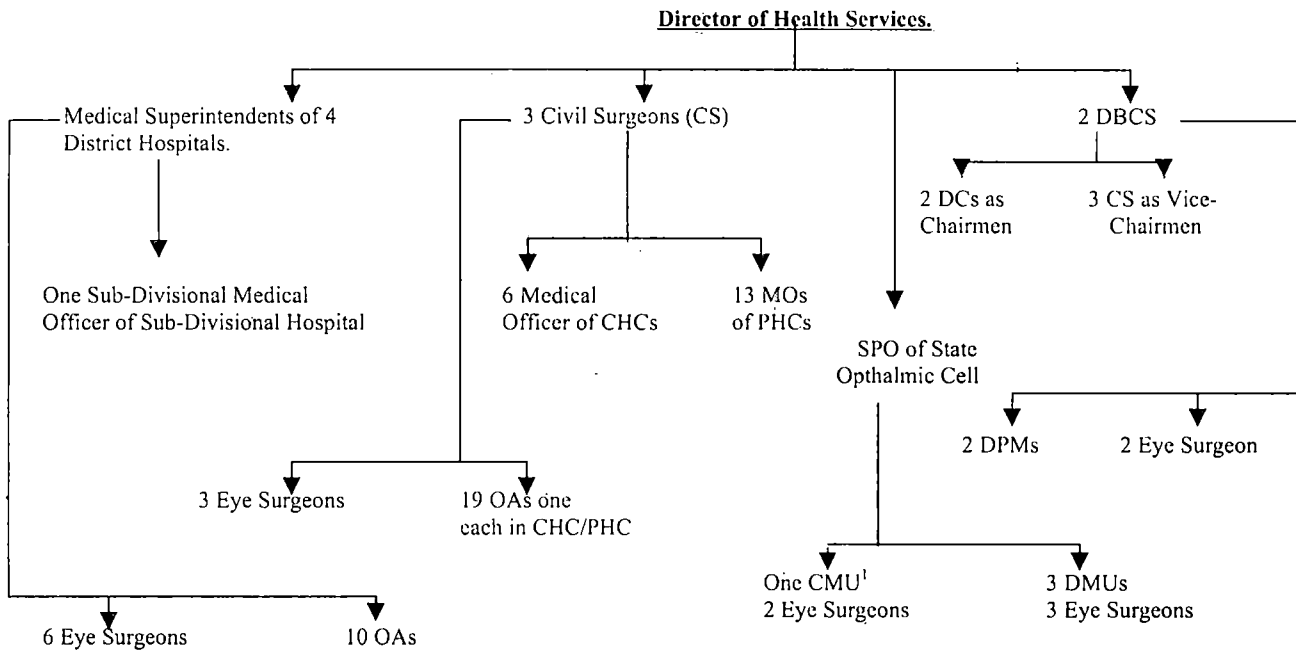
(Paragraph 3.1.9)

Introduction

3.1.1 National Programme for Control of Blindness (NPCB), a 100 per cent Centrally Sponsored Programme was launched in the State of Nagaland in 1981-82. The objective of the scheme was to reduce the incidence of blindness from 1.4 per cent to 0.3 per cent by the end of 2000 AD.

Organisational set up

3.1.2 The Director of Health Services (DHS) exercised his control over supervision in implementation of the programme. The State Programme Officer (SPO) of the State Ophthalmic Cell (SOC) is vested with the responsibilities in implementing and monitoring the programme. The various health institutions and the officials which implemented the programme are shown in an organisation flow chart below:-



¹ CMU (Central Mobile Unit), DMUs (District Mobile Units), DBCs (District Blindness Control Societies), MO (Medical Officer), OAs (Ophthalmic Assistants), CHCs (Community Health Centres), PHCs (Primary Health Centres), DC (Deputy Commissioner) and DPM (District Programme Managers).

Audit coverage

3.1.3 The implementation of NPCB in the State was reviewed in audit during June-August 2001 by test check of the records of the SPO at the DHS (SOC), 3 Civil Surgeons², Sub-Divisional Medical Officer (SDMO), Dimapur, 4 district hospitals³, and 2 DBCS for 1996-97 to 2000-2001, by covering an expenditure of Rs.34.54 lakh (40 per cent)

Financial outlay and expenditure

3.1.4 Funds released by Government of India (GOI) to the State Government of Nagaland (GON) and DBCS (as per Finance and Appropriation Accounts and records of DBCS) during 1996-97 to 2000-2001 are shown below:

Table No.3.1 (Rupees in lakh)

Year	Opening Balance		Grants released by GOI		Total funds available	Expenditure by		Total expenditure	Closing balance	
	GON	DBCS	GON	DBCS		GON	DBCS		GON	DBCS
1996-97	---	6.00	11.30	---	17.30	5.24	0.66	5.90	6.06	5.34
1997-98	6.06	5.34	1.54	2.50	15.44	10.25	4.23	14.48	---	3.61
1998-99	---	3.61	11.60	7.15	22.36	10.72	2.26	12.98	0.88	8.50
1999-2000	0.88	8.50	11.00	3.00	23.38	15.98	2.26	18.24	---	9.24
2000-2001	---	9.24	38.60	12.50	60.34	31.79	2.95	34.74	6.81	18.79
Total			79.04	25.15		73.98	12.36	86.34		

Source: Departmental records

(i) Against GOI release of Rs.20 lakh to GON in May and June 2000 (Rs.10 lakh each) for construction of 10 bedded RCC Eye Operation Theatre (OT) ward at the Civil Hospital, Mokokchung, the GON made delayed (8-9 months) release of Rs.17.70 lakh to the DHS in March 2001. Short release of Rs.2.30 lakh was assigned to deduction of departmental charge at source. However, it was noticed that while making payment to the contractor, the Executive Engineer (Medical Engineering Division) had also deducted departmental charges of Rs.2.67 lakh. Thus the cost of the work was inflated by Rs.2.67 lakh.

(ii) The DBCS, Mokokchung incurred expenditure of Rs.6.08 lakh during 1996-97 to 2000-2001 for which no yearwise accounts, bills/vouchers could be furnished to audit. In the absence of these records, audit could not examine/vet the related expenditure.

(iii) GOI released (March 2001) Rs.12.50 lakh to the DBCS, Mokokchung for furnishing Eye OT ward of the District Hospital. Records of the DBCS showed that the amount was neither accounted for in the Cash Book nor credited into the bank pass book of the society. The amount was also not handed over to the DHS or Executive Engineer (Medical Engineering Wing). The reason for not accounting for the funds was not stated. Thus, possibility of diversion or misuse of funds could not be ruled out.

² Kohima, Mokokchung and Mon.

³ Kohima, Dimapur, Mokokchung, Mon.

Implementation of programme

Infrastructure Development

3.1.5 The Department claimed (March 2001) to have upgraded 4 District Hospitals (out of 8), one Sub-Divisional Hospital (SDH) at Dimapur, 6 CHCs (out of 12) and 13 PHCs (out of 55) to cater to the need of eyecare for the visually impaired persons. One CMU (1983-84) and 3 DMUs (March 1998) were also created for this purpose. But it was noticed that no eye surgeon and ophthalmic assistant was posted in the upgraded DH, Tuensang. Further, one eye surgeon though posted (March 1998) in DMU, Mon was withdrawn from 2000-2001 which indicated laxity in planning for eye health care.

Cataract surgery-Targets and Achievements

3.1.6 As per guidelines, cataract surgery @250 per lakh population was required to be conducted to reduce the incidence of blindness to 0.3 *per cent*. The number of cataract surgery required to be conducted, target actually fixed with reference to the population as per 1991 census, and actual achievement thereagainst as furnished by the Department are shown in the table No.3.2 below:

Table No.3.2

Year	Population as per 1991 census.	No. of cataract surgery required to be conducted	Target fixed for cataract surgery	No. of cataract surgery actually performed.	Percentage of cataract surgery performed with reference to norms.
1996-97	12.10 lakh	3025	300	430	14.2
1997-98	12.10 lakh	3025	336	373	12.3
1998-99	12.10 lakh	3025	360	324	10.7
1999-2000	12.10 lakh	3025	450	224	10.7
2000-01	12.10 lakh	3025	450	300	9.9
Total:-		15,125	1,896	1,651	

Source: Departmental records

3.1.7 The above table indicated that against 3,025 cataract surgery required to be performed each year, the target fixed for cataract surgery ranged between 300 and 450 per year and the actual achievement thereagainst ranged between 224 and 430. The basis of fixation of such low targets was not made available. This poor performance of the crucial functionaries of the State machinery defeated the objectives of the programme.

Performance of District Mobil Units

3.1.8 As per GOI guidelines, each DMU is required to conduct 1500 cataract surgery per year. Records indicated that though 3 DMUs were setup during 1998-99, no target for the cataract surgery for the DMUs was fixed between 1998-99 and 2000-2001. Being small and thinly populated hilly state, if 3 DMUs were taken as one unit, it was noticed that against the requirement of 4500 (1500x3 years) cataract surgery, only 12 cataract surgery were performed during 1998-2001 indicating a shortfall of 99.97 *per cent*. The reasons for such shortfall in the

performance of cataract operations despite availability of 3 eye surgeons in DMUs were not explained to audit.

Eye screening of school children

3.1.9 The Medical Officer (eye)/DPM of the DBCS were required to visit schools and undertake vision screening. None of the 2 DBCS test checked showed any activities done by them upto 1998-99. During 1999-2001, it was seen that 53 school teachers were trained in eye screening and vision screening was done on 10,277 school children out of 729,944 children and 291 children were detected with refractive errors as shown below.

Table No.3.3

Year	No. of school children (Primary to Class X)	No. of teachers trained in vision screening	No. of school children screened	Percentage of screened children to total children	No. of children detected with refraction error	Percentage of vision error to total screened	Free glasses provided.
1999-2000	3,64,384	23	5,748	1.58	52	0.90	---
2000-2001	3,65,660	30	4,529	---	239	5.28	---
Total	7,29,944	53	10,277	---	291	---	---

Source: Departmental records

3.1.10 This indicated that a very low percentage (1.4) of school children was screened during 1999-2000 and 2000-2001. The SPO and the DBCS could not state the reasons for not undertaking vision screening of school children prior to 1999-2000 and for the poor coverage during the succeeding years.

Non-supply of Vitamin 'A' solution

3.1.11 Mention had been made in paragraph 3.3.6 of the Report of the Comptroller and Auditor General of India-Government of Nagaland -1998-99 that under ICDS Programme the Social Security and Welfare Department responsible for supply and administering of free Vitamin 'A' Solution to all children in the age group of 0-5 for prophylactic purpose and to prevent blindness, had not implemented the programme.

3.1.12 Steps were not taken by the DHS/SPO to co-ordinate with the Social Security and Welfare Department for supply of Vitamin 'A' solution to the infants to remove vitamin A deficiency and to check growing eye-problems in children which may develop further complications including blindness.

Information, Education and Communication (IEC)

3.1.13 Records of DHS (SOC) and the DBCS test checked showed that the State had neither formed any programme implementation committee nor had drawn up any annual action plan specifying the IEC activities to be carried out.

3.1.14 The SPO stated (July 2001) that no target was set for IEC activities nor any details of expenditure incurred on the programme could be produced to audit. In absence of which extent of IEC activities on eye care could not be ascertained and evaluated in audit.

Training

3.1.15 Training of district team (Trainers and District Eye surgeons in Intra Ocular Lenses (IOL) surgery) is organised by the National Management Cell under DGHS (Ministry of H&FW) who also selects the trainees. Training of Medical Officers (MOs) of PHCs, Ophthalmic Assistants (OA), Health Workers, Nurses, Operation Theatre (OT) Assistants, and school teachers were to be organised by the State within the districts.

3.1.16 It was, however, noticed that out of 102⁴ personal selected for training by the GOI during 1996-2001, 38⁵ personals (37 *per cent*) were sponsored by the GOI and 11⁶ personal (11 *per cent*) only were trained in community Eye Health during the period. This indicated that training activities carried out in the State were very poor.

Monitoring and evaluation

3.1.17 The State programme management cell/programme implementation under the chairmanship of the Secretary, H&FWD with DHS as member was required to monitor the implementation of the programme. The DHS (SOC) stated (August 2001) that as the State level Society and also the programme implementation committee had not yet been set up in the State, there was slackness in monitoring the implementation of the programmes under NPCB.

3.1.18 Eversince implementation of the NPCB in the State in 1981-82, the programme had not been evaluated to asses the extent to which the incidence of blindness was reduced to achieve the target of 0.3 *per cent* by 2000 A.D.

3.1.19 The matter was reported to Government and Department in October 2001; their replies had not been received (January 2002).

⁴ 19 Eye Surgeons + 56 Officers + 27 Ophthalmic Assistants.

⁵ 7 Eye Surgeons + 4 Medical Officers + 27 Other Assistants.

⁶ 7 Eye Surgeons + 4 MOS

3.2 Programmes for Prevention and Control of Diseases

B. National Tuberculosis Control Programme

Highlights

A review of the National Tuberculosis Control programme revealed that the State despite having large infrastructure that cost the Department Rs.167.63 lakh per annum failed to identify TB-prevalence rate and intensify treatment through conventional and Direct Observation Treatment and achieve desired cure rate which is still at zero. The poor performance as analysed by Audit was found to be due to casual approach and slack internal control mechanism of the implementing agency.

Central assistance of Rs.9.70 lakh meant for 3 specific anti-TB drugs was diverted and misused on purchase of other drugs.

(Paragraph 3.2.6)

The State and the 3 District TB Control Societies had not utilised Rs.35.98 lakh out of Rs.44.14 lakh received from GOI. Other 4 Societies which received Rs.34.68 lakh had not furnished any accounts.

(Paragraph 3.2.7)

The target for identification of new TB cases was fixed without any basis. Against the target of 7109 cases to be detected during 1996-2001, 6143 cases were detected of which 3151 cases were brought under treatment.

(Paragraph 3.2.12)

There was no evidence of peripheral TB health care services for case detection and Direct Observation Treatment since the Microscopy centres in the State remained defunct.

(Paragraph 3.2.15)

Introduction

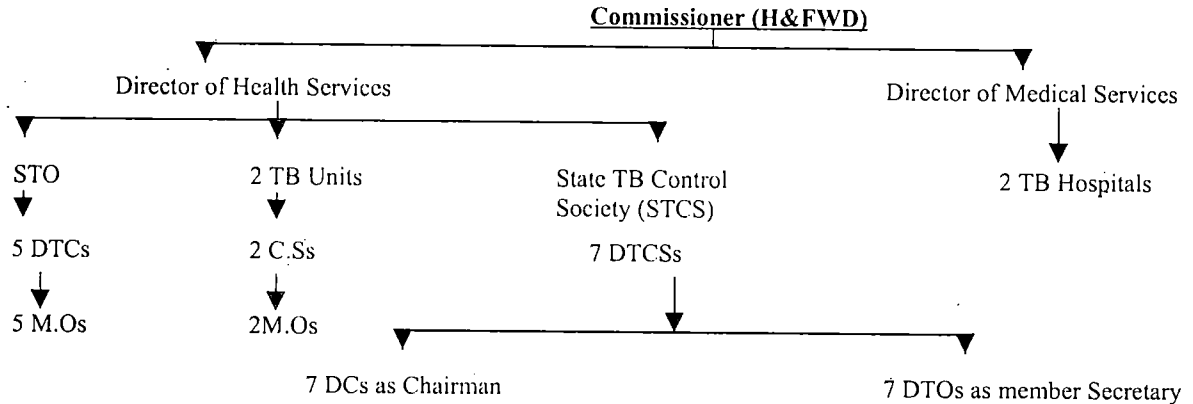
3.2.1 The National Tuberculosis Control Programme (NTCP) though launched by the Government of India (GOI) in 1962, in Nagaland, the programme was taken up from 1982 with the establishment of 5 (five)¹ District Tuberculosis Centres (DTC) in five district headquarters. The objective of the NTCP was to contain the spread of the disease through detection of a large number of Tuberculosis (TB) patients and treat and cure them effectively. To achieve a cure rate of 85 per cent through Short Course

¹ Kohima (including Dimapur which emerged as separate district in December 1997) Mokokchung, Tuensang, Mon and Zunheboto.

of Chemotherapy (SCC) a revised strategy for implementation of NTCP (RNTCP) was taken up in the State in 1999-2000.

Organisational set up

3.2.2 The Commissioner, Health and Family Welfare (H&FWD) is overall responsible for Health Services (DHS) and Director of Medical Services (DMS) exercise their control over supervision. The programme is implemented in the State by State TB Officer (STO) through a network of peripheral health institutions as shown in the flow chart below.



Audit coverage

3.2.3 Implementation of the programme in the State during 1996-2001 was reviewed in audit by test check of records of DHS/STO, 3 (out of 5) DTCs,² 3 (out of 7) DTCs and the 2 TB Hospitals during June-August 2001, by covering an expenditure of Rs. 176.64 lakh³ (20 per cent).

Financial outlay and expenditure

Receipt and expenditure of State

3.2.4 As per financial pattern of the programme, the cost of anti TB drugs is borne by GOI. and all other expenditure including programme management and salary of the staff are to be met from State Plan and Non Plan funds. The provisions made in the budget for implementation of the programme, grants released by GOI under CSS and the expenditure thereagainst during 1996-97 to 2000-2001 are detailed in *Appendix-XII*.

3.2.5 It appeared that against the provision of Rs.67.87 lakh under Non Plan during 1996-97, the department incurred expenditure of Rs.74.17 lakh. This led to excess of expenditure Rs.6.30 lakh. Besides, Rs.66.78 lakh had been spent during 1996-97 by T.B. Hospital for which as Budget Provision was provided. The reason for the excess expenditure over budget provision and incurring expenditure without any budget provision was not stated.

² Kohima, Mokokchung and Mon.

³ Out of total expenditure of Rs.883.16

Diversion of funds

3.2.6 During 2000-01, the GOI sanctioned (July 2000) Rs.10.69 lakh to the State for procurement of 3 specific anti-TB drugs⁴ for sputum negative TB patients. Though the DHS showed (December 2000) procurement of these 3 drugs at a cost of Rs.10.69 lakh from a local supplier, stock registers of the STO accounted for receipt of anti-TB drugs only for Rs.0.99 lakh and other general purpose drugs for Rs.8.27 lakh indicating short receipt of medicines worth Rs.1.43 lakh. Thus, there was a diversion and misuse of Central funds, of Rs.9.70 lakh of which Rs.1.43 stood misappropriated as evidenced by non-receipt or short accountal of medicines.

Receipts and expenditure of TB Control Societies

3.2.7 Records of STC test checked, showed that total grant of Rs.78.82 lakh was received by all the 8 societies during 1999-2001. Against the receipt of Rs.44.14 lakh by STCS and 3 DTCS, Rs.8.16 lakh had been spent by STCS and DTC, Mokokchung leaving unspent balance of Rs.35.98 lakh as detailed in *Appendix-XIII*. The STCS could not furnish the expenditure incurred by the remaining 4 DTCS (not covered by audit) against the receipt of funds of Rs.34.68 lakh.

3.2.8 Non-utilisation of the funds was attributed by the Societies to non-purchase of vehicles as funds fell short of the market price. Reasons for non-incurring expenditure on the other components were not stated.

Implementation of programme

Survey and Planning

3.2.9 Records indicated that the DHS/STO had not conducted any survey to assess the prevalence rate of TB patients in the State. The STO and the MO, DTCS or the DTO, DTCS had also not drawn up any action plan indicating area of operation and annual activities to be carried out at the various levels of implementing agencies.

Infrastructure

Opening of DTCs and their functioning

3.2.10 Though the department claimed to have established 5 DTCs in 1982 the statistical report (October 2000) of STO, showed that all the DTCs were established prior to 1995, but from reports and returns that were submitted by the DTCs to the STO, it was seen that only the 2 DTCs at Kohima and Mokokchung were functional. This was also corroborated by a feed back report (May 2001) received by the State from GOI (Ministry of H&FW, DGHS). Thus, the other 3 DTCS at Mon, Tuensang and Zunheboto and TB Units under Civil Surgeon, Phek and Wokha were not functional till 1999-2000 despite having requisite manpower. This was evidenced in audit during test check of the records of DTC, Mon that upto 1999-2000, it had no records of activities done and for 2000-01, there was a 'nil' performance report even

⁴ Tablet INH, Ethambutol and Thiacetazone.

though the DTC, Mon had spent Rs.69.80 lakh on staff salaries and office expenses during 1996-97 to 2000-01.

TB Units and Microscopy Centres

3.2.11 Records showed that the state established 8 TB Units (TU) and 26 Microscopy Centres (MC) without following the norms of population criteria (one TU for 5 lakh population and one MC for 1 lakh population) and without obtaining approval from GOI. Besides, there was nothing on records to show that all the MCs in the State were provided with Microscopes and other requisite equipment either through the GOI or by the State Government to carryout Sputum Smear Tests, for identification of new cases or for continued treatment of old cases. To an audit query, it was stated by the STO that MCs had not been made operational.

Identification of TB patients and treatment

NTCP

3.2.12 On test check of the records of STO, it was seen that the State implementing machinery (STO) at the DHS did not have any feed back from the field units through quarterly and annual reports showing the number of cases detected and treated year-wise. However, from various reports/returns submitted by STO to GOI during 1996-2001, it was seen that against target for 7109 new TB cases to be detected, the STO recorded achievement of 6143 (86.41 *per cent*) out of which 3151 cases were brought under treatment as detailed in *Appendix-XIV*. Thus, the fate of balance 2992 (47.47 *per cent*) newly detected TB-patients was not known. Generally, as per norms, 2.58 *per cent* of the patients are coming to the hospital with chest symptoms. The basis of fixation of target for identification of new TB cases was not made available to audit.

RNTCP

3.2.13 Under RNTCP, the identified TB patients after categorisation are required to be issued registration card (with registration number) and identity cards and administered first dose of medicine. Subsequent doses of the medicine for intensive and continued phases would be administered by a 'DOT⁵' provider in the periphery of the patient.

3.2.14 But, it was noticed in audit that the State TB Control Society had no information on the number of patients that were brought under DOT during 2000-01 though all the 7 District Societies were made operational in the State from 2000-01.

3.2.15 From the records of 3 DTCs test checked, it was seen that though they received medicine from GOI and the STCs (out of Central cash assistance), there were no records with the DTCs, Kohima and Mon to show that any medicine had reached the MCs for issue to patients under DOT. This was, mainly because of non-functioning of MCs under Kohima and Mon.

⁵ Direct Observation Treatment (DOT)

Discrepant reporting of TB case detection and treatments

3.2.16 The STO at the State headquarter from time to time prepared and submitted consolidated status reports to GOI on TB case detection and treatment provided. From different reports prepared at different points of time as shown in *Appendix-XV* showed that none of the reports were congruent in as much as the number of new TB patients detected during 1999-2000 appeared as 1978, 3240 and 643 in 3 different reports. Similarly, the number of new TB patients treated during the said year was shown as 413 and 1727 in 2 different reports.

3.2.17 Further, under RNTCP, the STO's claim for having treated 303 cases with Short Course Chemotherapy (SCC) during 2000-01 under which 60 patients completed their treatment was not supported by feed back report of field units *viz.*, DTCS. Records of these DTCs showed that no new TB patients identified during 2000-2001, were brought under DOT/Short Course of Chemotherapy indicating fictitious reporting of achievement.

3.2.18 Thus, the inconsistent and incongruent status reports furnished by the STO showing targets and achievements under both TB case detection as well as treatments provided were unrealistic and fictitious since the consolidated status reports were not based on any feed back from the implementing agencies at the periphery. Data analysis from the available reports showed that the State had not yet registered any cure rate indicating that it is still at 'zero' level. This had frustrated the very purpose of implementing NTCP/RNTCP.

Training

3.2.19 The STO, however, could not furnish year-wise details of targets and achievements for imparting training to the MOs and PMS engaged on NTCP/RNTCP work and expenditure incurred. On RNTCP, however, records showed that 8⁶ MOs received training at the TB Training and Demonstration Centre at the Calcutta Medical College during 6th to 17th February 2001. Thus, it is evident that non-availability of required trained personnel adversely affected implementation of the programme in terms of case detection and treatment.

Monitoring and evaluation

3.2.20 The State TB Officer and the DTOs were required to monitor the progress of implementation and send quarterly reports to the Central TB Division of GOI for analysis by the National TB Institute (NTI), Bangalore.

3.2.21 It was noticed from a feed back report of the NTI, Bangalore, that 6 quarterly reports for 1999-2000 only were sent by the DTOs Kohima and Mokokchung. Thus, against requirement of 28 quarterly reports to be submitted by 7 DTOs only 6 such reports were submitted to GOI. No reports for 2000-01 had yet been submitted by these DTOs, which indicated that the monitoring of the programme was virtually non-existent.

⁶ STO = 1, DTO = 5, CS = 2.

Recommendations

3.2.22 In view of the irregularities and shortcomings noticed in the foregoing paragraphs the following recommendations are made-

Survey and identification of both incidence of blindness and prevalence rate of Tuberculosis patients should be made.

Annual Action plans should be drawn up and operationalised to make best use of the existing infrastructure for optimising case detection and treatment under both the programmes.

Requisite training of the executing officers *viz.*, Eye Surgeons and TB Officer should be provided.

The implementation of the programmes be monitored by setting up required control mechanism as recommended by GOI.

The matter was reported to Government and Department in October 2001; their replies had not been received (January 2002).

3.3 Programmes for Prevention and Control of Diseases

C National AIDS Control Programme

Highlights

A review of the National AIDS Control Programme implemented in the State during 1996-97 to 2000-01 revealed that the implementation of the programme suffered a set back due to the absence of a comprehensive policy, programme mismanagement, centralised financing and absence of accountability that resulted in excess reporting of expenditure, large scale misuse of funds through diversion and advance payments, non monitoring of the financial and physical performance of substantially financed Non-Governmental organisations and non-initiation of remedial measures through monitoring and evaluation of performance of the implementing agencies. Resultant effect was that the State against achievement of target for HIV/AIDS infection rate below 1 per cent of adult population, had registered incidence rate of 2.52 per cent of the population marginally covered.

Against available balance of Rs.4.14 lakh with the State Government as of April 1998 the State Finance Department irregularly authorised (March 1999) Director of Health Services (DHS) to draw Rs.25 lakh of which the DHS transferred only 0.04 lakh to the State AIDS Control Society and misutilised balance Rs.24.96 lakh.

(Paragraph 3.3.7)

The total reported expenditure of Rs.1169.60 lakh for 1996-2001 was inflated by Rs.329.54 lakh on account of advance payments made to departmental officers/NGOs from whom accounts and vouchers had not been received as of March 2001

(Paragraph 3.3.8)

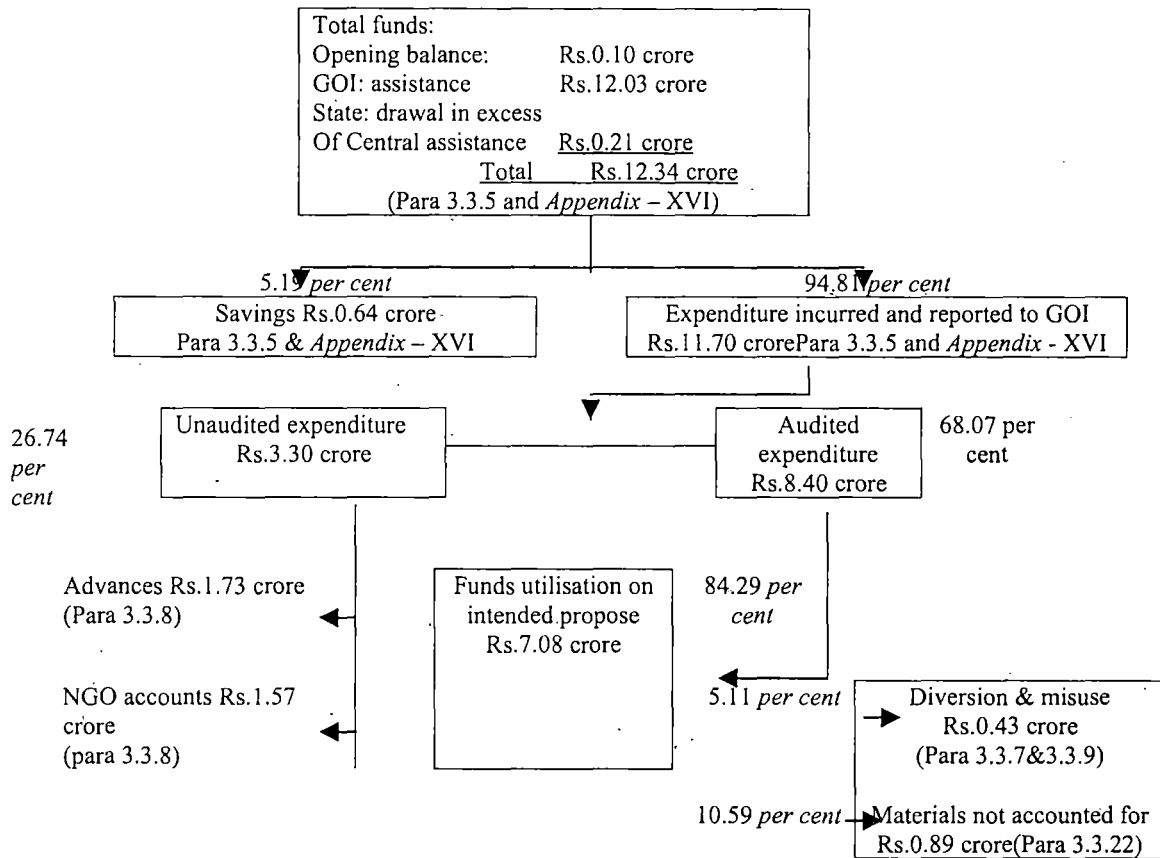
Programme funds of Rs.17.86 lakh was unauthorisedly diverted on procurement of vehicles

(Paragraph 3.3.9)

Incidence of HIV/AIDS infection rate among the STD patients and antenatal mothers were on the increase and as of 2000 registered at 6.96 per cent and 1.63 per cent indicating dissemination of infection among general community.

(Paragraph 3.3.15)

FINANCE TREE
(National AIDS Control Programme)
1996-2001



Introduction

3.3.1 The National AIDS¹ control programme a *cent per cent* centrally sponsored scheme (CSS), though lunched by the Government of India (GOI) in September 1992, in Nagaland the programme was taken up as State Plan Programme from March 1992 with the setting up of State AIDS cell (SAC) in the Directorate of Health Services (DHS) was converted into the Centrally Sponsored Scheme from September 1992. Subsequently in April 1998, the Nagaland State AIDS Control Society (NSACS) was formed and took over the programme implementation of AIDS control from SAC. The Phase II of the programme funded by the World Bank was started from April 1999 with the objective of reducing the level of HIV² prevalence rate below 1 *per cent* among adult population.

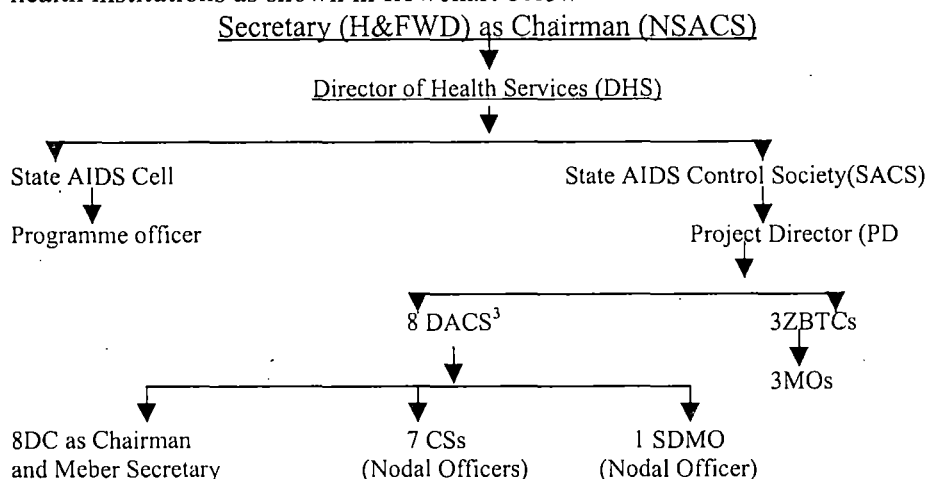
Organisational set up

3.3.2 The Secretary to the Government of Nagaland (GON) Health and Family Welfare Department (H&FWD) is overall responsible for Health Services and Programme Director of Nagaland State AIDS Control Society (NSACS) exercise their control over supervision in implementation of the programme.

¹ Acquired Immuno Deficiency.

² Human Immuno Deficiency Virus.

The programme is implemented in the State through a network of peripheral health institutions as shown in flowchart below



Audit coverage

3.3.3 A review on implementation of National AIDS control programme was for the period from 1993-94 to 1995-96 was featured in para 3.9 of Report of the Comptroller and Auditor General of India – Government of Nagaland 1995-96.

3.3.4 The implementation of the programme during 1996-97 to 2000-2001 was reviewed in Audit during June-August 2001 by test check of the records of the Programme Officer AIDS cell, DHS, PD, NSACS, all 3 Blood Banks and ZBTC covering 68 *per cent* of the expenditure incurred on the programme. Important points noticed during test check are highlighted in succeeding paragraphs.

Financial outlay and expnditure

3.3.5 Funds released by GOI to the State Government and by the National AIDS Control Organisation (NACO) to the State AIDS control society and expenditure incurred by the State/NSACS during 1996-97 to 2000-01 as per records maintained by Sr. Deputy Accountant General (A&E) office and data furnished by the Society were as under:-

Table No.3.4

(Rupees in lakh)

Year	Opening balance	Funds released by GOI/NACO	Expenditure incurred by SAC/NSACS	Closing balance
1996-97	10.33	190.00	175.05	25.28
1997-98	25.28	155.00	176.14	4.14
1998-99	25.00 ⁴	227.00	251.96	0.04
1999-2000	0.04	380.00	379.07	0.97
2000-2001	0.97	250.50	187.38	64.09
Total:-		1202.50	1169.60	

³ DACS(District AIDS Control Society), CS (Civil Surgeon), SDMO (Sub-Divisional Medical Officer), ZBTC (Zonal Blood Testing Centre) and DC (Deputy Commissioner).

⁴ Against closing balance of Rs.4.14 lakh as on 31 March 1998, the DHS projected balance as Rs.25 lakh and drew the amount (March 1999) but handed over Rs.0.04 lakh only to the NSACS.

3.3.6 In addition to above, the GOI also provided assistance of Rs.4.82 lakh for blood banks during 1998-99 (Rs.3.82 lakh) and 1999-2000 (Rs.1 lakh). Component-wise break up of expenditure phase-I and phase-II of implementation of the scheme are given in *Appendix –XVI* and *XVII*.

The following points were noticed:-

✓ ***Unauthorised drawal and misuse of funds and reporting of inflated expenditure***

3.3.7 Though establishment of Nagaland AIDS Control Society (NSACS) was preponed and made operational from 1 April 1998, unutilised central assistance of Rs.4.14 lakh lying with the State Finance Department at the end of 1997-98 was not transferred to the NSACS. On the contrary, funds of Rs.25 lakh were released against AIDS control programme to the DHS. Accordingly, the DHS drew (March 1999) the amount and utilised on procurement of materials for AIDS control programme and transferred Rs.0.04 lakh only to the society. The NSACS stated (December 2001) that funds of Rs.25.00 lakh could not be spent during the year of release i.e. 1997-98 due to late receipt which was spent by the DHS in 1998-99, but failed to produce the detailed records of utilisation.

Irregular drawal of funds

3.3.8 The DHS usually continued to draw funds from the treasury through FVC bills by enclosing only a statement of expenditure as sub-voucher. Records showed that Rs.329.54 lakh paid as advance to different officers, and NGOs for various purposes during 1996-2001 by charging them as final expenditure without getting any adjustment of expenditure from them. The amount of advances remained outstanding due to non-submission of accounts by the Programme Officer (Rs.172.87 lakh) and NGOs (Rs.156.67 lakh). Thus, expenditure was over reported by Rs.329.54 lakh. The NSACS stated (December 2001) that in order to effectively carry out different activities advances were released to different officers and NGOs.

Diversion of programme funds

3.3.9 Funds allotted and released by GOI did not include provision for purchase of new vehicles except for maintenance of existing vehicles. The Programme Officer (PO), AIDS Cell and the Project Director (PD), NSACS, however, diverted Rs.17.86 lakh programme funds on purchase of 5 light vehicles between March 1998 and January 2000. But, approval of the NACO was not obtained by the NSACS.

ii) The NSCAS stated (December 2000) that in order to effectively carry out the AIDS control activities, the society decided to purchase some light vehicles as was decided in the meeting of the Empowered Committee held on 21 September 1996 in the office chamber of the Secretary, H&FWD.

iii) The reply is not acceptable as no approval was obtained from NACO.

Implementation of the programme

Blood Safety

3.3.10 Blood banks and zonal blood testing centres-Under assistance (both cash and kind) from NACO (GOI) Blood Bank at the Naga Hospital, Kohima was to be modernised and blood transfusion centres at 2 Civil Hospitals (Dimapur and Mokokchung upgraded by addition of required infrastructure, equipment and manpower. The 3 Zonal Blood Testing Centres (ZBTC) attached to the blood banks were also required to be provided with necessary equipment with full facilities for supply of safe blood.

3.3.11 Records of DHS/NSACS showed that modernisation and upgradation of the above blood banks have been done and ZBTCs set up with each blood bank, with requisite manpower, information of the equipment and chemicals provided (by NACO)/GON and NSACS) to them was not available. Records of Hospitals at Kohima, Dimapur and Mokokchung (test check) showed that-

(i) Only 3 Medical Officers and 6 technicians of these 3 hospitals have been trained so far.

(ii) Records of SAC/NSACS showed procurement and distribution of blood banks equipment and chemicals⁵ worth Rs.13.25 lakh to the NHK and Dimapur Civil Hospital, between 1996-97 and 2000-01. But records of these hospitals, however did not show receipt of these equipment indicating non-receipt or non accountal of the equipment. The Blood samples collected and tested in these hospitals during 1996-97 to 2000-2001 were as under:-

Table No.3.5

Year	Blood samples tested (No of persons)	HIV positive cases detected No of persons (per cent)
1996-97	7011	412 (5.88)
1997-98	1507	40 (2.65)
1998-99	1910	72 (3.77)
1999-2000	6494	214 (3.30)
2000-2001	2440	72 (2.95)
Total	19,362	810 (4.18)

3.3.12 The position given above was inclusive of all samples collected in the sentinel survey as well as in the STD clinics.

3.3.13 Thus, over a period of five years 1996-2001, the programme implementing agency had covered only 19,362 cases out of 16 lakh estimated population of the State. The poor coverage also disclosed prevalence rate of HIV/AIDS infection ranging from 2.65 per cent to 5.88 per cent of the total cases tested. This indicated poor functioning of the State machinery.

Sentinel Surveillance

3.3.14 In order to keep a surveillance on the infection rate of AIDS by effectively monitoring the HIV positive cases and to help take preventive steps (both auxilliary and diagnostic) to contain the spread of the deadly infectious virus, the department set up 2 surveillance centres at Kohima and Dimapur and carried out sentinel surveillance between 1 August and 31 October each

⁵ Audio and PA system, PP screen, Overhead projector, Voltage stabilazer, Standby generator, Fax machine, Slide projector, Glass slide; Tube alter VDRL-Vendix, PO bag, IV set, HIV/EIA, camb scren and Aids

year by drawing blood samples from four out of 8 districts of the State. The 4 remaining districts viz Wokha, Phek, Zunheboto and Mon were never covered for which no reasons were on record. However, of the 6344 blood samples of Intra-Venous Drugs Users (IVDU-697) tested during 1996-2000, Sexually Transmitted Diseases (STD-1162) patients and Antenatal Cases (ANC-4485), 229 cases were found HIV positive indicating prevalence rate of 2.52 per cent at an average at the end of the year 2000 as shown in *Appendix -XVIII*.

3.3.15 As per NACO survey report, the incidence of HIV infection at the end of the year 2000, among the IVDU, STD patients and ANC were 7.03 per cent, 6.90 per cent and 1.35 per cent respectively.

3.3.16 This indicated the performance of the SAC and NSAC has not been satisfactory and the main objective of the programme was not achieved despite spending of Rs.13.95⁶ crore on the programme which included Rs.32.01⁷ lakh being spent on Sentinel Surveillance alone during 1993-2001.

Control of Sexually Transmitted Diseases

3.3.17 To contain the spread of sexually Transmitted Diseases (STD) including HIV/AIDS through identification, counselling preventive as well as diagnostic steps, 8 STD clinics had been set up in 8 district hospitals of the State. Over a period of 5 years -1996-2001 (except 1997 when no STD survey was conducted) out of 1162 STD patients tested 52 were found HIV positive indicating an average incidence rate of HIV positive case among STD patients at 4.48 per cent as detailed in *Appendix -XVIII*. It also showed that HIV positive cases among the STD patients are increasing, rising from 3 per cent in 1996 to 6.96 per cent in 2000, despite implementation of IEC activities and Family and Health Awareness Campaign.

Training

3.3.18 According to the NACO guidelines the State (SAC/NSACS) drew up annual action plan for imparting training to the functionaries viz the doctors, nurses, technicians and the para-medical staff of the health care services both from Government as well as at the private sectors.

3.3.19 Records showed that the SAC/NSACS with the help of State and national faculties conducted 241 various training programme and 959 doctors, 1356 nurses, 54 technicians and 1383 para medical staff of both Government and private sector were trained in AIDS control during 1996-2001 at a cost of Rs.162.59 lakh. However, in respect of expenditure of Rs.72.26 lakh details of training programme conducted were not furnished. For want of these bonafides of this expenditure of Rs.72.26 lakh were not vouchsafed.

6	Total expenditure	1933-96	Rs.225.70 lakh.
		1996-2001	Rs.1169.60 lakh.
		<u>Total</u>	<u>Rs.1395.30 lakh</u>
7	Upto 1995-96 1996-2001 Total	Rs.9.14 lakh.	
		<u>Rs.22.87 lakh.</u>	
		<u>Rs.32.01 lakh</u>	

Other points

3.3.20 Records of SAC and NSACS indicated that Rs.5.70 crore was spent during 1996-2000 in various IEC activities, but detailed records in support of expenditure were not maintained. Further, materials worth Rs.89.13 lakh procured during 1996-2001 were not accounted for in stock register. As such, the expenditure could not be vouchsafed in audit.

Monitoring and evaluation

3.3.21 Proper monitoring of the progress of implementation and the physical and financial achievements was not done till the end of 1998-99. From 1999-2000 though regular reports were sent to GOI (NACO), the practice of inflated reporting of expenditure that included advances payments as well, continued. Physical performance had never been vouched with financial performance with consequential impact on the programme that showed increase of HIV/AIDS incidence among the STD patients and antenatal mother while in the case of IVDU's there has not been a significant decline.

3.3.22 The programme has never been evaluated by an independent authority as required to assess the impact of implementation of the programme. The consolidated reports/returns that were sent to the GOI has also not been analysed and evaluated at the State headquarter or by the GOI and follow up action taken to arrest the rising trend of HIV infectious.

Recommendations

3.3.23 In view of the irregularities and shortcomings noticed in the foregoing paragraphs the following recommendations are made-

- (i) Spending of programme funds should be accountability centred.
- (ii) Activities of the blood banks and sentinel survey should be intensified to get adequate coverage in blood sample collection and testing.
- (iii) Accountability of the IEC activities, NGOs performance training should be ensured.
- (iv) There should be proper analysis and evaluation of feed back data received from various agencies to evolve suitable strategies for implementation.

3.4 Programmes for Prevention and Control of Diseases

D. National Leprosy Eradication Programme

Highlights

A review of the implementation of the Leprosy Eradication during 1996-2001 showed that the Government's claim of having achieved elimination of leprosy from the State by reducing the prevalence rate per 10,000 population from 38.6 in 1981-82 to 0.38 by 1998-99 and further reducing it to 0.32 by March 2001 did not appear to be convincing in the absence of reliable data on field and clinical management of the disease, deployment and mobility of manpower and vehicles.

Unreliable data on case detection, treatment and achievements that included death and migration cases as well, did not show real position of prevalence rate of leprosy in the State.

(Paragraphs 3.4.8 & 3.4.11)

There was no extra impact on case detection and treatment during two rounds of Modified Leprosy Eradication Campaign conducted during 1997-98 and 1999-2000 indicating unfruitful utilisation of central assistance of Rs.68.55 lakh.

(Paragraph 3.4.21)

Of the Central assistance of Rs.39 lakh provided during 1996-2001, the Director of Health Services and the State Leprosy Officer are suspected to have misappropriated Rs.37.02 lakh.

(Paragraph 3.4.26 & 3.4.28)

Introduction

3.4.1 The National Leprosy Control Programme (NLCP) launched by the Government of India (GOI) in 1954-55 was taken up in Nagaland in 1982 as a 100 percent Centrally Sponsored Scheme (CSS). In 1983, the programme was redesignated as National Leprosy Eradication Programme (NLEP). The objective of the NLEP was to eliminate Leprosy by the end of 2000 AD by reducing the prevalence rate (PR) to less than 1 per 10,000 population.

3.4.2 Strategy of leprosy elimination included early detection of cases and prompt treatment. The World Health Organisation (WHO) recommended Multi Drug Therapy (MDT) was introduced in the State by the end of 1994-95 by setting up (March 1995) of Leprosy Societies in all 7¹ districts of the State.

¹ Kohima, Phek, Mokokchung, Tuensang, Mon, Wokha, Zunheboto.

The modified NLEP included providing of MDT services through Mobile Leprosy Treatment Unit (MLTU), health education to the patients and organising Leprosy eradication campaign under active participation of District Leprosy Societies (DLS) under over all control and supervision of the 3² Zonal Leprosy Officers (ZLO) who are the member secretaries of the DLS falling under each Zone. The DLS received grants from the GOI

Organisational set up

3.4.3 At the State level, a State Leprosy Officer (SLO) under the overall financial and administrative control of the Government of Nagaland (GON), Health and Family Welfare Department (H&FWD) and the Director of Health Services (DHS) is responsible for planning, co-ordination and programme implementation. The State Leprosy Society was formed in March 2000, with the SLO functioning as the Member Secretary and Secretary, H&FWD, as the Chairman. The SLO is assisted by the 3 ZLOs and the 7 DLS.

Audit coverage

3.4.4 Implementation of the programme was reviewed in audit by test check of the record from 1996-97 to 2000-01 of DHS/SLO, 1 ZLO³ (out of 3) and 3⁴ (out of 7) DLS during June-August 2001 covering an expenditure of Rs.264.04 lakh (49.97 per cent). Important findings of test check are highlighted in succeeding paragraphs:-

Financial Management

State Government and the State Society (DHS/SLO)

3.4.5 Funds released GOI, GON and the expenditure incurred thereagainst were as per records maintained by Sr. Deputy Accountant General (A&E) office and the information furnished by the State Leprosy Society were as under:-

Table No.3.6 (Rupees in lakh)

Year	Opening balance	Funds allocated by GOI to		State Share GON	Total funds	Expenditure		Total expenditure	Closing balance
		State Govt.	Society			By State	Society		
1996-97 ⁵	8.17 ⁶	7.00	81.00	4.81	100.98	3.40	62.43	65.45	
1997-98		8.00	172.81 ⁷	2.96	183.77	15.53	178.92	194.45	
1998-99		8.00	41.00	3.14	52.14	10.39	60.40	70.79	
1999-2000		8.00	83.04 ⁸	2.85	93.89	10.69	82.68	93.37	
2000-01		8.00	92.00	3.08	103.08	11.06	92.82	103.88	
Total	8.17	39.00	469.85	16.84	533.86	51.07	477.25	528.32	5.54

² ZLO, Dimapur (DLS, Kohima, Phek & Dimpaur (from December 1997)
ZLO, Tuensang (DLS, Tuensang and Mokokchung)
ZLO, Mon (DLS, Mon, Wokha and Zunheboto).

³ Dimapur.

⁴ Kohima, Mokokchung and Mon.

⁵ Opening balance of CSS funds could not be worked due to non-availability of information for the past periods. .

⁶ As per the accounts of the 7 DLS.

⁷ Includes MLEC funds of Rs.55.46 lakh and Rs.13.09 lakh for 1997-98 & 1999-2000 respectively.

3.4.6 In addition to receipt of Central cash assistance of Rs.39 lakh, the State also received commodity assistance of Rs.48.63 lakh in the form of anti-leprosy medicine (Rs.18.68 lakh) and 6 medium vehicles (Canther Mini Bus = Rs.29.95 lakh) for MLTUs.

3.4.7 Overall expenditure (including CSS and State component as given above) as per Appropriation Accounts on the programme during 1996-97 to 1999-2000⁸ was Rs.506.37 lakh against State budget provision of Rs.492.83 lakh as shown in the *Appendix – XIX*. The expenditure in excess of those shown in the table given above was on the programme management (staff salaries) and met out of State exchequer.

Implementation of the programme

Infrastructure development

3.4.8 For effective implementation, GOI guidelines prescribed one Leprosy Control Units (LCU) for every 4-5 lakh population, one Urban Leprosy Centre (ULC) for every 50,000 population in urban areas and one Survey, Education and Training (SET) Centre for every 25,000 population and one Mobile Leprosy Treatment Unit (MLTU) for every low endemic districts. The State having a population 12.10 lakh as per 1991 census in 8 districts (since December 1997) was being served with 7 District Leprosy Societies (DLS) under 3 ZLO at Dimapur, Mon and Tuensang, since inception of the programme (March 1995).

3.4.9 As per the norms fixed GOI guidelines the various units required to be created and established thereagainst in the State were as under:

Table No.3.7

Sl. No.	Name of units/centre	Requirement as per GOI guideline	Achievement
1.	LCU	3	2
2.	ULC	24	2
3.	SET	48	32

3.4.10 Due to shortfall in creation of required infrastructure, implementation of the programme had been adversely affected. The reasons for non creation of the required infrastructure were not stated.

Case detection and treatment

3.4.11 Targets set for the State by GOI/GON for identification and treatment of leprosy patients in the State were not available on record. However, year-wise detection of new cases, treatment provided (both old and new) as seen from the records of SLO and DLS were as under:-

⁸ Information for 2000-01 not available due to non-compilation of Appropriation Accounts

Table No.3.8

Year	No. of patients at the beginning of the year	New cases detected during the year	Relieved from treatment (RFT)	Balance under treatment	Average PR per 10,000 population out of 12.10 lakh (5-:- 12.10)
1	2	3	4	5	6
1996-97	539 ⁹	67	490	116	0.96
1997-98	116	55	58	113	0.93
1998-99	113	71	124	60	0.50
1999-2000	60	82	78	64	0.53
2000-01	64	68	77	55	0.45
Total		343	827		

Source: Departmental records

3.4.12 As per leprosy survey conducted by the Health department in March 2000, district-wise breakup of leprosy cases registered, treated, released after treatment (RFT) and balance under treatment as of March 2000 was as shown in *Appendix – XX*. It would be seen from the *Appendix-XX* that there was wide variation in the number of cases on records and No. of patients released after treatment during the year 1999-2000. Similarly, the prevalence rate also differed. This indicates that the records maintained by the SLO and the DLS were not reflecting the true state of affairs.

3.4.13 As against a prevalence rate of 38.6 per 10,000 population in 1981-82, the PR at 0.38 per 10,000 population by March 2000 recorded a significant achievement within a span of 20 years, credit for which rests with the implementing authority and WHO's MDT therapy. The GOI declared (February 2000) Nagaland as the first State to have achieved elimination of leprosy and also awarded a cash prize of Rs.15 lakh to the State for furtherance of leprosy treatment, care and rehabilitation of leprosy affected people in the State.

3.4.14 Receipt of the reward amount and utilisation thereof on the desired purpose had not, however, been reflected in the account and records of the Department, ZLOs and the DLS. Both the SLO and the ZLOs have stated that the prize money was received by the Minister, H&FW only in July 2001.

3.4.15 Of the 827 RFT cases of 1996-2001, 813 were recorded as cured; 10, died and 4 migrated to other States the reason for which had not however been put on record. Among the cured, there were 3 relapsed cases of 1998-99 (2) and 1999-2000 (1), which were recorded to have been cured subject to skin smear tests and remedial measures taken.

9

Progressive cases registered upto 2000-01	2486
Less cases detected during 1996-2001	(-343)
Case detected upto 1995-96	2143
Less cases treated & released upto 1995-96	(-1604)
Cases under treatment	539

MDT Therapy

3.4.16 MDT being an important strategy towards elimination of leprosy was under implementation in the State since 1995-96 in all the 7 districts of the state. The DLS directly funded by the GOI (cash assistance) would also receive anti-leprosy (MDT) drugs from GOI through the SLO. Six of the 7 MLTUs were provided with vehicles (Bus) to arrange administration of the medicine to the leprosy patients at fixed intervals and at a fixed point within the reach of the patient.

3.4.17 It was, however, noticed on test check of records of the SLO, that records for receipt and distribution of MDT drugs existed from 1997 onward only even though vehicle and MDT drugs were provided by GOI since 1995-96. Receipt, of medicine and distribution thereof to the districts are given in *Appendix - XXI*.

3.4.18 It may be seen that as of 31 March 2001, the SLO had not distributed the following medicines which included expired medicines as well.

Table No.3.9

	Total received	Balance in stock	Expenditure		Date of expiry
			Quantity	Year to total	
Multi bacillary (MB)					
Child (C)	9530	1912	912	10	7/98
Adult (A)	13074	4912	912	12	9/98
			500		7/2000
Pancibcillary					
Child (C)	2500	1000	400	16	7/2000
Adult (A)	13956	24,000			
ROM	500	50	50	10	10/2000

Source: Departmental records

3.4.19 In the event of treatment being provided by the DLS through the MLTUs, holding of large quantity of medicine in the stock of SLO was irregular and because of such irregular retention of medicines with the SLO, medicines valued Rs.0.75 lakh expired in stock itself. Reasons for non-distribution of the medicines were neither on record nor were stated.

3.4.20 Further, though the records of districts test checked showed that the medicines received by them were properly utilised and administered to the patients as per prescribed norms, it could not be ascertained in audit as to how the MLTUs could perform their duties by serving MDT drugs to the patients at the fixed points and at a fixed interval of time without vehicles, deployment of which was not on record. Log books of the vehicles (light and medium) and movement register of MLTUs were also not available. The possibility of misutilisation of the leprosy vehicles could also not be ruled out as evidenced from an allegation made (undated) in a letter sent to SLO by a youth forum of Tuensang that the leprosy Bus was being utilised for commercial purpose and medicines were not made available to the patients in the remote places. Further more, the DLS Mon was not provided with any vehicle (light and medium) since inception of the society. Therefore, performance data of DLS, Mon also appeared to be unrealistic.

Modified Leprosy Elimination Campaign

3.4.21 To detect left out hidden cases, the GOI launched two rounds of Modified Leprosy Elimination Campaign (MLEC). Under this, leprosy societies in Nagaland received Rs.68.55 lakh in 1997-98 (Rs.55.46 lakh) and 1999-2000 (Rs.13.09 lakh).

3.4.22 According to records maintained by the societies two rounds of campaign were conducted in the respective years as per the programme guidelines. As per case detection, clinical and other records maintained, it was seen that during MLEC-I, 379 cases were identified/detected of which only 55 cases (15 per cent) were confirmed and brought under treatment. This indicated a poor performance of the implementing machinery. The ZLOs could not furnish any convincing reasons for such wide variation between the identified and confirmed cases except stating that it was attributed to inaccessibility of the positioned staff to the remote hilly terrains. The plea put forward did not appear to be convincing since, it had no bearing on the confirmation of identified cases. The main reason that could be attributed to the wide gap would be lack of expertise of the involved functionary in case detection or inflating the number of detected cases. The ZLOs claim of having imparted requisite training to MOS, paramedical and non-medical staff (NMS) twice in a year to instill requisite expertise in them, was not corroborated by detailed records of training imparted by all the 32 SET of the State.

3.4.23 Further, during MLEC phase _ II, the Department had not recorded any additional case detection except under normal operation.

3.4.24 Thus, from the normal trend of annual case detection, confirmation, and treatment, it did not appear that MLEC-I and II had any special impact in the State in so far as identification and confirmation of leprosy cases though additional funds of Rs.68.55 lakh provided by GOI had been spent.

3.4.25 Moreover, the state's claim of having achieved the desired target of leprosy elimination in the State was not corroborated by supporting data and records showing village wise annual survey and clinical registers, deployment and mobility of the vehicles and manpower and detailed activities of the SETS.

Other points of interest

3.4.26 Between 1996-97 and 2000-01 DHS procured Hospital linen, Nursing sundries (for 2 THW), office equipment (including computers) etc. worth Rs.37.02 lakh. The stock register of the SLO/DHS showed that of the total purchase, materials worth Rs.10.09 lakh only were received by the societies leaving balance materials worth Rs.26.93 lakh with the DHS/SLO records of the DLS showed that they had not received any materials.

3.4.27 Thus, actual procurement and distribution of materials were not established indicating that the entire amount of Rs.37.02 lakh (out of central assistance of Rs.39 lakh received during these year was misappropriated.

Monitoring and evaluation

3.4.28 Since the setting of societies in the State, the programme was well monitored by the SLO/DLS and all prescribed reports/returns, accounts submitted to GOI as per schedule.

3.4.29 Though the programme was evaluated by the Department through conducting survey in the year 2000, there was no evaluation carried out by an independent authority viz Director of Evaluation to confirm the achievements recorded by the societies and the Department.

3.4.30 The above points were reported to the Government and the Department in November 2001; their replies have not been received (January 2002)

HOME (POLICE) DEPARTMENT

3.5. Modernisation of State Police Forces

Highlights

The scheme "Modernisation of State Police Force was launched by Government of Nagaland in 1969-70. A review of the scheme by Audit revealed that the objective of the programme was not fulfilled due to lack of proper planning. Lack of proper monitoring the programme, resulted in irregular issue of arms, and ammunition and diversion of funds. Shortage of trained personnel inadequate availability of arms and inadequate communication system adversely affected implementation of the programme.

Matching contribution of State share have not been released by the State Government in any of the years during 1996-97 to 2000-01.

(Paragraph 3.5.6)

The Department furnished utilisation certificate of Rs.2.70 crore for the year 2000-2001, though Rs.1.39 crore remained unspent as of May 2001.

(Paragraph 3.5.7)

Against the allocation of Rs.78 lakh, the Department procured 107 vehicles at a total cost of Rs.3.47 crore during 1996-2000. Though the Department possessed 245 Maruti Gypsy during 1996-2000, 6 Police stations were not provided with any vehicle.

(Paragraphs 3.5.12 & 3.5.13)

Arms and ammunitions worth Rs.75.71 lakh were irregularly issued to Special Nagaland Armed Police Battalion, Delhi and 9th Armed Battalion, Chumukedima.

(Paragraph 3.5.18)

5 check posts and 13 out posts were not provided with any wireless sets even after a lapse of 30 years since inception of the scheme.

(Paragraphs 3.5.27)

There was short accounting of 40 Bullet proof Mobile Morcha and 500 rounds of ammunition of .22 Rifle during 1997-98.

(Paragraph 3.5.28)

One HPLC machine (Rs.18 lakh) and one Air conditioner (Rs.0.40 lakh) purchased in 1999-2000 remained idle for want of renovation of FSL building.

(Paragraph 3.5.35)

Introduction

3.5.1 To supplement the efforts of the State Government the scheme of "Modernisation of State Police Forces" was introduced by the Government of India (GOI) in consultation with State Governments during 1969-70 with a view to improving the efficiency and effectiveness of the State Police Organisation. Under the scheme, the G.O.I provides Central assistance (Loan/grant) in the ratio of 50:50 to the State Government on non-recurring nature on specified items. The scheme was initially included in the plan sector and was under implementation for 10 years upto the end of 1978-79. It was subsequently revised and extended upto 2010 in 3 spells of 10 years each and brought under non-plan sector. In Nagaland, the scheme was operational since 1972-73.

Organisational set up

3.5.2 The implementation of the scheme in the State was vested with the Director General of Police (DGP). He was assisted by the Deputy Inspector General of Police (Modernisation).

Audit Coverage

3.5.3 The scheme was earlier reviewed in audit and included in the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year ending 31 March 1987.

3.5.4 The present audit review was conducted by test check of the records of Director General of Police (DGP), Dy. Inspector General (Wireless), Inspector General of Police (Intelligence), Kohima, Nagaland Armed Police Training Centre, Chumukidema, 2 Superintendent of Police¹ and Commandants of 2 Battalions² by covering 78 per cent of total expenditure for the period from 1996-97 to 2000-2001 during April- June, 2001

Financial Management

3.5.5 Central assistance released by GOI during 1996-97 to 2000-2001 and expenditure incurred there against as booked in the accounts of the State are shown below:-

Table No.No.3.10 (Rupees in lakh)

Year	Opening balance	Fund Released		Total release (3+4)	Total available fund (2+5)	Expenditure	Closing balance
		Central	State share				
1	2	3	4	5	6	7	8
1996-97	78.00	220.03	Nil	220.03	298.03	196.16	101.87
1997-98	101.87	238.43	Nil	238.43	340.30	340.23	0.07
1998-99	0.07	238.43	Nil	238.43	238.50	238.43	0.07
1999-2000	0.07	160.37	Nil	160.37	160.44	64.05	96.39
2000-2001	96.39	284.00	Nil	284.00	380.39	380.32	0.07
Total:		1141.26	Nil	1141.26	1417.66	1219.19	

Source: Departmental figures of expenditure.

¹ Kohima, Dimapur.

² Chumukedima, Tizit.

3.5.6 The scheme was to be implemented at the ratio 50:50, between the Central and State Government. It appears from the above table that no matching share was released by the State Government in any year. The reason for non-release of State share was not stated.

3.5.7 Records of the DGP, Kohima indicated that Rs.2.70 crore was drawn (8 March 2001) through AC Bill and kept in CD Account of the Bank maintained by the Department. Of this, Rs.1.31 crore was spent during March 2001 in payment of Supplier's bills and the balance of Rs.1.39 crore still remained unspent as of May 2001.

3.5.8 However, it was noticed from the utilisation certificate, furnished by the Department that the whole amount of Rs.2.70 crore was shown as utilised during 2000-2001. Thus, expenditure for the year 2000-2001 was inflated by Rs.1.39 crore.

3.5.9 Under the scheme of Central Assistance for Modernisation of the Police Forces, the GOI, MHA has disallowed purchase of Bomb disposal (BD) equipments (to be met out of State resources), Police training equipments for Police Force (to be met out of fund provided by Tenth Finance Commission). But the DGP purchased materials worth Rs.48.45 lakh for BD equipment (20.22 lakh) and training materials (28.23 lakh) items in deviation to the norms and directives of the GOI, MHA. Further, specific instruction was also given while sanctioning special assistance (in cash) for purchase of Arms and Ammunitions during 1998-99 in which the Forensic Science Laboratory equipments were not listed. However, the Department defying the above instructions has purchased Forensic Science Laboratory equipments worth Rs.2.57 lakh out of the Central assistance. Thus, the entire expenditure of Rs.51.03 lakh was irregular.

Irregular release of Central assistance

3.5.10 According to the instructions issued by the Government of India (October 1980) the State Government was to make a distinct provision in the State budget for the scheme and also to devise, in consultation with the State Accountant General, a suitable form in which particulars of expenditure on the scheme were to be maintained 'Proforma' outside the regular accounts and made available to audit for examination and certification. Though, the expenditure under the scheme was booked under the distinct sub-head "115 Modernisation of Police Force" subordinate to Major Head 2055-Police but the 'Proforma' accounts were not prepared. Central assistance was being released by the Government of India on the basis of un-audited/uncertified statement of expenditure.

Vehicles

Requirement of vehicles

3.5.11 For improvement of mobility of police force the scheme envisaged provision of a jeep to each Police Station.

3.5.12 The perspective plan (1996-2000) provided Rs.78 lakh (in cash) for purchase of vehicles. Against this 107 vehicles (of various type viz. Gypsy, Ambassador car, Ambulance, Motor cycle, Truck, Cargo) were purchased at a total cost of Rs.3.47 crore. The reasons for excess expenditure were not on record. Besides, GOI supplied in kind 269 vehicles (Gypsy-196, Tata Truck-71 and Cargo-2) at a total cost of Rs.8.85 crore for improving mobility of Police Force.

3.5.13 Out of 47 Police Stations in Nagaland, 6 Police Stations were not provided with a vehicle although the Department acquired 245 Gypsy during the period from 1996-2000 under the scheme. The reason for not providing any vehicle to 6 Police Station's was not on record.

Unauthorised/Irregular supply of vehicles

3.5.14 The Department procured 376 vehicles of various type for increasing the mobility of Police Force during 1996-97 to 1999-2000. Test check of the records of the PHQ revealed that out of 376 vehicles, 22 vehicles (cost Rs.82.42 lakh) were issued to Special Nagaland Armed Police (SNAP) located at Delhi (Gypsy-2, Tata Truck-4, M/cycle-1, Car-2, Ambulance-1) and to 9th NAP (viz. Indian Reserve Battalion -IRB) located at Chumukedima (Tata Truck-8, Cargo-1, Gypsy-2, Ambulance-1), not covered under the purview of the scheme*. Thus, issue of vehicles to Special NAP and 9th NAP(IRB) was unauthorised and irregular.

Arms and Ammunition

Short achievement of targets

3.5.15 The Department, in their 4 years perspective plan for 1996-97 to 1999-2000 had targeted to phase out 75 per cent and 25 per cent of existing 303 Rifles by SLRs (Self Loading Rifles) and AK-47 Rifles respectively, 100 per cent of .38 revolvers by 9 mm Pistol and 25 per cent of 303 LMGs by 7.62 mm LMG by the years 1999-2000.

3.5.16 Records of arms showed that the Department was holding total 7716 nos. of 303 Rifles, 272 nos. of .38 revolvers and 334 nos. of 303 LMGs as of March 2000. As per the objectives laid down in the perspective plan above, 5787 (75 per cent of 7716) nos. and 1929 (25 per cent of 7716) nos. of 303 Rifles, 84 (25 per cent of 334) nos. of 303 LMGs. were to be replaced. But the Department could procure only 1100 nos of SLRs and 5 nos of 7.62 mm LMGs (31 March 2000) showing a shortfall of 81 per cent and 94 per cent respectively in achievement of targets. However 390 nos. of 9mm pistols were procured to replace 272 nos. of .38 revolvers. During this period not a single AK-47 rifle was procured.

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- Special NAP, New Delhi-located at Delhi and under the control of Delhi Police.
 - 9th NAP(IRB)-the unit is funded with separate Central assistance.

Inadequate availability arms and ammunition

3.5.17 Three field units³, in their monthly reports submitted to Police Head Quarters (PHQ) from 1996-97 onwards showed inadequate availability of arms and ammunition (ammn). The supply of arms and ammunition to these units was not adequate in view of the authorisation for each field unit (*Appendix-XXII*). The PHQ was receiving reports on shortage of arms and ammunition regularly from the field units. But, neither any steps were taken by the PHQ/Department to make good the shortages, nor any reason stated for this.

Irregular issue of Arms and Ammunition worth Rs. 75.71 lakh

3.5.18 The records of Police Central Store, Chumukedima showed that during 1999-2000 to 2000-2001 large quantity of arms and ammunition worth Rs.75.71 lakh had been issued to Special Nagaland Armed Police Battalion, Delhi and 9th Nagaland Armed Police Battalion (Indian Reserve Battalion), Chumukedima, though both the Battalions did not fall under the purview of the scheme 'Modernisation of State Police Force'. The details of the arms and ammunition issued to them are shown in table – 3.11 below.

Table-3.11

Battalions	Type of arms and ammunition	Quantity	Rate	Value	Remark
			(Rupees in lakh)		
Special NAP Battalion Delhi	7.62mm SLR	150 nos	21933 per unit	32,89,950	1999-2000
9 th NAP Battalion (IRB), Chumukedima	9mm Pistol	59 nos	21469 per unit	12,66,671	1999-2000
	9mm Carbine	36 nos	16079 per unit	5,78,844	1999-2000
	7.62mm Ammn. (CTN:-container)	15,000 Rounds	18.27 per round	2,74,050	1999-2000
	9mm Carbine	124 nos	16079 per unit	19,93,796	2000-2001
	7.62mm. Ammn. (BDR:-Bundler)	9200 Rounds	18.27 per round	1,68,084	2000-2001
Total				75,71,395	

Source: Information obtained from the Department.

3.5.19 This irregular issue of arms and ammunition to the field units out side the purview of the scheme led to inadequate supply of arms/ammunition to the entitled units indicated in paragraph 3.5.17.

Non-provision of arms and ammunition to Police Stations

3.5.20 Records of two District Executive Force (DEF) units⁴ showed that Khuzama Police Station under Kohima District had not been provided with arms and ammunition and the sub-urban (SBN) Police Stations and the Government Railway Police Station under Dimapur District had also not been armed with any Rifles/Pistols for last five years (1996-97 – 2000-2001). No reason for this was stated by the Department.

3.5.21 It was further seen that out of 18 field units (District Executive Force and Battalions) 15 field units were not considered for providing AK-47 Rifles since 1996-97 excepting the AK-47 racks. The Departmental Central Store

³ Superintendent of Police, Kohima, Commandant, 1st NAPB and 6th NAPB.

⁴ Superintendent of Police, Kohima and Superintendent of Police, Dimapur

showed only 15 Nos. of AK-47 Rifles in stock as on 31 March 2001 and the Department had not planned to purchase AK-47 Rifles during the last five years (1996-97 to 2000-2001). This had affected not only the combative power of the police force but also its morale to contain ongoing insurgency in the State.

Loss of arms and ammunition worth Rs.3.09 lakh

3.5.22 Records of four field units⁵ revealed that during 1996-97 to 2000-2001 the Department had suffered loss of arms and ammunition worth Rs.3.09 lakh. The loss was attributed inter-alia to laying of the ambush/snatching by unidentified miscreants, desertion by Police personnels with arms and ammunition and weapons lost by Police personnels themselves. In all the 34 cases, FIRs. were shown to have been registered but not a single case has been resolved as of June 2001 (Appendix-XXII).

Non-accounting of arms and ammunition

3.5.23 Test check of records showed that the Superintendent of Police (SP), Kohima had received 40 Nos. of Bullet Proof Mobile Morcha and 500 rounds ammunition of .22 Rifles from Police Central Store, Chumukedima on 12 May 1997 and February 1998, respectively, but the same were not accounted for in the Stock Register by the SP.

3.5.24 Further, 68 rounds of AK-47 ammunition with one Rifle had been received by the SP Dimapur on 14 June 1994 from the Police Central Store (PCS). Against this only 65 rounds of the ammunition with one Rifle were received back from the SP on 2 July 1997. The remaining 3 rounds of the ammunition thus remained unaccounted for in the record of the SP.

3.5.25 Reason for not accounting the arms/ammunition in both the cases above was not on record. No action had been taken to ascertain the whereabouts thereof or to fix responsibility for the lapse as of September 2001.

Communication System

Inadequate Communication System

3.5.26 While extending the modernisation scheme in 1980-81, GOI attached top priority to the strengthening of communication system.

3.5.27 Test check of the records of 18 Police Station (38 per cent) out of 47, revealed that 5 check posts (out of 16) and 13 out posts (out of 36) were not provided with wireless sets even after a lapse of 20 years since introduction of the scheme, due to lack of security. It was also noticed that though police stations and control rooms in the State were equipped with very high frequency (VHF) and high frequency (HF) sets, platoons in Armed Battalions were not provided with any VHF or HF sets reportedly due to non availability of equipment.

⁵ Superintendent of Police, Kohima, Commandants, 1st & 6th NAPB and IGP(INT), kohima.

Short receipt of Wireless equipments

3.5.28 Test check revealed that against the supply order for 150 nos of "motorala VHF handheld set GP-300, the firm supplied only 137 nos of set and the balance 13 sets valuing Rs.1.81 lakh remained undelivered as of June 2001. Steps were not taken to receive the undelivered quantity of VHF handheld sets (13 nos) from the firm till the date of audit (January 2002).

3.5.29 Further, the Deputy Inspector General of Police (Wireless) procured (in kind) 64 nos of "30 metres of Co-axial Cable" for GM-300 valuing Rs.1.12 lakh from M/s Motorola India Ltd. Bangalore on 13 February 2001 and recorded a certificate on the body of the bill that materials were received in full and in good condition. Scrutiny of the records revealed that the materials had not been accounted for in the stock ledger. The Department could not substantiate the receipt of the materials valuing Rs.1.12 lakh. The Department neither investigated the matter nor took any action against the official who had recorded false certificate.

Shortage of trained personnels

3.5.30 According to norms fixed by the Technical Standard Committee (GOI) in the year 1984, the total manpower required for the wireless system was 4042 against which only 1019 men were in position (June 2001). A Board constituted by the State Government headed by IG(HQs), recommended to create 1002 posts for 5 (five) perspective years from 1998-99 onwards. But till date no reorganisation of police wireless setup has been done in Nagaland. This has severely affected the efficiency and effectiveness of communication system. The Department attributed (June 2001) the inadequate level of communication system due to shortage of technically trained manpower.

Strengthening of State Forensic Science Laboratory (FSL)

3.5.31 The State FSL with Finger print/photography and Narcotic division was established at Industrial Village Dimapur in February 1982. The Department decided (March 2000) to create minimum of 4 (four) new Divisions viz. Question Document, Ballistic, Chemistry and Biology divisions to make the State FSL self contained and to effectively contribute to justice delivery system without its dependence on other State FSLs.

3.5.32 In the absence of those divisions, the State Police was sending the exhibits to outside States for submission of expert opinion, for which the Department had to incur additional expenditure (not workable) towards the same. Till date of audit (June 2001) no division could be established.

3.5.33 From the year 1996-97 to 1999-2000 equipments and chemicals valuing Rs.41.90 lakh were purchased for FSL against the provision of Rs.99.43 lakh i.e. only 42 per cent was utilised. Reason for shortfall were not on record. Test check of records revealed the following deficiencies in its working and deviation from the scheme of modernisation.

3.5.34 It was provided by the GOI that the Central assistance should be utilised for purchase of equipments only. It was, however, seen that chemicals valuing Rs.5.53 lakh were purchased out of Central assistance instead of from

the State funds. Chemical worth Rs.3.09 lakh out of Rs.5.53 lakh were not taken into stock ledger of FSL and thus remained unaccounted for.

3.5.35 One High Pressure Liquid Chromotography (HPLC) machine purchased in August 1999 (Rs.18 lakh), one Furnace (crusible) (Rs.0.17 lakh) and one Air Conditioning machine (Rs.0.40 lakh) purchased in January, 2000 are lying idle for want of modification/renovation work and change of electric wiring in one existing room of the State FSL building.

Overlapping of expenditure under two different schemes

3.5.36 During audit of the accounts of the Director General of Police, Nagaland, Kohima for the period from April 1997 to July 2000 it was noticed that the Director General of Police(PHQ) had incurred expenditure of Rs.16.82 lakh (payment made for Rs.15.76 lakh and committed liability of Rs.1.06 lakh) as of July 1997 out of the unspent amount of the Tenth Finance Commission allocations for installation of automatic traffic signal at Dimapur.

3.5.37 However, utilisation certificate for the year 2000-2001 forwarded to the GOI, MHA., showed that for the same work the Department had spent Rs.16.85 lakh under the scheme of "Modernisation of Police Force"

3.5.38 Thus, there was an overlapping of claims for same item of work from two sources (Tenth Finance Commission and Modernisation grants).

Irregular purchase of inadmissible items from the Central assistance

3.5.39 It was provided by the Government of India, that the Central assistance under the schemes should be utilised for purchase of admissible item only. It was noticed that an amount of Rs.47.98 lakh being the cost of inadmissible items was booked under the scheme although such an expenditure should have been met by the Department from the resources of State Government and not from Central assistance.

Monitoring and evaluation

3.5.40 According to the scheme, the State Government was required to furnish to the Government of India (GOI) quarterly progress reports of physical and financial progress. It was however, seen that the scheme was never monitored by the Department. The Department had also not evolved any mechanism to monitor from time to time the progress made at the field level under different components of the scheme for onward submission to the GOI.

3.5.41 The benefit derived out of massive expenditure were also not evaluated by the authority of the State Government ever since its implementation.

Non-adherence to PAC recommendation (1996)

3.5.42 The Public Accounts Committee (PAC) had recorded its displeasure for not acting with due sense of urgency in consonance with the guidelines and adherence to financial norms in implementing the scheme while discussing the irregularities pointed out earlier in the Report of the Comptroller and Auditor General of India for the year ended 31 March, 1987. The PAC had recommended that the department should be more effective while implementing such schemes in the interest of State and strictly adhere to financial norms in implementing them. However, the Department failed to act as per above recommendations of the PAC.

3.5.43 This led to uncontrolled financial expenditure and breach of constitutional provision.

3.5.44 The matter was reported to Government in July 2001; their replies had not been received (January 2002).

YOUTH RESOURCES AND SPORTS DEPARTMENT

3.6. Functioning of Youth Resources and Sports Department

Highlights

The Youth Resources and Sports Department was created in August 1993 to promote and activate sports activities, overall development of youth in the state and foster latent talents. But the Department failed miserably to achieve its objectives because of its faulty programme. Substantial funds were spent in creation of facilities for spectators relegating the priorities of sports persons. As a result, the facilities created remained unutilised/under-utilised for the best part of the years. Taking up construction of new works instead of completing the earlier ones and staggering them year after year had resulted not only in unproductive locking up of funds but also denied the sports persons of having the benefits and thus negated the main objectives of the Department. The purchase process was marred by Minister's interference resulting in purchase of unnecessary and substandard materials. The Department's failure to utilise existing facilities also adversely affected the performance of the Department.

All the activities of the Department predominantly centered around Kohima and as a result the Youth Resources and Sports activities in the other 7 districts of the State remained grossly neglected. This resulted in unproductive expenditure of Rs.535.21 lakh incurred towards salaries and office expenses of the all the DSOs and YROs.

(Paragraph 3.6.11 (ii) & 3.6.12)

The purchases of Sports goods valued at Rs.2.15 crore were being made in an uncontrolled manner without call of tenders, assessing the actual requirement, ensuring the cost effectiveness and quality control. The 5 District Sports Officers (Dimapur, Kohima, Mon, Phek and Tuensang) had reported that materials received by them from the suppliers during past 5 years ended 31 March 2001 were of inferior quality and sub-standard.

(Paragraph 3.6.13)

The Department launched 'Scheme for Self-Employment' for the educated unemployed youths in June 1993 on cost sharing basis (i.e. 50 percent as interest free loan by the Department and the balance 50 percent by Banks loans) to the beneficiaries. But due to the Department's failure

to associate the Banks in providing assistance, payment of Rs.182.20 lakh to the 494 beneficiaries towards 50 *per cent* project cost proved infructuous.

(Paragraph 3.6.14)

Youth Hostel constructed (March 1987) at Dimapur at a total cost of Rs.64.78 lakh remained vacant for 11 years resulting in unproductive locking up of funds.

(Paragraph 3.6.15)

The desolation of 42 schemes on half way which were undertaken by various clubs/NGOS out of funds provided by NEC, resulted in an infructuous expenditure of Rs. 56.60 lakh.

(Paragraph 3.6.18 & 3.6.19)

The construction of a Sports Complex at Dimapur was abandoned (April 1994) by the Department due to shortage of funds after incurring an expenditure of Rs.207.06 lakh.

(Paragraph 3.6.22)

Failure of the Department to hand over a Glider Hanger constructed in November 1993 at a cost of Rs.91.28 lakh to the NCC (AIR Squadron) Dimapur had resulted in locking up of fund for more than 7 years and denial of benefits to 300 NCC Cadets.

(Paragraph 3.6.26 & 3.6.28)

Five Indoor Stadia constructed, at a cost of Rs.387.87 lakh remained grossly under-utilised as no tournament was held in 4 out of 5 Stadia reportedly due to non-availability of fund during past 5 years ended 31 March 2001.

(Paragraph 3.6.29 & 3.6.30)

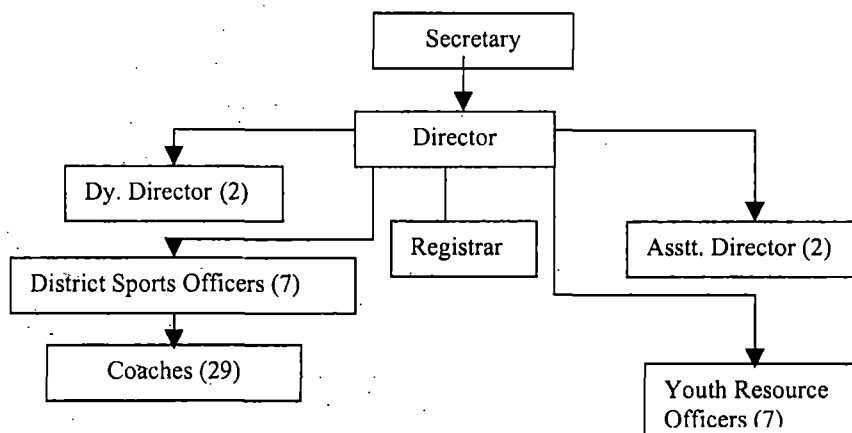
Introduction

3.6.1 The Government of Nagaland created the Youth Resources and Sports Department in August 1993 by separating Sports and Youth Welfare Wings from the erstwhile Department of Physical Education, Sports and Youth Welfare etc., with the main objectives of providing a rational and concentrated approach to the overall development of youths in the State. While the Department had been organising various Coaching Camps and Tournaments in various sports disciplines to improve the standard of games and sports, the resources development was sought to be achieved through setting up of Centres, implementation of self employment programme for educated youths, conducting tutorial classes and organising youth programmes, imparting training to students through NCC, Scouts and National Service Scheme etc.

Organisational set up

The Department is headed by a Director, who is assisted by 2 Deputy Assistant Directors and a Registrar at the State level. At the

district level there are 7 District Sports Officers (DSOs) and 7 District Youth Resources Officers (DYROs) for administering different activities of the Department as shown by organisation of flowchart.



Audit Coverage

3.6.3. The activities of the Department for the years 1996-97 to 2000-2001 were reviewed in audit by examination of records of the Directorate at Kohima, 5 DSOs^(FNI) and 5 YROs^(FNI) during April 2001 covering 89 per cent of the expenditure. The important points noticed during audit have been discussed in succeeding paragraphs.

Budget provision and expenditure

3.6.4. The following are the Budget provisions and expenditure of the Department during the years 1996-97 to 2000-2001 as booked in the Accounts of the Government.

Table No.3.12

Year	Budget Provision	Expenditure incurred.	Percentage of utilisation	Variation Saving (-) Excess (+)	Percentage of Excess/Savings.
	(Rupees in laks)				
1996-97	836.67	677.16	81	(-)159.51	19
1997-98	950.76	446.14	47	(-)504.62	53
1998-99.	787.29	583.74	74	(-)203.55	26
1999-2000	671.84	620.98	92	(-)50.86	8
2000-2001	654.62	611.07	93	(-)43.55	7
	3901.18	2939.09	75	(-)962.09	25

Source: Appropriation Accounts

3.6.5 It was seen in audit that the Department could utilise only 75 per cent of the total provision made during 1996-97 to 2000-2001. The DYRS stated (May 2001) that savings were due to curtailment of funds by the Government at the end of each year.

3.6.6 The Financial Rules require that Government expenditure should be evenly spread out through the year to avoid rush of expenditure, infructuous,

^(FNI) Dimapur, Kohima, Mon, Phek and Tuensang..

nugatory or ill-planned expenditure. Notwithstanding this, expenditure, in March alone, was found to be 22 to 49 per cent of the total as detailed below:-

Table No.3.13

Year	Total Expenditure			Expenditure during the last quarter (Rupees' In lakh)			Expenditure in March alone			Percentage of expenditure in March to the total expenditure		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
1996-97	245.11	432.05	677.16	190.90	289.90	480.80	101.00	230.80	331.80	15	34	49
1997-98	246.39	199.75	446.14	83.09	132.57	215.66	37.01	74.53	111.54	8	17	25
1998-99	237.77	345.97	583.74	124.10	266.07	390.17	97.09	136.41	233.50	17	23	40
1999-2000	264.19	356.79	620.98	109.11	139.39	248.50	80.17	56.40	136.57	13	9	22
2000-2001	250.01	361.06	611.07	210.09	180.02	390.11	110.37	140.17	250.54	18	23	41
	1243.47	1695.62	2939.09	717.29	1007.95	1725.24	425.64	638.31	1063.95	14	22	36

Source: Appropriation Accounts/Departmental records.

3.6.7 Reasons for short utilisation of funds have not been furnished by the Department.

Target and achievement

3.6.8 The Department had no norms for fixation of targets to conduct different sports activities and tournaments. No survey was conducted to assess the problems and requirement of youth population in the state.

3.6.9 The targets fixed and achievements made as per records maintained by the Department during the years 1996-97 to 2000-2001 are given below:-

Table No.3.14

Particulars	1996-1997		1997-1998		1998-1999		1999-2000		2000-2001	
	Targets	Achievements	Targets	Achievements	Targets	Achievements	Targets	Achievements	Targets	Achievements
Youth Resources										
1. Conduct of Youth Festival	1	1	1	-	1	1	1	-	1	1
2. Conduct of Youth Cultural Programme	7	-	7	-	7	-	7	-	7	-
3. Holding of Tutorial Classes	7	-	7	7	7	-	9	-	8	-
4. Financial assistance to club/NGOs (Amount in lakh of Rupees)	2.99 (20)	(4)	4.31 (20)	(4)	2.21 (20)	(4)	9.91 (100)	(50)	10.00 (100)	(64)
	35	5(14)	35	11(31)	35	5(14)	116	50(43)	116	65(56)
Sports activities										
1. District Level Tournaments	8		8	-	8	-	8	-	8	8
2. Sponsoring teams to National level sports meets	20	16	20	14	1	1	3	3	4	4
3. Regular coaching camps at Dimapur	2	2	2	2	2	2	2	2	2	2
	30	18(60)	30	16(53)	11	3(27)	13	5(38)	14	14(100)

NOTE:-Figures in the bracket indicate percentage of achievement.

3.6.10 Though the Department has given financial assistance of Rs.29.42 lakh to the various clubs/NGO's during the year 1996-97 to 2000-01, the details of activities conducted by the Clubs/Youths were not monitored. Hence the roll played by the NGO's in development of the youths could not be ascertained in audit. Though other activities of the department also almost came to a halt as the department could not organise a single youth cultural programme against target of 7 each. Except in one year (1997-98), not tutorial classes were held against a target of 7 each year.

Performance of District Youth Resources Officer (YROs)

3.6.11 District Youth Resources Offices were required to:

- Compile Youth Directory to motivate youths to take up jobs outside the state, disseminate information on job opportunities;
- Activate youths by involving them in village development activities and improve their skills in development works;
- Impart tuition to about 8000 students every year to improve their educational standards;
- Conduct excursions, cultural exchanges etc. to broaden their outlook.

(i) Accordingly, 7 District Youth Resources Offices¹ were set up by the Department in August 1993. The activities of these 7 YROs during past 5 years ended 31 March 2001 as furnished by the department are given below:-

Table No.3.15

<i>Particulars</i>	<i>Targets fixed</i>	<i>Achievement</i>	<i>Percentage of achievement</i>	<i>Expenditure (Rupées. in lakh)</i>
i)Conduct of youth festivel	5	3	60	25.26
ii)Youth Cultural Programme	35	Nil	Nil	Nil
iii) Tutorial classes	37	7	19	4.41
iv)Financial assistance to clubs/NGOS	260	126	48	29.43
v)Youth Exchange Programme	Nil	Nil	Nil	Nil
vi)Rural Development Programme	Nil	Nil	Nil	Nil
vii)Compilation of youth Directory	Nil	Nil	Nil	Nil
	337	136	40	59.10

(ii) It will be noticed that all the activities of the Department were centred in Kohima District only. As a result, the development of youth resources in other 7 districts of the State remained grossly neglected although Rs.122.31 lakh was spent by the Department towards salaries, wages etc. of these 7 YROs during 1996-97 to 2000-2001.

Performance of District Sports Offices (DSOs)

3.6.12 Records indicated that 8 District Level Tournaments were held only in 2000-2001. No tournaments were held between 1996-97 and 1999-2000 against the target of 8 tournaments for each years as would be seen from the table given in para 3.6.9. As a result the entire establishments of 7 DSOs almost remained idle during the years 1996-97 to 2000-2001 resulting in unproductive expenditure of Rs.412.90 lakh paid towards their salaries and other establishment charges. The reasons for not conducting District Level Tournmants and other sports activities during 1996-97 to 1999-2000 were not stated.

Irregular purchase of sports materials

3.6.13 Test check of the records of the Director (YRS) revealed that sports materials costing Rs.2.15 crore were procured during 1996-97 to 2000-2001

¹ For 8 district. DYRO, Kohima is also in-charge for Dimapur district.

from local firms without obtaining any indent of requirement from DSOs and also without call of tenders. As a result the Department failed to take the advantage of competitive rates and to ensure its quality.

(i) Materials so procured were issued to the DSOs for utilisation, who in turn supplied the materials to the NGO's/Clubs. As the DSO's had not monitored the activities of the Clubs/NGO's the actual utilisation of the materials by the NGO's etc., could not be ascertained in audit.

(ii) Records of the test checked 5 DSOs indicated that many complaints about the quality of sports goods were received by the DSOs from the Clubs/NGOs to whom materials were issued. The DSOs confirmed (April-May 2001) that the materials were of inferior quality and substandard.

(iii) Thus, purchase of sports materials without call of any tender resulted in procurement of substandard materials worth Rs.2.15 crore affecting the sports activities in the State adversely.

Infructuous expenditure under Self Employment Programme

3.6.14 The Government introduced Self Employment Scheme in June 1993 to provide financial assistance to the unemployed youths for undertaking income generating projects like Weaving etc., keeping in view of the local conditions in the state. The scheme provided that the cost of the project would be met from 50 *per cent* interest free loan from Government and 50 *per cent* cost was to be financed by banks.

(i) Test check of the records of Director (YRS) showed that the Department incurred an expenditure of Rs.182.20 lakh between 1993-94 to 1996-97 towards payment of 50 *per cent* of the project cost to 494 loanees without associating the banks for release of bank loans. In absence of financing the projects fully the purpose served by the interest free loans extend by the department could not be assessed in audit.

(ii) Further, the Department did not monitor the functioning of the projects for which financial assistance was provided. The Government also did not specify the number of instalments in which loans were to be recovered. As a result no recovery was effected (September 2001). Thus, the objective of the scheme was not achieved despite incurring of an expenditure of Rs.182.20 lakh.

Idle outlay on Youth Hostel

3.6.15 Scrutiny of records showed that to provide simple, inexpensive shelter to young people, coming to Dimapur for participating in various sports activities, the Government of Nagaland constructed a Youth Hostel at Dimapur at a cost of Rs.64.78 lakh and handed over the same to the Department of Sports and Youth Services in March 1987. Since then the building was lying vacant for more than 11 years. These led to interest cost of Rs.112.82 lakh to the Government.

3.6.16 The Director (YRS), Nagaland, Kohima admitted (May 2001) that the Youth Hostel at Dimapur was taken up in March 1987, but could be made

functional only from 1998. However, the Hostel was being furnished (July 2001) with Rs.1.60 lakh provided by the Government of India. This confirmed that the Hostel had remained unused till July 2001.

Development of infrastructure

Infructuous expenditure due to discontinuance of NEC schemes.

3.6.17 To ensure and accelerate balanced regional development of sports activities, the North Eastern Council (NEC) had been providing grants to the Directorate for payment to registered local bodies/organisations for creating sports and adventurous infrastructure. The payment was to be made in 3 instalments subject to conditions like utilisation of earlier instalments, contributing of matching share by the grantees, submission of progress reports etc.

3.6.18 It was noticed in audit that during the years 1996-97 to 2000-2001, the Department paid NEC funds of Rs.56.60 lakh to 42 clubs/NGOs towards first and second instalments against the approved project cost of Rs.91.63 lakh. The balance amount of Rs.35.03 lakh being the 3rd instalment had not been released (June 2001) by the NEC.

3.6.19 In February 2001, the NEC informed the Department that in its 5th steering committee meeting and 43rd council meeting, it was decided to discontinue the scheme, which was also accepted (April 2001) by the Department. The NEC did not assign any reason for such discontinuance. The Department also could not furnish any documentary evidence whether matching share was contributed by the grantees and also towards utilisation of Rs.56.60 lakh paid to 42 clubs/NGOs. Thus, abolition of the scheme half-way made the entire expenditure of Rs.56.60 lakh infructuous.

3.6.20 The Director (YRS) also maintained (May 2001) that non-release of the third and final instalment had certainly impeded the progress of works for which assistance was given to grantees. He, however, failed to clarify the action taken by the grantees and the Department to complete these works early.

Construction of a Sports complex at Dimapur

3.6.21 The State Government started (1975-76) construction of a sports complex at Dimapur with the idea having an outdoor stadium at Dimapur without ensuring availability of sufficient funds to complete the project. Government of India sanctioned (September 1991) Rs.43.75 lakh for the said sports complex and released Rs.40 lakh in 1993-94.

3.6.22 Test check of the records of the Directorate revealed that the work of the construction of the sports complex had remained suspended since April 1994 and the Department incurred expenditure of Rs.207.06 lakh between 1975-76 and 1993-94 on construction of boundary wall, boys and girls hostels, galleries, play fields etc. covering 30 *per cent* of the total work.

3.6.23 The Director stated (May 2001) that due to non provision of funds by the State Government owing to resource crunch, construction of the sports complex at Dimapur had been abandoned. Thus, taking up of the project without ensuring availability of funds, the entire expenditure proved unfruitful.

Construction of Indoor Stadium at Lerie

3.6.24 Pursuant to the proposals submitted by the State Government in September 1998 and July 1999, the Government of India released Rs.70 lakh for construction of Indoor Stadium at Lerie, Kohima by Nagaland Taekwondo Association, Kohima (Rs.30 lakh); Indoor stadium at Pfutsero by Khuzhathede Women Welfare Society, Pfutsero (Rs.20 lakh) and a swimming pool at Dimapur by Expression Voluntary Organisation (Rs.20 lakh) against the estimated cost of Rs.302.47 lakh for all the 3 works. The amount was also paid to the concerned organisations by the Department in April 2000 (Rs.30 lakh), November 2000 (Rs.20 lakh) and April 2001 (Rs.20 lakh).

3.6.25 Although the grants were to be released to the grantee organisations only after the State Government satisfied itself that the grantee had executed the project to the required extent as per schedule submitted with the proposal, the Directorate could not make available any documentary evidence to support that works were actually executed. No accounts of the grants paid or utilisation certificate was also produced to audit and as a result the bonafide of the execution of works and genuineness of the expenditure could not be vouchsafed in audit. Moreover, as per the Government's instructions (April 2000), the grantees were required to execute agreements with the State Government before release of grants stipulating certain conditions to be fulfilled by the grantees. No such agreements were executed by the grantee organisations.

Construction of a Glider Hanger at Dimapur

3.6.26 To impart training to the NCC (Air) Cadets in gliding, the Department constructed a Glider Hanger in November 1993 at Dimapur at a cost of Rs.91.28 lakh but the same was not handed over (April 2001) to NCC authorities at Dimapur reportedly due to non completion of a few finishing items (not specified).

3.6.27 In July 1994, the Commanding Officer (CO) No.1 (Nagaland) Air Sqdrn (Flg) NCC, Dimapur stated that Central Government was willing to allot two Gliders free of cost. The CO also stated that if the gliding facilities were not provided shortly, the very purpose of establishing the unit will be defeated and unit may be closed down. It was noticed that as the Hanger facility was not provided by the State Government during past 4 years, the Indian Air Force had ultimately withdrawn its gliding staff from the unit.

3.6.28 Thus, failure of the Department to hand over the building had resulted in locking up of Rs.91.28 lakh for more than 7 years and denial of benefits of gliding to 300 NCC (Air) Cadets. Besides this resulted in interest cost of Rs.91.94 lakh to the State Government. The Director (YRS) Kohima stated (May 2001) that the Hanger would be handed over to the Air Wing, Dimapur

after receiving necessary training equipment from the Central Government. He, however, could not explain as to why the hanger was not handed over to the Air Squadron, (NCC).

Under utilisation/Non-utilisation of stadia

3.6.29 To promote indoor games in the State, the Department constructed 5 indoor stadia (2 at Kohima, and 1 each at Mokokchung, Mon and Phek) during the years 1985-86 to 2000-2001 at a total cost of Rs.387.87 lakh.

3.6.30 Information furnished by the Department showed that excepting one tournament held at Kohima in November 1999 none of the other stadia (Mokokchung, Mon and Phek) were utilised by the department even once during the years 1996-97 to 2000-2001. Financial constraints were stated by the Director YRS, Kohima (May 2001) to be the main reason for not holding tournaments. The persistent savings in each of the above years, however, do not corroborate the reasons attributed by the Director. There is no documentary evidence also that the stadia were being used only by sports persons to promote their activities. As a result, the investment of Rs.387.87 lakh did not served the intended purpose. Formulation of projects without assessing the needs of sports and sports persons was the main reason for such huge investment remaining idle.

Recommendations

3.6.31 In view of the shortcomings discussed above, the Audit recommends that the Department should:-

-formulate projects focusing on catering to sports activities instead of creating expensive facilities for spectators which remain unutilised for best part of the year;

-initiate a methodical study to assess the requirement of sports infrastructure at block/district headquarters, important towns; and

-evolve a monitoring system to ensure the optimum utilisation of all sports complexes and stadia for better promotion of sports;

-devise an effective system for watching the progress of ongoing projects to avoid further time and cost overrun and wastage of resources on escalation;

-put in place a monitoring mechanism to oversee the activities of agencies and organisations funded by the Department;

-provide adequate budgetary support to complete the project as designed and funded;

-activate and vitalise its administrative and technical set up to dove-tail their endeavour to more and more sports and youth welfare activities.

3.6.32 The matter was reported to Government in June 2001; their replies had not been received (January 2002).

SECTION-B-PARAGRAPHS

ART AND CULTURE DEPARTMENT

3.7 Locking up of funds

Non taking up of the project Shilpagram after incurring of expenditure of Rs.26.14 lakh resulted in unproductive expenditure

3.7.1 During audit (September 2000) of the records (September 1997 to July 2000) of the Director, Art and Culture, Nagaland, Kohima, it was noticed that the Director, had acquired 10.5 acres (43,560 sq.ft) of land at a cost of Rs.26.14 lakh @ Rs.6 per sq.ft. during 1995-96 to establish Shilpagram (Regional Museum) at Dimapur. Though payment of Rs.26.14 lakh was made on 17 September 1995 (Rs.22 lakh) and 30 March 1996 (Rs.4.14 lakh) and the department took possession of the land in April 1996, no action was taken by the department to construct and establish the said Shilpagram, resulting in the entire investment of Rs.26.14 lakh remaining idle and unproductive.

3.7.2 The matter was reported to Government and Department in June 2001. In reply, Government stated (August 2001) that the project could not be taken up due to non release of funds by GOI and non provision of funds in the State budget. The reply is not tenable, since incurring of expenditure of Rs.26.14 lakh without ensuring provision of funds to complete the project resulted in unproductive expenditure.

FINANCE DEPARTMENT

3.8 Fraudulent drawal of pension

Failure on the part of the Treasury officers to exercise statutory checks resulted fraudulent drawal of pension of Rs.152.11 lakh

3.8.1 Mention regarding loss of Rs.202.86 lakh due to fraudulent drawal of pension etc. was made in paragraph 3.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997. The matter regarding fraudulent drawal of pension etc, had been brought to the notice of the Government from time to time in June 1996, August 1997 and January 2000. To check such fraudulent drawal, the Government was requested in January 1998 to direct all the Treasury Officers in the State to collect personally the authorities (Treasury copies) for payment of pension, gratuity, commutation value etc. from the Accountant General office after giving proper acquittance. Again in January 2000, the Accountant General (Audit), Nagaland advised the Government to make a conclusive investigation and take necessary steps to prevent recurrence of such fraudulent drawal.

3.8.2 Despite this, it was noticed in central audit of vouchers for payment of pension, gratuity etc, for the period January 1997 to December 1999 that there

were 245 cases in 5 treasuries¹ (out of 9 treasuries) of the State where Rs.152.11 lakh was drawn fraudulently by using identical computerised forms as are used by the AG's office for authorisation of pensionary benefits, by forging signatures, inserting fictitious names and false authority numbers. Inaction of the Government to take preventive measures despite being informed time and again compounded with the failure of the Treasury to exercise their statutory duties to comply with the prescribed procedure and instructions had facilitated such fraudulent drawal.

3.8.3 In February 2001, the Deputy Inspector General of Police, Vigilance and Anti-corruption, Nagaland informed Audit that the Government had lodged a FIR with the Vigilance Police Station and a Special Investigation Team was constituted to look into the matter. The reports of the Vigilance Commission and the Investigation team have not been received (January 2002).

3.8.4 While admitting the facts, Finance Department stated (September 2001) that a number of disciplinary cases had been instituted. One Sub-Treasury Officer has been removed from service. Other penalties were imposed on 8 Treasury/Sub-Treasury Officers, who were found to have abetted such fraudulent drawals.

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.9 Loss due to unauthorised sale of food grains on credit

Government suffered loss of Rs.48.84 lakh due to unauthorised credit sale of foodgrains and non-deposit of sale proceeds

3.9.1 Test check (October-November 1999) of the records (January 1995 to October 1999) of the Assistant Director of Supply (ADS), Zunheboto revealed that unauthorised credit sales and non-deposit of sale proceeds of food grains by the store keepers, owners of fair price shops, and officials of two centres (Zunheboto headquarter and Aghunato centre) caused a loss of Rs.48.84 lakh.

(i) Store keepers of 15 centres unauthorisedly sold rice/wheat valued at Rs.37.32 lakh on credit during April 1992 to September 1993 as was evident from the statement furnished by ADS, Zunheboto (20 April 1998). Of this Rs.0.40 lakh has been recovered between July 2001 and October 2001 and the balance of Rs.36.92 lakh were yet to be recovered as of January 2002.

(ii) Again, inspite of Director, Food and Civil Supplies instruction (13 January 1998) to deposit sale proceeds of 919.80 quintals of rice (Rs.4.27 lakh) received against Below Poverty Level quota during 1997-98, before 20 January 1998, Zunheboto Headquarter Centre and Aghunato Centre under

Mokokchung	164 Cases	Rs.100.42lakh
Phek	8 Cases	Rs.3.90 lakh
Tuensang	12 Cases	Rs.12.40 lakh
Wokha	37 Cases	Rs.21.54 lakh
Zunheboto	24 cases	Rs.13.85 lakh
	245 cases	Rs.152.11 lakh

ADS, Zunheboto failed to comply with this order as of October 2001. Moreover, no challans in proof of deposit of Rs.1.34 lakh into the treasury (February 1995 to January 1996) by the Aghunato Centre towards sales proceeds of 220 quintals of rice were produced to Audit.

Under these circumstances, possibility of misappropriation of the amount by the officials of the centre cannot be ruled out.

(iii) Further, sale proceeds of rice worth Rs.6.31 lakh had not been deposited by 13 licensed fair price shop owners from July 1995 to January 1999, despite serving of notices for payment by the ADS, Zunheboto (10 February 1999).

3.9.2 In reply, the Superintendent, Food and Civil Supply stated (October 2001) that Rs.4.41 lakh had been recovered but no records for realisation and deposit into the Treasury were furnished to audit. Thus, Government suffered loss of Rs.48.84 lakh from Government dues outstanding from 1992 onwards.

3.9.3 The matter was reported to Government in June 2001; the reply had not been received (January 2002).

3.10 Unnecessary purchase of vehicles

Purchase of 17 mini trucks at a cost of Rs.70.42 lakh inspite of having a fleet of 66 trucks, led to locking up of Government funds and involving interest cost of Rs.24.34 lakh to the Government

3.10.1 Mention was made in paragraph 3.1.7(iii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999, Government of Nagaland that with the engagement of stockists for lifting and carriage of food grains under Public Distribution System (PDS), the activities of the Department and consequently the utilisation of departmental trucks were minimised partially since April 1992 and mainly after June 1997. Yet the Department procured 12 trucks during 1998-99 at a cost of Rs.47.06 lakh and increased the fleet strength from 54 to 66 trucks where average utilisation was 28 days in a year.

3.10.2 Test check (May 2001) of records (November 1999 to April 2001) of the Director, Food and Civil Supplies, Dimapur revealed that the Director, had procured in April 2000, 5 more mini trucks at a cost of Rs.23.36 lakh out of financial assistance of Government of India under strengthening of PDS infrastructure, in spite of having a fleet of 66 trucks with poor utilisation, The Department could have easily met the requirement of future transportation with the available fleet of 66 trucks, given poor average utilisation of the trucks.

3.10.3 Thus, it is evident that the trucks were purchased injudiciously and unnecessarily which also led to locking up of Government funds of Rs.70.42 lakh besides, loss of interest of Rs.24.34 lakh (calculated at an average borrowing rate of 11.52 per cent).

3.10.4 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

FOOD AND CIVIL SUPPLIES/HEALTH AND FAMILY WELFARE/HOME (POLICE)/ WORKS AND HOUSING (R&B) AND RURAL DEVELOPMENT DEPARTMENTS

3.11 Doubtful medical claims and unadjusted medical advances

Medical reimbursement of Rs.115.40 lakh was made without supporting documents. Laxity of the 5 Directorates resulted in non-adjustment of medical advance of Rs.91.41 lakh even after a lapse of 3 to 48 months

Doubtful expenditure on Medical reimbursement

3.11.1 As per rule, all claims for reimbursement including those of medical expenses, not supported by regular vouchers cash memos should not be allowed. Audit examination (March and July 2001) showed that Rs.115.40 lakh was paid by the Chief Engineer (Roads & Bridges) Nagaland, Kohima (Rs.54.38 lakh) and Director of Health Services, Nagaland, Kohima (Rs.61.02 lakh) to 165 persons during the period December 1997 to June 2001 for which no supporting documents like cash memos, vouchers etc. were available with the Department. As a result, the veracity of the entire expenditure of Rs.115.40 lakh could not be vouchsafed in audit and was thus doubtful.

Unadjusted medical advances

3.11.2 Advances under Medical Attendance Rules are granted to Government Servants for treatment of themselves or any member of their families. Applications for such advances must accompany 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 four instalments.

3.11.3 During audit (August 2000, March and July 2001) of the records of 5 ^(FN-1) offices it was noticed that final bills in adjustment of advances of Rs.91.41 lakh paid to 201 officials ²during the period from June 1997 to April 2001 had not been received even after a lapse of 3 to 48 months. As a result, the entire advance of Rs.91.41 lakh stands recoverable. The Department also could not produce any application and the necessary certificate from the

1 & 2

i)	Director General of Police, Nagaland, Kohima	Rs.8.40 lakh to 24 persons (October 1999 to February 2000)
ii)	Chief Engineer (R and B), Nagaland, Kohima	Rs.44.21 lakh to 62 persons (June 1997 to December 2000)
iii)	Director of Health Services, Nagaland, Kohima	Rs.29.65 lakh to 99 persons (April 1998 to March 2001)
iv)	Director, Food & Civil Supplies, Nagaland, Dimapur.	Rs.2.90 lakh to 7 persons (January to October 2000)
v)	Director, Rural Development Department, Nagaland, Kohima.	Rs.6.25 lakh to 9 persons (November 1998 to April 2001)
		Rs.91.41 lakh 201 persons.

medical authorities indicating the duration of treatment and anticipated cost thereof as required to be furnished for payment of medical advance from these employees. Consequently, the genuineness and bonafides of the advances paid remained questionable.

3.11.4 On this being pointed out by audit, the Deputy Inspector General of Police (HQ) stated (October 2000) that orders had been issued to the respective units and also to the officers who had drawn the advance but had not submitted the final bills. He also stated that final report would be intimated on completion of the recovery. No report has, however, been received (January 2002) although 9 months had already been elapsed. Replies from other Departments are also awaited (January 2002).

3.11.5 The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

HOME (POLICE) DEPARTMENT

3.12 Non-realisation of cost of Police Guards

Unit Commanders are yet to recover Rs.108.08 lakh towards cost of providing Police gurads against banks/agencies

3.12.1 Due to the adverse security conditions prevailing in the State, all commercial banks in Nagaland have been provided with Police guards. Extant instructions (March 1971) of the Government of Nagaland were also reiterated by the orders (May 1995) of the Director General of Police (DGP) which stipulate that the cost of providing Police guards is to be recovered at the rate of 10 *per cent* (from the currency chest bank branch at Dimapur), and 50 *per cent* (from other bank branches and offices) of the pay and allowances of the guards deployed. The DGP also directed (May 1995) all unit Commanders to ensure that all payments due upto 31 March 1995 be realised within three months from the date of issue of those orders, and credited to Government Account.

3.12.2 Test check (April, August and November 2000) of the records of the Commandant, Nagaland Armed Police Battalion, Chumukedima, and the Superintendents of Police (SP), Phek and Tuensang, revealed that claims of Rs.108.08 lakh³ raised against different banks/agencies for the period from December 1992 to March 2000, had not been settled as of October 2001. No reasons were assigned by the banks/agencies against non settlement of claims.

3.12.3 The matter was reported to Government and Department in May 2001; their replies had not been received (January 2002).

³ More than 2 years	Rs.60.02 lakh.
More than 3 years	Rs. 3.03 lakh.
More than 6 years	Rs.42.89 lakh.
More than 7 years	<u>Rs. 2.14 lakh</u>
	Rs108.08 lakh

HOME (GENERAL ADMINISTRATION) DEPARTMENT

3.13 Infertuous expenditure on idle staff

There was infertuous expenditure of Rs.63.28 lakh towards payment of salary to 6 idle drivers and 8 mechanics

3.13.1 Test check (November 2000) of the records of the Deputy Commissioner (DC), Mokokchung for the period from January 1999 to October 2000 revealed that there were 23 drivers against 13 vehicles maintained by him. The basis of appointment of the drivers and the dates of appointment were, however, not made available to audit. In reply, the Department stated (September 2001) that 19 drivers were engaged/attached to 13 vehicles and 4 drivers were kept as reserve.

3.13.2 The reply is not tenable, since 4 drivers were kept as reserve, appointment of 19 drivers against 13 vehicles was unjustified which resulted in 6 drivers remaining idle all along. In the meantime, the Department incurred infertuous expenditure of Rs.14.18 lakh towards payment of salaries to 6 idle drivers between January 1999 and September 2001 (calculated at an average on minimum time scale of pay).

3.13.3 Further, it was noticed that the erstwhile workshop organisation under Transport Department was wound up and the services of 8 mechanics were transferred to DC, Mokokchung on redeployment since February 1985. As there was no workshop under the DC, Mokokchung, the services of 8 mechanics could not be utilised by the Department. No records showing details of services rendered by them between February 1985 and September 2001 was produced to audit.

3.13.4 In reply, the Department stated (September 2001) that minor repairs and replacement of vehicles were carried out by the mechanics. The reply is not tenable since all the repairs and maintenance of the vehicles were got done through private workshops for which a sizeable expenditure was incurred by the Department. Thus, services of the mechanics, re-deployment of 8 mechanics resulted in an infertuous expenditure of Rs.49.10 lakh towards payment of idle salaries between February 1985 and September 2001.

3.13.5 The matter was reported to Government in June 2001; the reply had not been received (January 2002).

HOME (PRISONS) DEPARTMENT

3.14 Fictitious payment

Payment of Rs.15 lakh was made to the contractor without execution of work

3.14.1 Government of Nagaland, Home Department, (March 1999) sanctioned Rs.15 lakh for construction of security wall at Sub-Jail, Kiphire against an

estimated cost of Rs.49.18 lakh with the conditions that (i) the work should be executed under supervision of the Executive Engineer, Civil Administrative Works Department (ii) check measurement by the competent Engineer should be done before payment is made, and (iii) PWD system of accounts be followed.

3.14.2 Test check (April-May 2000) of records (August 1998 to April 2000) of the Inspector General of Prisons, Kohima, Nagaland revealed that, in violation of Government orders, the Inspector General drew (March 1999) the entire amount of Rs.15 lakh (through fully vouched contingent bill) and paid the amount to one Shri Tsiphithong, who claimed to be attached with the Minister, Co-operation and Jails, Nagaland, Kohima and who did not have any other identification or proper address, in three phases between July 1999 and March 2000 without inviting any tender and without any agreement made with the contractor for the work. The basis of selection of Shri Tsiphithong was not placed on record nor were documents of award of work available, with the Department.

3.14.3 Since the identity of the payee was non-verifiable and there was no proof of execution of work through Measurement Books, supporting bills etc., the amount of Rs.15 lakh is deemed to have been misappropriated by the Inspector General of Prisons.

3.14.4 The matter was reported to Government and Department in May 2001; their replies had not been received (January 2002).

SCHOOL EDUCATION DEPARTMENT

3.15 Misappropriation of Government funds

Fraudulent drawal of Rs.10 lakh being non refundable GPF advance and suspected misappropriation of Rs.1.54 lakh by reducing cash balance malafidely

3.15.1 During audit (December 2000) of the accounts (August 1997 to November 2000) of the Deputy Inspector of Schools (DIS), Peren, it was noticed that DIS drew (June 1998) Rs.10 lakh being GPF non-refundable advance in respect of 12 employees. Neither any applications of concerned employees for withdrawal from GPF nor any basis for sanction and drawal of the amount were made available to audit. It was also noticed that the amount drawn was neither taken in the Cash Book nor any records in support of disbursement to the concerned employees could be shown to Audit.

3.15.2 In the absence of documentary evidence of disbursement to the concerned employees, misappropriation could not be ruled out. Audit scrutiny showed that the amount was drawn showing fictitious names and fictitious GPF account numbers. The GPF accounts with reference to ledger cards, broad sheet maintained in Sr. Deputy Accountant General (A&E) office were also verified and no entries were found on record. Failure on the part of the DDO to verify whether the subscribers were actually under his control and born on the roll facilitated fraudulent drawal.

3.15.3 It was noticed that Rs.67,023 which was the closing cash balance as on 15 June 1998 was not carried over as opening cash balance on 16 June 1998. Similarly, Rs.86,486 being the closing cash balance as on 6 June 2000 was not carried forward as the opening balance on 7 June 2000, and this resulted in actual shortage of cash balance for Rs.1,53,509 as on 7 June 2000. Thus, Rs.1.54 lakh was suspected to have been misappropriated.

3.15.4 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

TRANSPORT AND COMMUNICATION DEPARTMENT

3.16 Avoidable expenditure on purchase of tyres, tubes etc.

Due to non-procurement of the materials from the authorised dealer at manufacturer's rate resulted in extra expenditure of Rs.117.61 lakh

3.16.1 At the instance of the Government, the General Manager, Nagaland State Transport, Dimapur procured 1766 tyres (size 900x20 of 14PR Nylon), 2141 tubes (900x20) and 838 flaps of Modi brand during 1998-99 and 1999-2000 from Dimapur based 3⁴ firms at the rates of Rs.11,214, Rs.1197 and Rs.282 of tyres, tubes and flaps respectively.

3.16.2 Test check (August 2000) of the records of the General Manager, Nagaland State Transport, Dimapur for the period from November 1998 to July 2000 revealed that the above rates of 3 firms (not being authorised dealers of any manufacturing company) were approved (August 1998) by the Secretary Transport and Communication without call of any tender and without any basis. The General Manager proposed (July 1998) to the Government to consider the rates of M/s J.K. Industries Ltd., Guwahati (tyres:Rs.5300; tubes:Rs.521; and flaps:Rs.141) on the ground of reasonableness compared to the rates of M/s CEAT Ltd. (Rs.6000, Rs.554 and Rs.171 respectively) obtained in July 1998. But the proposal of the General Manager was not accepted by the Government. However, the materials were supplied by the firms between October 1998 and January 2000 and the department procured the materials at a total cost of Rs.244.11⁵ lakh.

⁴ (1) M/s Angami Agencies Mart, Dimapur (2) M/s T.M. Angami Trade and Agencies, Dimapur (3) M/s Japfu Trade and Agencies, Dimapur.

Name of materials	Govt. approved rate (excluding NST) Rs.	Quantity approved 1998-99 (Nos)	Quantity approved 1999-2000 (Nos)	Total Qty. (Nos)	Total Cost (Rs.)
Tyre	11,214	655	1111	1766	198,03,924
Tube	1,197	655	1486	2141	25,62,777
Flap	282	---	838	838	2,36,316
					226,03,017
			Add.@	8% NST	18,08,241
					244,11,258
					i.e 244.11 lakh

3.16.3 From a collateral evidence it was, further, noticed that ex-Dimapur rates of tyres, tubes and flaps of Modi Rubber Ltd., as of January 2000 were actually Rs.5956, Rs.499 and Rs.151 respectively. Had the materials been procured from the authorised dealer of Modi Rubber Ltd, at Dimapur, the actual cost of the materials would have been Rs.126.50⁶ lakh. Thus, due to non-procurement of the materials from the authorised dealer at manufacturer's rate resulted in extra expenditure of Rs.117.61⁷ lakh. The approval of rates by Government on exorbitantly higher side was without any basis.

3.16.4 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

3.17 Extra avoidable expenditure on fabrication of bus bodies

Due to non-acceptance of lowest rates offered by the firms resulted in an extra expenditure of Rs.32.16 lakh

3.17.1 The General Manager (GM), Nagaland State Transport (NST), Dimapur invited quotations (January 1999) for fabrication of bus bodies (4 types) and break down recovery van for 1998-99 and in response 15 tenders were received, of which 3 tenders were rejected on the ground of non-fulfillment of conditions.

3.17.2 The Purchase Board (PB) constituted (May 1999) by the Government instead of recommending the lowest quoted rates recommended 4th lowest⁸ rates of 3 types of buses and 6th lowest⁹ rate of one type and 3rd lowest¹⁰ rate of break down recovery van on the plea that (i) the lowest quoted rates were not realistic due to the fact that the rates offered by the firms were lower than the previous year's approved rates (ii) cost of many essential items for fabrication work had gone up and also lower rates might involve risk of getting inferior quality of the finished products and there appears to be indication of lack of proper conception of the particular type of work required on their part.

⁶ Rs.244.11 lakh-Rs.117.61 lakh = Rs.126.50 lakh.

⁷

Name of materials	Govt. approved rate (excluding NST) (Rs.)	Manufacturer's rate at Dimapur (excluding NST) (Rs.)	Difference (Rs.)	Quantity Approved		Total Quantity (Nos)	Extra expenditure (Rs.)
				1998-99 (Nos)	1999-2000 (Nos)		
Tyre	11,214	5,956	5,258	655	1,111	1,766	92,85,628
Tube	1,197,	499	698	655	1,486	2,141	14,94,418
Flap	282	151	131	---	838	838	1,09,778
							<u>1,08,89,824</u>
							Add 8% NST Rs.8,71,186
							<u>1,17,61,010</u>
							Say Rs.117.61 lakh

⁸ Rs.4,40,000 for TATA 1312-TC/52-luxury coach, 35+1 seater; Rs.3,55,000 for TATA 1510/42-luxury coach, 26+1 seater; Rs.2,95,000 for TATA LP/1510/42- improved seat type 34+1 seater.

⁹ Rs.2,35,000 TATA LP/1510/42-district type 42+1 seater.

¹⁰ Rs.8,00,000.

3.17.3 Subsequently, when work orders were issued by the General Manager, Nagaland State Transport (NST) (10 June 1999) based on these recommendations, only the rates were accepted without indicating the names of firms to whom work was to be assigned. There was wide variation in selection of firms and some of the firms were not favoured whose offered rates were approved by the PB and accepted by the Government.

3.17.4 Test check (August 2000) of records (November 1998 to July 2000) of the GM, NST, Dimapur revealed that the GM, on receipt (June 1999) of approved rates along with list of approved firms, issued (between June and July 1999) work orders to 5 firms for fabrication of 32 bus bodies of 4 different types and one break down recovery van at the rates approved by the Purchase Board. The list of firms, however, was again revised by the Secretary (Transport and Communication) on telephonic instructions (1 July 1999) of the Minister, Transport and Communication Department and 2 firms not recommended by the PB were approved. The past performance of these firms was not found satisfactory by the General Manager on grounds of poor workmanship and lack of essential facilities required for doing the job properly and the PB had ignored them. There were no reasons on record in support of the Government's decision. In case of one type of luxury coach (26+1 seater), Rs.40,000 extra was offered to another firm which was not recommended by the PB. The reason for allowing the enhanced rate was not on record.

3.17.5 Thus, the Department, due to non-acceptance of lowest rates offered by the firms on the ground of poor workmanship, below the previous year's rate etc., incurred an extra expenditure of Rs.32.16¹¹ lakh.

3.17.6 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

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Type of bus body	Lowest tendered rate (Rs.)	Approved rate (Rs.)	Difference (Rs.)	No. of buses/ Recovery van	Extra expenditure (Rs.)
TATA-1312-TC/52 luxury coach (35+1 seater)	3,18,000	4,40,000 (4 th lowest)	1,22,000	2	2,44,000
TATA-1510/42 luxury coach (26+1 seater)	2,69,000	3,95,000 (Arbitrarily enhanced from Rs.3,55,000-4 th lowest)	1,26,000	8	10,08,000
TATA-LP-1510/42 improved seats (34+1 seater)	2,19,400	2,95,000 (4 th lowest)	75,600	14	10,58,400
TATA-LP-1510/42 district type seats (42+1 seater)	2,00,000	2,35,000 (6 th lowest)	35,000	8	2,80,000
Break down recovery van	3,18,000	8,20,000	5,02,000	1	5,02,000
				33	30,92,400
				C.S.T. 4%	1,23,696
				Total:-	32,16,096

**VETERINARY AND ANIMAL HUSBANDRY
DEPARTMENT**

3.18 Unnecessary expenditure

**Due to arbitrary action of the Minister and the Department,
Government unnecessarily incurred expenditure of Rs.42 lakh in
payment of compension to the suppliers**

3.18.1 Pursuant to a contract agreement (August 1988) with 4 suppliers¹², supply orders were placed (20 January 1989) by the Director (V&AH) for supply of feeds worth Rs.13.60 lakh by 6 March 1989. On 4 March 1989, at the instance of Minister, Veterinary and Animal Husbandry, Nagaland the Department cancelled all the supply orders without assigning any reason and accordingly, when the suppliers came (6 March 1989) with goods, the Departmental Feed Delivery Board refused to take delivery.

3.18.2 The suppliers filed (30 January 1995) Money Suits in the Court of Additional Deputy Commissioner (Judicial), Kohima under Section 80 of the Civil Procedure 1908, claiming compensation of Rs.82 lakh. On 30 October 1996, the Court directed the Department to negotiate with the plaintiff and settle the cases outside the Court. On negotiation, the Department agreed (8 May 1997) to pay a compensation of Rs.42 lakh, which was paid in October 1997. Thus, due to arbitrary action of the Minister and the Department, Government unnecessarily incurred expenditure of Rs.42 lakh on payment of compensation.

3.18.3 The matter was reported to Government and Department in May 2001; their replies had not been received (January 2002).

¹² (i) Shri Zakato, Kohima, (ii) Shri K. Viketo Assumi, Kohima, (iii) M/s Feeds and Feeding, Kohima and (iv) M/s Kohima Trading, Kohima.

**CHAPTER IV
WORKS EXPENDITURE**

**SECTION-A-REVIEWS
PUBLIC HEALTH ENGINEERING DEPARTMENT**

4.1 Drinking water

(A) Accelerated Rural Water Supply Programme

Highlights

The scheme of Accelerated Rural Water Supply Programme aims to provide safe and adequate drinking water facilities to the rural population. The poor achievement was mainly for unrealistic planning, non-utilisation of central funds resulted in reduction of central assistance, financial irregularities committed in diversion/misutilisation of programme fund, emphasis on non-priority schemes, procurement of material without assessing requirement and non-receipt of materials on the advance payment. The delay in completion, avoidable expenditure on time and cost overrun, inadequate monitoring and evaluation the shortcoming in implementation to formulate remedial measures were the reasons of set back for achieving objective under the programme.

Against the release of Central assistance of Rs.32.98 crore including opening balance of Rs.8.19 crore by GOI during 1997-98 to 2000-2001, the Department utilised Rs.31.31 crore as of March 2001 and retained Rs.1.67 crore as unspent balance.

(Paragraph 4.1.5)

Central assistance of Rs.6.04 crore had been reduced during 2000-2001 due to under utilisation of funds and shortfall in State Government's matching share.

(Paragraph 4.1.6)

BMS funds of Rs.1.56 crore earmarked for rural water supply programme, were unauthorisedly diverted for repair/renovation of administrative building, residential quarters and ground water exploration of Kohima town.

(Paragraph 4.1.10)

Rupees.2.42 crore spent against habitation, which were either under the covered habitation or existence of the habitation was not identified. Rs.6.18 crore was spent on fully covered habitation leaving aside 397 habitation uncovered depriving them of the benefit of the scheme.

(Paragraph 4.1.11)

Department took up implementation without survey, investigation and scientific data analysis of geo-hydrological map. This led to failure of ground water exploration and resultantly, infructuous expenditure of Rs.0.35 crore.

(Paragraph 4.1.12)

Rupees.0.26 crore provided for HRD activities were utilised for meeting the normal office expenditure of the department.

(Paragraph 4.1.13)

State sector Basic Minimum Service (BMS) funds of Rs.28.58 crore were diverted for payment of salary to work- charged staff of the Department and subsequently charged the expenditure to individual ongoing schemes to show the utilisation of matching share under state sector schemes.

(Paragraph 4.1.16 (b))

96 schemes approved under State sector (MNP) at a cost of Rs.12.96 crore have been discontinued after incurring expenditure of Rs.2.16 crore upto March 1997.

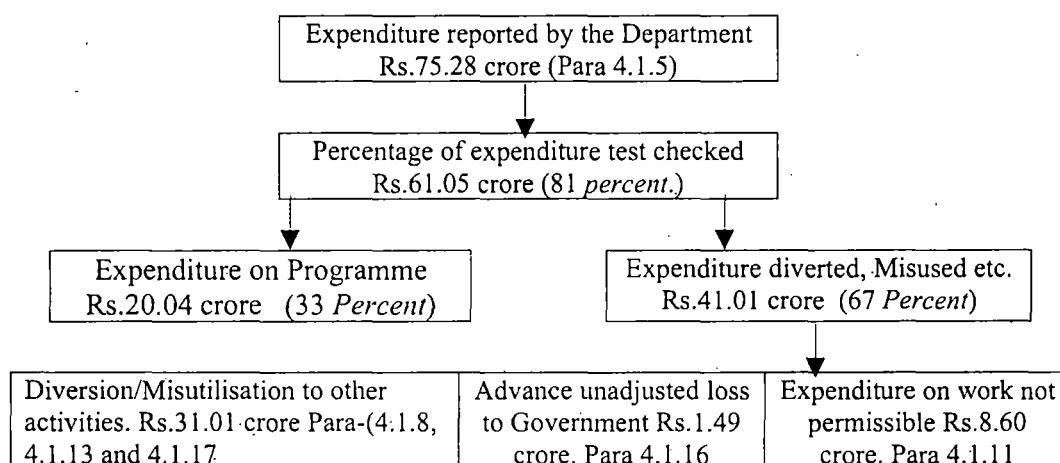
(Paragraph 4.1.16(c))

Due to non completion of the scheme "Providing Water Supply to Longkim-Chare 21 village" as of September 2001, the expenditure of Rs.1.63 crore incurred between 1991 and 1995 became wasteful.

(Paragraph 4.1.16 (d))

FINANCE TREE

(Rupees in crore)



Introduction

4.1.1. Accelerated Rural Water Supply Programme (ARWSP) was introduced in 1972 with 100 percent grants-in-aid from the central government to implement the scheme in problem villages (PV). With the introduction of minimum need programme (MNP) during 5th Five Year Plan (1974-75) it was withdrawn. The programme was reintroduced in 1977-78 when the progress of safe Drinking Water supply to identified problem villages under MNP was not satisfactory. ARWSP was continued to be implemented till 1998-1999.

Organisational setup

4.1.2. The Public Health Engineering Department (PHED) of the Government was responsible for proper implementation through the Directorate of PHED headed by the Chief Engineer who is assisted by the Additional Chief Engineer for implementation and maintenance of Accounts and expenditure, the Superintending Engineer for supervision and Executive Engineer, Monitoring Cell (MC) for monitoring and evaluation of the scheme at State level. The scheme was implemented by 10 Divisional Officers of the rank of Executive Engineer at the field level.

Audit Coverage

4.1.3 The implementation of the rural water supply programme was reviewed in audit (February – May 2001) by test check the records for the period from 1997-98 to 2000-2001 in the office of the Chief Engineer, PHED, 6¹ Executive Engineers(out of 10) in 6² Districts (out of 8) covering an expenditure of Rs.61.05 crore (81 *per cent*). Results of audit finding are incorporated in the succeeding paragraphs.

Funding pattern

4.1.4 The allocation of central assistance under ARWSP was subject to matching provision/expenditure made by the State Government under Minimum Need Programme (MNP), for rural water supply. The short fall in actual expenditure under MNP vis-à-vis expenditure under ARWSP during the previous year would be deducted by the Central Government while releasing the last installment of funds under ARWSP for the current financial year. From 1st April 1999 a carry-over of funds to the extent of 20 *percent* of the total allocation for the year will only be allowed. Final installment for the year would be reduced by the amount the carry-over funds exceeds this limit. Upto 20 *per cent* of ARWSP funds can be used for sub-mission and 15 *per cent* for operation and maintenance of assets created.

Financial outlay and expenditure

4.1.5. The Central assistance received for ARWSP, State matching share released under MNP/ Basic Minimum Service (BMS) scheme and expenditure incurred by the Department during 1997-98 to 2000-2001 were as follows:

¹ EE, Kohima, Store Division, Dimapur, Tuensang, Phek, Zunheboto.

² Kohima, Dimapur, Tuensang, Phek, Zunheboto, Mon.

Table No. 4.1

Year	ARWSP				MNP/BMS		
	Opening balance	Central Assistance received	Expenditure incurred	Closing unspent balance	Provision	Expenditure	Saving (-) Excess (+)
Both revenue and capital plan (Rupees in lakh)							
1997-98	819.16	230.23	289.82	759.57	1370.00	1299.05	(-)70.95
1998-99	759.57	819.82	806.99	772.40	1114.00	431.21	(-) 682.79
1999-2000	772.40	579.20	787.97	563.63	1530.00	1901.60	(+)371.60
2000-2001	563.63	849.95	1246.05	167.53	1530.00	1395.27	(-)134.73
Total:-		2479.20	3130.83		5544.00	5027.13	(-)516.87

Source: *Finance and Appropriation Accounts of the Government.*

4.1.6. Thus, it would be seen that against the release of Central assistance of Rs.32.98 crore (including spill over funds of Rs.8.19 crore) during 1997-98 to 2000-2001, the department spent Rs.31.31 crore as of 31 March 2001 leaving Rs.1.67 crore as unutilised. The reasons for unutilisation of funds were not stated.

4.1.7 The following points were noticed.

Reduction of Central assistance

(a) Due to State's failure to comply the norm of funding pattern (as discussed in para 5) in 1998-99, the central assistance of Rs.4.79 crore was deducted by the Government of India from the provision of 1999-2000 and 2000-2001. Further, deduction of Rs.1.25 crore was made on account of excess carry over of opening balance as on 1 April 2000 beyond the norm of 20 per cent of total allocation of the year.

Rush of expenditure

(b) Financial Rule required that Government expenditure may be evenly phased out through the year as far as practicable. Rush of expenditure at the very end of the year can lead to infructuous, nugatory or ill planned expenditure, besides financial irregularity of taking the money out of consolidated fund of the State and keeping it in banks/PL Accounts.

(ii) Audit scrutiny, revealed that expenditure ranging from 71 per cent to 87 per cent of the total expenditure on the programme had been incurred in the month of March as shown below:

Table No.4.2

Year	Total expenditure	Expenditure in March	Percentage of expenditure
(Rupees in crore)			
1997-98	15.89	13.71	86.
1998-99	12.38	10.77	87
1999-2000	26.90	19.00	71
2000-2001	20.11	16.32	81

(iii) The reason for rush of expenditure was mainly the delay in release of funds by the State Government.

Diversion of Plan BMS funds to meet Non-plan expenditure

(c) Work-charged salary expenditure should be booked against the corresponding plan work. The engagement of the work charged employees in the Department was not made with respect to any specific work. As per codal provisions, only 2 per cent of estimated cost of the specified scheme was permissible for payment of salary to work-charged establishment. Generally, the engagement against the maintenance work should be made from non-plan fund or adequate provision was to be kept for operation and maintenance of the completed scheme.

(ii) It was noticed that out of the total expenditure of Rs.47.77 crore during 1997-98 to 2000-2001 under the state sector BMS scheme, Rs.28.58 crore (59.8 per cent), was diverted for payment of work charged salary. Payment of salary to them from the BMS plan fund earmarked for rural water supply scheme had frustrated the very purpose of providing safe drinking water to rural people.

Purchase of Vehicles

(d) The guidelines of the rural water supply programme and the sanctioned estimates of the schemes did not provide the purchase of vehicles. It was noticed that Chief Engineer procured 7 vehicles between 1997-98 and 2000-2001 at a cost of Rs.24.30 lakh by diverting funds of BMS (3), ARWSP (2) and M.I. cell (2) Utilisation of the vehicles under the programme was not made available to audit.

Unauthorised diversion

(e) Records showed that Finance Department released (26 March 2000) Rs.156 lakh for implementation of 32 rural water supply schemes under BMS. On receipt of drawal authority (LOC), the Chief Engineer (PHE) issued directions to utilise the funds against the priority scheme of exploration of ground water at Kohima town (Rs.120 lakh), water supply to AG Colony (Rs.13 lakh), repairing of Chief Engineer office building (Rs.12 lakh), repairing of Secretary/Addl. Chief Engineer's residence (Rs.8 lakh) and expenditure of Rs.3 lakh was not specified. The Executive Engineer (PHE) Kohima had drawn (March 2000) the entire amount through self cheque without supporting vouchers and the amount was shown as spent in the works as directed by the Chief Engineer (PHE) during 2000-2001, depriving the population of 32 villages from safe drinking water. However, in the absence of relevant records, veracity of the expenditure could not be verified in audit.

Planning

Identification of problem villages

4.1.8 The scheme envisaged identification of problem villages/habitations for ensuring supply of safe drinking water. According to criteria laid down, problem villages were those which had no assured source of water within a distance of 1.6 Km of the plain and 100 meter elevation in hilly areas and habitations which have a water sources but are affected with quality problem.

(ii) According to April 1999 Survey Report, out of 1525 villages/habitations (population 11.29 lakh) 428 villages (population 19 *per cent*) were identified as not covered, 703 villages (population 51 *per cent*) as partially covered and 394 villages (population 30 *per cent*) as fully covered.

(a) Test check of the records of Directorate revealed that 33 villages/habitations, had been identified for providing drinking water supply during 1995-96 to 1999-2000 at a cost of Rs.4.69 crore under BMS/ARWSP and an expenditure of Rs.2.42 crore had already been incurred during the period. Out of 33 villages, 11 villages, were those which had already been covered under different water supply programme both rural and urban. The remaining 22 villages/habitations, were those which had not been identified even in the survey report of April 1999. Thus, taking up of the scheme for them and incurring expenditure thereon was irregular and unauthorised.

(b) According to guidelines of ARWSP, central assistance was to be utilised only to cover the Not Covered (NC) habitation and also Partially Covered (PC) habitations having less than 10 LPCD of water. The State Government was also directed to follow these norms in respect of MNP/BMS schemes.

(ii) It was however, noticed that instead of following the guidelines, the Department had targeted 68 Fully Covered (FC) villages (both ARWSP and BMS) at a cost of Rs.14.50 crore against which Rs.6.18 crore have been spent between 1997-98 and 2000-2001. Surprisingly, 417 rural habitations still remained to be covered despite the fact that the programme was in operation since 1986. The action of the department to concentrate on (FC) villages, neglecting the needs of NC and PC ones was irregular and in violation of the norms of implementation of rural water supply programme.

Ground water survey and scientific source finding

4.1.9 Scrutiny of the record of the Executive Engineer (PHED) Kohima revealed that the Department spent Rs.116.45 lakh for exploration of ground water including geohydrological survey for digging of 6 Deep Tube Well (DTW) in and around Kohima during 1998-2000 through a private firm, of which 4 were stated to have been successful and 2 failure, resulted in infructuous expenditure of Rs.35.02 lakh on account of unsuccessful boring of two wells.

Human Resource Development (HRD)

4.1.10 Human Resource Development (HRD) was created in the state in 1996-97 with the aims to give requisite training especially to women to operate the assets created for water supply and generate demand for adequate sanitation facilities.

4.1.11 The Department spent Central assistance of Rs.25.06 lakh during 1996-97 and 2000-2001 in connection with the grass root level training programme and staff salary. In the physical progress reports, the department claimed to have imparted training to 418 grass root level trainees during 1997-98 to 2000-2001 against the target of 2080, but no significant role was played by the trainees in the field of water supply and sanitation in the State.

4.1.12 Audit scrutiny revealed that expenditure of Rs.25.06 lakh (central assistance) was incurred mainly for office expenses, purchase of furniture, vehicles and on miscellaneous items instead of imparting training to the grass root level workers. Thus, the purpose of establishing the HRD cell was not fulfilled.

Target and achievement

4.1.13 The year-wise physical targets and achievements under the scheme as reflected in the physical progress reports sent by the Department during 1997-98 to 2000-2001 were as under:-

Table No.4.3

Year	ARWSP			BMS/MNP		
	Target (habitations)	Achievement	Shortfall	Target (habitations)	Achievement	Shortfall
1997-98	37	14	23(62)	51	13	38(75)
1998-99	78	37	41(52)	102	24	78(76)
1999-00	23	23	-	47	21	26(55)
2000-01	52	39	13(25)	48	31	17(35)
Total	190	113	77	248	89	159

(Figures in the bracket denote percentage of total.)

4.1.14 There was shortfall in coverage in all the years except during 1999-2000 under ARWSP. The percentage of shortfall ranging from 25 to 62 per cent during the period was due to diversion and misutilisation of funds and non receipt of materials for which advance payment was made.

4.1.15 Further, according to the scheme, all habitations were targeted to be covered by 2000 AD but according to the plan document of the Government, all the identified habitations were to be covered by the end of IXth Plan (2002). It was seen that as per status of RWS project report furnished by the Department, there were 417 NC habitations as on 1 April 2000, out of which 20 were covered during 2000-2001. Slow progress of implementation of the scheme during 1997-98 to 2000-2001 as projected in physical target and achievement reports do not give any assurance of achieving the target of 397 by March 2002.

Implementation of the scheme

Unauthorised implementation

4.1.16 It was seen from the records that 70 schemes (cost Rs.15.81 crore) were approved by the State Government on 24th and 25th March 2000, of which Rs.2.58 crore was spent for procurement of materials within the month of March 2000 against 35 schemes (Estimated cost Rs.8.26 crore) without prior approval of the Central Government as envisaged in the guidelines

Adjustment of work charged salary in BMS scheme

(b) As mentioned in para 4.1.5 (c), the engagement of work charged employees in the department was not with respect to any specific work. As per codal procedure, only 2 per cent of estimated cost of the scheme were allowed for payment of work charged establishment.

(ii) It was noticed that out of the total expenditure of Rs.47.77 crore under State sector BMS programme during 1997-98 to 2000-2001, Rs.28.58³ crore was irregularly spent against salary of work charged employees which can be met only from non-plan provision. The amount was adjusted irregularly against the ongoing individual schemes under BMS programme indicating utilisation of State matching share under water supply programme.

Wasteful and idle expenditure under MNP scheme

(c) Test check of the records revealed that 96 schemes were sanctioned with estimated cost of Rs.12.96 crore under Minimum Need Programme (MNP) during 8th Year Plan period and spilled over to 9th Plan (1997-98). Due to the discontinuation (1996-97) of the MNP, 52 schemes have been included under BMS Programme (estimated cost :Rs.8.92 crore) and remaining 44 schemes sanctioned at a cost of Rs.7.34 crore have been discontinued after spending Rs.2.16 crore upto March 1997. Although out of 44 discontinued schemes, 20 schemes have subsequently been included in the BMS Programme during 1999-2000 but no execution of work was carried out except the adjustment of Rs.2.00 crore being the work charged salary paid from BMS funds. Thus there was wasteful expenditure of Rs.2.16 crore and fictitious adjustment of Rs.2.00 crore apart from denial of the intended benefits to inhabitants of the villages.

Providing water scheme to Lankim-Chare (21 village)

(d) For providing water supply to Lankim-Chare (21 villages), the work was taken up in 1990-91 at a cost of Rs.220.76 lakh for setting up a pumping system under ARWSP and due to be completed by 2000. It was noticed that the Executive Engineer, (PHED), Tuensang had splited up the estimates of the work and issued 506 work orders valued at Rs.68.32 lakh to different local contractors for civil works of the schemes between 1991 and 1994 without call of tender and without considering the adequate provision of funds.

(ii) Scrutiny of the records of Executive Engineer (PHED), Tuensang revealed that the Division, had spent Rs.163.07 lakh on procurement of G.I. pipe/fitting (Rs.103.90 lakh), vehicle (Rs.3.06 lakh), payment to the contractor for civil works (Rs.41.82 lakh) and Departmental charges (Rs.14.29 lakh) during 1991-1995 and thereafter no execution was carried out. Thus, non completion of the works resulted wasteful expenditure of Rs.1.63 crore out of ARWSP funds.

Augmentation of water supply to Pughoboto range

(iii) Augmentation of water supply scheme at Pughoboto range consisting 9 villages was approved (30 March 1998) at a cost of Rs.915.56 lakh. Records of the Executive Engineer (PHE), Zunheboto showed that the project was left abandoned incurring an expenditure of Rs.7.07 lakh for procurement of 2 Maruty Gypsy (March 1998).

1997-98	Rs.6.31 crore
1999-2000	Rs.10.82 crore
2000-2001	Rs.11.45 crore
	Rs.28.58 crore

Installation of hand pump and infructuous expenditure

(e) As per norms under ARWSP, there should be one hand pump for every 250 population of the inhabitants. Test check of records of the Executive Engineer (PHE), Store Division, Dimapur revealed that 74 hand pumps were installed at a cost of Rs.7.90 lakh in the foot hill area of Dimapur between 1990 and 1996 without assessing the population to be benefitted. However, it was noticed that the hand pumps became defunct since their installation due to lowering of the water table and thus the expenditure incurred proved infructuous.

Procurement of store

Advance payment led to loss to Government

4.1.17 According to the provision of NPWA Code, no advance payment was permissible to supplier/contractor except secured advance at the rate of 90 per cent of the value of materials on production of proof of despatch. Government may in exceptional circumstances, allow advance as may be deemed indispensable after taking necessary precautions for securing against government loss.

4.1.18 It was noticed from the records of the Executive Engineers, PHED, Kohima and Store Division, Dimapur that the Chief Engineer PHED, without assessing the requirement, issued 11 supply orders worth Rs.3.98 crore between 1997-98 and 1998-99 to 6 suppliers with an advance payment of Rs.1.87 crore with the stipulation to complete the supplies within 90 days. The advance was paid to the suppliers without executing agreements and securing bank guarantees. Although stipulated time of completion of supply was within 90 days of issue of supply orders, the suppliers could supply material worth Rs.0.38 crore only against the advance of Rs.1.87 crore paid to them. Except reminding the supplier to complete the supplies, no penal action could be taken by the Department in the absences of any agreement or bank guarantee.

4.1.19 This resulted in not only loss of Rs.1.49 crore to government but also targetted scheme suffered a set back due to non-receipt of materials besides, loss of interest Rs.0.55 crore.

District level water testing laboratory

4.1.20 According to the scheme, one laboratory was to be established in each District under the Rajiv Gandhi Drinking Water Mission. Rs.12 lakh was released by the Government of India during 1997-98 for the purpose.

4.1.21 Scrutiny of records revealed that the State Government released the above amount to six districts at the rate of Rs.2 lakh each in September 1998. The Divisions procured (November 1998) equipment and chemicals on the strength of supply order issued by the Chief Engineer PHED and were lying in store (May 2001). Thus, the purpose of the Mission was not fulfilled, the expenditure of Rs.12 lakh remained unproductive and the rural population was supplied untreated water. Report of the medical Department indicated that 14,814 people were affected by diarrhoea during 1996-2000. The reason for non-installation of the laboratory was not on record.

Monitoring and evaluation

4.1.22 Though there was a monitoring cell in the Department headed by Chief Engineer for effective monitoring the programmes, it recorded the achievement on adhoc basis as percentage of the financial outlay, exhibit the position village-wise achievement and completion of the schemes as well.

4.1.23 For effective planning, monitoring and implementation of the various schemes, Management Information System (MIS) was provided under the programme. Though the Department spent Rs.21 lakh in procurement of computers and furniture, these were not gainfully utilised under MIS.

4.1.24 The Department did not evaluate the impact of the scheme how well these were implemented.

Recommendations

4.1.25 Realistic action plan should be prepared for time bound monitoring the implementation of the programme.

- NGOs and local bodies should be encouraged in implementation to derive the benefit out of the programme.

- Implementation of the programme should be evaluated at regular intervals.

4.1.26 The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

4.2 Drinking water

(B) Accelerated Urban Water Supply Programme.

Highlights

The accelerated Urban Water Supply Programme (AUWSP) was launched in March 1994 to provide financial support to the medium towns having the population below 20,000 as per 1991 census. The objective of AUWSP scheme was largely frustrated due to inadequate planning, non-observance of guidelines, unfair reporting and inaccurate preparation of estimate. Delay in completion resulted in cost overrun, unauthorised extra expenditure, extension of undue financial benefits to the contractors, and inadequate monitoring and evaluation adversely affected the progress of the scheme.

Rupees.0.50 crore of HUDCO loan remitted to Executive Engineer (PHE), Zunheboto was not accounted for, Rs.0.20 crore meant for Phek town project was diverted unauthorisedly to Mokokchung town project

(Paragraph 4.2.4 (a) (i) & (ii))

Water supply schemes were irregularly designed for 15 years instead of 20 to 25 years as envisaged in guidelines and the designed population of Zunheboto town project were under estimated.

(Paragraph 4.2.5)

Expenditure of Rs.0.64 crore on non-priority works like construction of office building (Rs.0.40 crore), and procurement of five light vehicles (Rs.0.16 crore) was met outside the provision.

(Paragraph 4.2.4 (b))

Committed contribution of local bodies (5 percent) Rs.0.45 crore was not realised.

(Paragraph 4.2.4(c))

Approved technical estimates of government of India (CPHEEO) were not implemented rather, Projects were executed according to State approved estimates.

(Paragraph 4.2.6)

The physical and financial progress reports prepared and submitted to the government of India were not based on facts. Actual progress was not ensured.

(Paragraph 4.2.9)

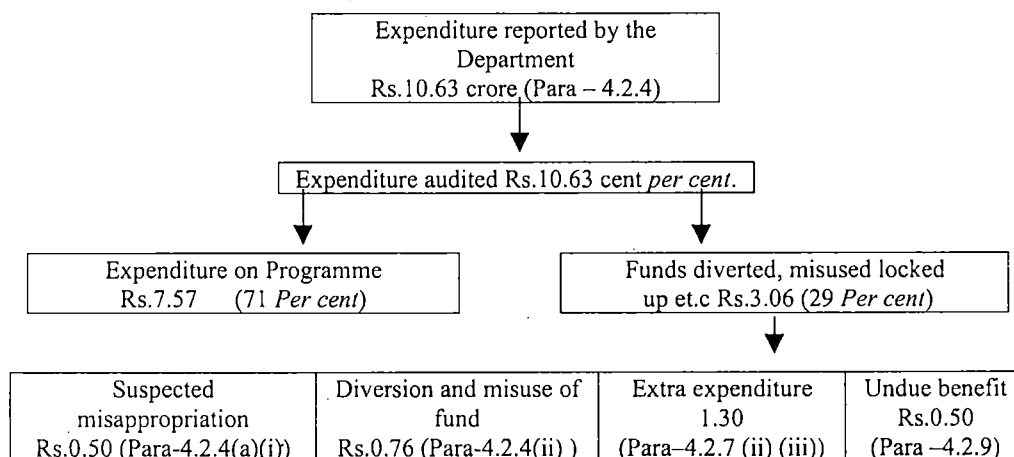
There were cost overrun (Rs.1.96 crore) due to delay in execution, undue financial benefits to the contractor (Rs.0.18 crore) and doubtful expenditure (Rs.1.37 crore) on raw water raising mainline. Unauthorised

extra expenditure of Rs.0.32 crore and expenditure of Rs.0.98 crore on fictitious works was incurred on Phek and Zunheboto town Project by the Phek and Zunheboto Divisions.

(Paragraph 4.2.7)

FINANCE TREE

(Rupees in crore)



Introduction

4.2.1 Government of India extended financial support to the State Government to provide water supply facilities in town having population less than 20000 (as per 1991 census). The centrally sponsored scheme was included in 8th Five Year Plan period and was launched in March 1994 with the objective to provide safe and adequate water supply facilities to the entire population of the small towns within a fixed time frame; to improve environment and quality of life, the better socio-economic condition and more productivity to sustain the economy of the society.

4.2.2 In Nagaland, 4* township as notified in 1991 census could not be provided with proper drinking water facilities owing to uneconomical tapping of adequate drinking water supply.

4.2.3 The State Level Selection Committee recommended (1996) in terms of population ratio to include the four towns under the scheme against which Government of India approved two town (Phek and Zunheboto) and extended financial assistance as per the terms and conditions of the AUWSP. The rest two towns (Wokha and Mon) were being covered by separate scheme under State Plan.

Town	Population as per 1991 census	Water Supply (1991 census)
1. Phek	8366	-
2. Zunheboto	11473	3LPCD
3. Wokha	14377	4LPCD
4. Mon	10790	4 LPCD

Organisational setup

4.2.4 The Chief Engineer, Public Health Engineering (PHE) is responsible for implementation of the programme, and was assisted by additional Chief Engineer and Superintending Engineer of the Directorate. The programme was implemented by Public Health Engineering Divisions, Kohima, Phek and Zunheboto.-

Audit Coverage

4.2.5 The implementation of the programme for the period from 1993-94 to 2000-2001 was reviewed in audit (February to April 2001) by scrutiny of the records in the office of the Chief Engineer (PHED), Executive Engineer (PHED) Kohima, Phek and Zunheboto. The results of audit are incorporated in the succeeding paragraphs.

Finance and expenditure

4.2.6 Accelerated Urban Water Supply Programme (Medium town) is a centrally sponsored scheme, and is required to be funded as follows: 50 per cent by the Central Government, 45 per cent by State Government and 5 per cent contribution from the beneficiaries (Local body). The summerised position of fund released by the Government of India, State Government (State Plan, HUDCO and LIC) and expenditure incurred thereagainst during 1996-97 to 2000-2001 as per Finance and Appropriation Accounts of the State was as under:-

Table No.4.4

Fund and expenditure under the programme

Project-wise (Rupees in lakh)

Year	State Plan	LIC	HUDCO	AUWSP	Total fund available	Expdt.	Phek		Zunheboto	
							Fund available	Expenditure	Fund available	Expenditure
1996-97	192.07	---	---	---	192.07	192.07	93.47	93.47	98.60	98.60
1997-98	76.00	48.00	---	63.53	187.53	187.53	111.53	111.53	76.00	76.00
1998-99	---	---	167.86	40.67	208.53	208.53	40.67	40.67	167.86	167.86
1999-2000	---	---	40.00	50.65	45.65	45.65	5.65	5.65	40.00	40.00
2000-2001	---	43.53	130.00	256.13	429.66	429.66	43.53	43.53	386.13	386.13
Total	268.07	91.53	337.86	365.98	1063.44	1063.44	294.85	294.85	768.59	768.59

4.2.7 Although Rs.429.66 lakh was reported to have been spent on two projects during 2000-2001, but actual expenditure under the programme was Rs.359.66 lakh only. The position of balance expenditure of Rs.70.00 lakh was as under:

Suspected mis-appropriation

4.2.8 The Executive Engineer (PHED), Kohima, drew (August 2000) Rs.130 lakh being HUDCO loan and remitted (September 2000) to Executive Engineer (PHED) Zunheboto through Demand Draft. Of, Rs.130 lakh, Rs.80 lakh only was found to have been accounted for (September 2001) by the Executive Engineer Zunheboto and Rs.50 lakh was suspected to be mis-appropriated.

Diversion of L.I.C loan

4.2.9 Out of Rs.43.53 lakh drawn (December 2000) by Executive Engineer, Phek against the LIC loan sanctioned for water supply project, Phek, Rs.20 lakh was diverted as per Chief Engineer (PHE) direction for utilisation on water supply project of Mokokchung town, not covered under the scheme.

4.2.10 Against the provision for construction of residential accommodation of supervisory staff, the Chief Engineer (PHED), without the approval of State/Central Government authorised construction of office building during 1999-2001 at a cost of Rs.40.37 lakh at Zunheboto (Rs.14.72 lakh) and Phek (Rs.25.65 lakh).

4.2.11 The Executive Engineers (PHE), Zunheboto and Phek under the authority of the State Government procured during 1997-2001 5 light vehicles (Maruty Gypsy) at Rs.15.97 lakh for field supervision of the projects, not covered under the programme.

Non realisation of community contribution

4.2.12 As per guidelines, 5 per cent capital cost of the project was to be contributed by the local body. Though the town committees of the respective town had committed to contribute 5 per cent of the cost but the Department did not took initiative to realise the committed contribution of Rs.44.95.¹ lakh from the local bodies.

Planning

4.2.13 Guidelines provided that water supply scheme were to be designed to meet the requirement for a period of 20 to 25 years @ 70 LPCD after their completion. However, two schemes approved by GOI in March 1997 and December 1999 at a cost of Rs.909.83 lakh were designed for 15 years @ 50 LPCD capacity due to high capital cost and per capita cost as discussed below:-

Physical performance

Phek town water supply project

4.2.14 For providing water supply to Phek town (Medium) under centrally sponsored AUWSP, Government of India (CPHEEO)² approved (17 March 1997) the project with estimate cost at Rs.219.70 lakh stipulating completion in 1997-98. State Government (PHED) sanctioned a separate estimate (26 March 1997) for Rs.258.48 lakh under Basic Minimum Service (BMS) programme with the stipulation to complete in 1998-99. The project was being executed out of the funds received from Central Government during 1997-99 and from the BMS allocation. The Department failed to complete and commission the project despite regular flow of fund within targeted time which resulted in revision of the project cost in 8 August 2000 by the State

¹ Zunheboto –Town Committee Rs.34.00 lakh
Phek Town Committee Rs.10.95 lakh
Rs.44.95 lakh

² Central Public Health Engineering and Employment Organisation.

Government from Rs.258.48 lakh to Rs.292.69 lakh. The project was completed (September 2000) and commissioned (April 2001) at a total cost of Rs.294.85 lakh. Since it was in initial stage, functioning of the project is yet to be assessed.

Zunheboto water supply project

4.2.15 Mention was made in Para 4.1.6(d) of the Report of the Comptroller and Auditor General of India for the year 1993-94 regarding Augmentation of water supply to Zunheboto town (Medium), taken up in 1991 at a cost of Rs.648 lakh to be completed during the 8th Five Year Plan. Upto the year 1997-98, an expenditure of Rs.174.60 lakh had been incurred out of the fund ARWSP and BMS funds mainly on procurement of Vehicles, G.I. Pipes and fitting materials land compensation, preliminary work such as jungle cutting and construction of approach roads etc.

4.2.16 The implementation of the project was actually started in 1998-99. On the request of the State Government to finance the project, HUDCO authority approved (May 1998) a technical estimate of Rs.682.70 lakh (including their interest) to be financed out of loan assistance to be provided by them. The project was targeted to be completed in 1999-2000.

4.2.17 When the project was under implementation, on the request of the State Government, Government of India, (CPHEEO), approved (December 1999) the project at a cost of Rs.683.11 lakh to include the project under AUWSP, although the project was being implemented under the State Plan.

4.2.18 Due to delay in execution, the project of Rs.683.11 lakh (approved in December 1999) was revised to cost Rs.959 lakh (March 2001) and targeted to be completed in 2001-2002, but the approval of CPHEEO was not obtained as envisaged in the technical sanction note approved for AUWSP. The works were in progress (May 2001) and total expenditure incurred so far was Rs.768.59 lakh. There were time overrun of 3 years and 7 years in execution of the two projects with the cost overrun of Rs.75.15 lakh and Rs.120.59 lakh respectively.

4.2.19 Thus, the project report and technical sanction accorded by the Government of India (CPHEEO) in order to provide financial assistance under AUWSP had not been adhered to in the actual execution of the project. Hence, entire process of execution and utilisation of central assistance against the projects was beyond the scope of AUWSP guidelines.

Implementation

4.2.20 Scrutiny of implementation of the two projects revealed the following:-

Phek Town Project

4.2.21 Nagaland Public Works Accounts (NPWA) Code prohibits payment of any mobilisation advance. In contravention of above provisions, mobilisation advance of Rs.18.00 lakh was paid to the contractor (Rs.10 lakh in December 1997 and Rs.8 lakh in March 1998) for construction of Treatment Plant of

water supply project Phek. This led to extending undue financial benefit to the contractor to the tune of Rs.3.90 lakh (interest @ 15 per cent) in the shape of an interest free loan for 12 to 24 months.

4.2.22 Provision was made for laying of distribution line measuring 29,640 metres with GI Pipes of different sizes, whereas the same was executed with only 11,348 metres of pipes. The reason for making provision for extra 18,292 metres (62 per cent of original estimate) of distribution line was not on records. This indicated that the estimate of the project was unnecessarily inflated involving extra cost of Rs.9.23 lakh on the project.

4.2.23 Construction of disilting tank at source estimated to cost of Rs.1.56 lakh was got executed (July 1997) through local contractor at a cost of Rs.1.41 lakh. The Executive Engineer (PHED), Phek issued 13 additional work orders (1997-1998) for Rs.5.69 lakh in respect of the same work by splitting up the amount within his financial power (Rs.0.50 lakh) and one work order for Rs.4.31 lakh with the approval of the Chief Engineer and paid Rs.10 lakh to the contractor between September 1997 and January 1999. The basis of issuing 14 additional work orders for Rs.10 lakh against the estimated cost of Rs.1.56 lakh and despite having the work done at a cost of Rs.1.41 lakh resulted in extra expenditure of Rs.8.59 lakh could not be made available to audit.

4.2.24 Lump sum provision of Rs.10.96 lakh made for procurement of fitting materials (G.I. Union, Elbow Socket etc.) in original estimate was reduced to Rs.6.90 lakh in the revised estimate (August 2000). Against the revised provision of Rs.6.90 lakh, the Department procured fitting material worth Rs.30.86 lakh and shown as utilised. Although there was short laying of distribution lines by 50 per cent, how was the excess fitting material utilised not on record and hence expenditure of Rs.23.96 lakh was incurred for fictitious procurements.

Zunheboto Town Project

4.2.25 As per approved estimate of water supply project at Zunheboto, provision was made for construction of raw water raising main and laying of 21,400 metres supply line with GI Pipes of different sizes from raw water sources to purification plant. Accordingly 21,400 meter GI pipes costing Rs.137.19 lakh were shown as utilised in the work as of November 2000. The estimate was revised in March 2001 and this item of work was surprisingly omitted in the revised estimate. Thus the execution of above works was not justified and expenditure of Rs.137.19 lakh on them appeared to be doubtful.

4.2.26 In order to improve the water tax revenue under Water Supply Consumer Rule 1998, the Government of India (CPHEEO) approved construction of 16 no. of metre housing chambers (at a total cost Rs.0.32 lakh) and installation of 1800 mechanical water metres (at a total cost Rs.14.40 lakh). Against this the department (PHED) approved construction of 36 nos of metre control rooms at a cost of Rs.64.80 lakh, of which 18 Nos. were completed at Rs.32.40 lakh during 2000-2001. The change of specification and the unit cost of construction was not got approved from the CPHEEO and

hence, Rs.32.08 lakh had been spent unauthorisedly. The installation of 1800 mechanical water metres was still to be undertaken.

4.2.27 Construction of main service reservoir of 4.50 lakh litres capacity was allotted (October 1999) to a local contractor at the estimated cost of Rs.10.91 lakh. Against payment (October 2000) of this amount, the actual execution was done for only 1.00 lakh litres capacity of reservoir (estimated cost as per analysed rate being Rs.3.35 lakh). This resulted in excess payment of Rs.7.56 lakh to the contractor.

4.2.28 Executive Engineer (PHED), Zunheboto, mobilised (order dated January 2001) departmental staff and labourers for the work of lifting, laying of GI Pipe, construction of anchor blocks, supporting pillars, pipe bridge, pipe alignment, diversion and disilting tank etc. for alignment of gravity pipe line.

4.2.29 Records showed that the works for which the departmental staff and labourers were mobilised (From January 2001) had already been executed between May 1999 and October 2000 through different contractors and payment of Rs.40.18* lakh made to them. Thus, expenditure of Rs.40.18 lakh on mobilisation of staff for the works was fictitious.

4.2.30 In order to execute the project, the Department procured 1 bulldozer, 2 heavy vehicles and 1 medium size vehicle at a cost of Rs.31.29 lakh against the provision of special T&P for the project. Without utilisation of any T&P, the department executed the work of carrying GI Pipes, site levelling and construction of road through contractor and Rs.16.39 lakh was paid (upto October 2000) to them. In spite of procuring special T&P, execution work through contractor and expenditure there against was unjustified.

Material management

4.2.31 The length alignment of gravity main pipe line for 'Augmentation of Zunheboto Town Water Supply Project' was estimated at 27,000 metres and was to be completed by utilising 150 mm GI Pipe of heavy (9,000 metres) and medium (18,000 metres) quality. The estimate was revised (March 2001) and alignment of gravity main line reduced to 16,000 metres by utilising heavy (9,000 metres) and medium (7,000 metres) pipes. The Department had already procured 19561 metres of pipe (March 1998 and October 1999) and utilised them as per reduced requirement. Although, the required length of pipes was utilised and balance (3,561 metres) was available in the material at site (MAS) account as of March 2001, the Chief Engineer (PHED) issued (March 2000) supply order for additional, 5,900 metres pipe (medium 150 mm) at a cost of Rs.57.06 lakh for supply within 90 days. An advance of Rs.50.00 lakh was paid in (October 2000) to a local contractor but the material had not been received as of (September 2001).

4.2.32 Thus, the order of additional pipes without requirement and payment of Rs.50.00 lakh as advance led to blockage of funds besides extending undue financial benefit to the supplier.

* Trench cutting (Rs.11.80 lakh), foot path (Rs.4.22 lakh), head loading (Rs.1.35 lakh) pipe bridge (Rs.17.22) and anchor block (Rs.5.59 lakh).

Fictitious reporting

4.2.33 The execution of both the projects (Phek and Zunheboto) was carried out according to the estimates and revised estimates approved only by the State Government. The funds released by the Central Government and obtained from other agencies (HUDCO and LIC) were being utilised for the projects without adhering to the guidelines of the Government of India and also other respective agencies financed to these projects.

4.2.34 Progress reports prepared on water supply to Zunheboto town revealed that 3 different physical and financial progress reports had been prepared and submitted to the respective agencies (State Government, Central Government, HUDCO), in accordance with the estimates approved by the respective agencies. As a result, the actual progress of the works could not be ascertained in audit. Thus, the physical and financial progress reports prepared by the Department were fabricated to mislead the financing agencies about actual progress.

Monitoring and evaluation

4.2.35 The quarterly physical and financial progress reports in the prescribed form were to be sent to the government of India and separate accounts maintained to identify the utilisation of funds against the execution of the project. It revealed that during 1999-2001 only 3 reports have been compiled and submitted. No separate accounts had been maintained.

4.2.36 Further, guidelines provided that CPHEEO/Ministry of Urban Development had to monitor the physical and financial progress by site visits of the project. Although the projects were executed without following AUWSP guidelines, these were not physically verified and commented upon.

4.2.37 The performance of the projects executed under AUWSP had never been evaluated so far by the government/agencies or non-government organisation.

Recommendations

4.2.38 State Government should fix time schedule for completion of the project and release fund according to physical progress of work. Diversion of funds and expenditure on non-priority items should be strictly avoided. Department should evolve mechanism for and effective monitoring. Evaluation should be done at regular intervals to assess the impact of programme implementation.

4.2.39 The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

WORKS AND HOUSING DEPARTMENT

4.3 *Integrated audit of Works and Housing department including man power management*

Highlights

A review by audit on "Integrated audit on Works and Housing Department" revealed that deficiency of budgetary and expenditure control led to excess expenditure under Non-Plan and saving under Plan, infructuous expenditure towards payment of interest on unutilised loan money. The department failed to check huge excess appointment of work-charged staff without work leading to gross mismanagement. Store management also was quite deficient. Defective planning abnormal and inordinate delay in execution of work resulted in extra avoidable expenditure. Quality (control) testing was not carried out for large number of works entailing the risk of mishaps due to faulty construction. Monitoring and evaluation of the department was non-functional.

Budgetary management of the department was weak and budget was submitted late to Finance department. Budget was prepared on presumption of certain arbitrary assured growth in the previous year's revised estimates and not on the basis of actual expenditure. The budget, therefore, failed to reflect department's requirement resulting in excess expenditure under non-plan and saving under plan heads.

(Paragraphs 4.3.3 and 4.3.4)

Idle keeping of loan money in government account without utilisation resulted in unnecessary interest payment of Rs.168.27 lakh.

(Paragraphs 4.3.5 and 4.3.6)

Executive Engineers of all the 35 executing Divisions incurred extra avoidable expenditure of Rs.2185.44 lakh due to entertainment of excess staff over the sanctioned strength

(Paragraph 4.3.10)

Executive Engineers of all executing divisions engaged large number of work charged staff without works while work were contracted-out.

(Paragraph 4.3.15)

Executive Engineer, Housing Division, Dimapur made unnecessary purchase of water supply and sanitary materials without indents from consuming Divisions. This resulted in blockade of funds Rs.284.20 lakh

for 5 to 15 years and stores valuing Rs.85.36 lakh became unserviceable due to prolonged storage and obsolescence.

(Paragraphs 4.3.18 to 4.3.20)

Executive Engineer, Capital Complex Division, Kohima and Executive Engineer, R&B, Dimapur made improper planning and abnormal delay in finalisation of contract document for construction of Officers' Hostel and construction of railway overbridge at Dimapur which resulted in huge cost escalation of Rs.697.95 lakh

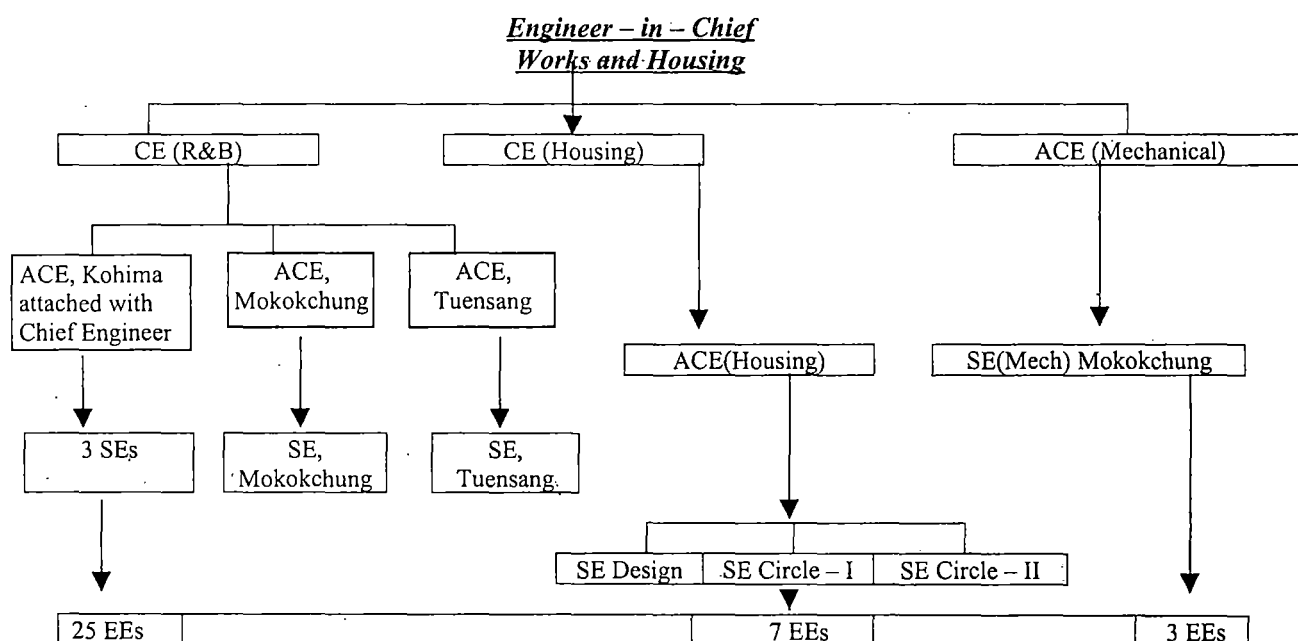
(Paragraphs 4.3.23 and 4.3.27)

Quality and chemical tests of materials and soil in respect of majority of works were not carried out. As a result, a girder bridge constructed at a cost of Rs.8.73 lakh was washed away reportedly due to non-testing of soil.

(paragraph 4.3.31)

Introduction

4.3.1. The Works and Housing Department covers activities relating to construction, maintenance and repairs of roads and bridges, and Government buildings. It comprises of three wings i.e., Road and Bridges (R&B), Housing (H) and Mechanical (Mech) under the administrative control of the Works and Housing Department. The Commissioner and Secretary, Works and Housing department is in overall charge of the department at Government level. The responsibilities of the officials both supervisory and supervised in the functioning of the department are shown in an organisation flow chart, below.



CE-Chief Engineer. ACE-Additional Chief Engineer
SE-Superintending Engineer. EE-Executive Engineer

Audit coverage

4.3.2 Integrated review in respect of Works and Housing Department for the period 1998-99 to 2000-2001 was conducted during January –June 2001 through test check of records of the CE (R&B), CE (H), ADDL, CE (Mech) and 9 working divisions (4 R&B divisions, 2 Housing divisions and 3 Mechanical divisions) out of 35 covering an expenditure of Rs. 119.23 Crore (33 per cent). Important points noticed during review are summarised in the following paragraphs.

Financial Management

Budgetary procedure

4.3.3 General procedures for preparation and submission of budget stipulate that the administrative department shall submit detailed estimates on the basis of requirement to the finance department. The administrative department did not however, submit their estimates in time. Records indicated that estimates for the year 1998-99 were submitted to finance department in February 1998 against due date of November 1997. Similarly, the estimates for the year 2000-2001 were submitted to finance department in March 2000 against the due date of January 2000. There was, thus, little time with the finance department to examine the estimates for incorporation in the annual budget. It was noticed that budget was prepared by the finance department on adhoc basis with reference to actuals of the previous years. As details of budgetary estimates prepared both by the Work and Housing department and finance department are not made available to audit, how far it reflected department's actual requirement could not be assessed.

Budgetary control and financial outlay

4.3.4 Year-wise Budget provisions and expenditure of the department during 1998-99 to 2000-2001 under Non-Plan and Plan are given in the *Appendix – XXIII*. During 1999-2000, there was as much as 16 per cent excess expenditure under Non-Plan while 64 per cent saving under Plan. This indicates that the department failed to frame realistic budget resulting in high mismatch between budget provisions and actual expenditure. As required under Finance department's circular (February 1999), the controlling Officers failed to ensure that total expenditure on salaries incurred by the DDOs under them did not exceed the budget provision available under respective grant. As a result there was unplanned out go under salary in Non-plan component. Persistent saving under Plan was due to unnecessary provision of supplementary grant which was not in tune with the actual flow of expenditure.

Money drawn and kept in civil deposit for 5 months.

4.3.5 Executive Engineer, South Division, (R&B) Kohima centrally drew Rs.3.25 crore (March 2000) for construction of village connectivity road under basic minimum service and received Rs.0.34 crore as loan from NABARD (11

February 2000) for construction of a road and kept the same in civil deposit. The amount was withdrawn (September 2000) and distributed to different divisions of the department for execution of the same work, thereby delaying in release of funds for the construction works. Besides, Government had to pay interest of Rs.2.27 lakh @ 12 per cent a year to NABARD for keeping the loan amount of Rs.0.34 crore unnecessarily for 203 days (from date of receipt on 11 February 2000 to the date of release i.e. 31 August 2000).

Negotiated loan amount retained by Government for more than one and half year

4.3.6 Government released Rs.6.00 crore and Rs.4.00 crore on 22 February 2000 and 21 December 2000 respectively out of Rs.10.00 crore negotiated loan received from Life Insurance Corporation of India on 31 March 1999 for construction of permanent Bridges in Nagaland. Due to delayed release of fund and keeping money idle in government account, construction of permanent bridges not only suffered for considerable period but also Government had to pay interest of Rs.1.66 crore on Rs.6.00 crore for 328 days from 31 March 1999 to 21 February 2000 and on Rs.4.00 crore for 631 days from 31 March 1999 to 20 December 2000) @13.5 per cent a year for retaining the fund idle.

Control of expenditure

Non-compliance of rules for control of expenditure

4.3.7 DDOs did not submit monthly expenditure statement regularly as prescribed under rule. Some DDOs submitted monthly expenditure statement for 12 months at a time. Of the 1692 monthly statements to be received by the controlling officers from all the 47 DDOs during 1998-99 to 2000-2001, only 904 statements were received. Because of failure of the controlling officer to receive and analyse regularly the trend of expenditure, the persistent excess remained unnoticed and uncontrolled.

Drawal of money in advance of requirement and unauthorisedly keeping in Bank Account

4.3.8 Executive Engineer, Capital Complex Division, Kohima purchased deposit-at-call (DAC) worth Rs.318.93 lakh from Bank on different dates (17 dates) between April 1996 to December 2000 against the drawal for construction of new Assembly Complex, Kohima and encashed Rs.213.60 lakh after retaining the same for periods ranging from 7 to 550 days though the financial rules do not permit purchase of DAC. Besides locking up of funds, this led to a loss of interest of Rs.4.86 lakh at government borrowing rate of 13 per cent for retaining the amount unutilised from the date (s) of purchase of DAC to the date(s) of encashment.

Manpower Management**Excess engagement of staff.**

4.3.9 The details of the sanctioned strength, men-in-position as furnished by the department and the excess staff entertained by the department against the sanctioned strength were as under as on 31 March 2001.

Table No.4.5

Post	Category of Sanctioned strength				Men-in-position				+ Excess, -Vacant			
	R&B	H	Mech	Total	R&B	H	Mech	Total	R&B	H	Mech	Total
Officers 'A'	171	29	17	217	191	39	17	247	20	10	---	30
Officers 'B'	214	43	22	279	414	51	36	501	200	8	14	222
Staff 'C'	1617	286	233	2136	1500	917	388	2805	(-)117	631	155	669
Group 'D'	490	83	27	600	841	156	109	1106	351	73	82	506
Total	2492	441	299	3232	2946	1163	550	4659	454	722	251	1427

4.3.10 The total sanctioned strength (3232) and Men in position (4659) shown above indicates that there was overall excess entertainment of 1427 posts which constituted 44 per cent of sanctioned strength. Extra expenditure on engagement of excess staff over sanctioned posts involved Rs.2185.44 lakh, during three years period upto 2000-2001 calculated on the minimum of time scale of pay.

4.3.11 There was large number of non-technical staff (2518 nos) compared to 2141 number of technical staff including regular work-charged staff. There was failure on the part of the DDOs to exercise proper check that number of employees included in the pay bill are actually borne on the sanctioned strength. The controlling officers failed to exercise expenditure control to see that total expenditure did not exceed the grant. This systemic failure led to huge excess outgoes on account of salary.

Disproportionate deployment of staff

4.3.12 Records of the Divisions test checked and the information furnished by the divisions showed excess entertainment of staff as under.

Table No.4.6

Name of the Division	Category of Sanctioned strength				Men-in-position				Excess staff entertained			
	Officers	Staff	Gr.D	Total	Officers	Staff	Gr.D & percentage in number	Total	Officers	Staff	Gr.D	Total alongwith percentage in bracket
1	2	3	4	5	6	7	8	9	10	11	12	13
1.Housing Division Dimapur	6	47	35	88	15	74	64(42)	153	9	27	29	65(74)
2.PWD (R&B) Division, Dimapur	8	62	32	102	8	111	90(43)	209	---	49	58	107(105)
3.PWD(R&B), South Div. Kohima	6	74	33	113	6	96	63(38)	165	---	22	30	52(46)
4.PWD(R&B) Div. Zunheboto	13	70	40	123	13	108	49(29)	170	---	38	9	47(38)
5.PWD(ME) Div. Mokokchung	5	61	13	79	5	78	76(48)	159	---	17	63	80(101)

4.3.13 The table indicates that percentage of excess engagement of staff over sanctioned post ranged from 38 (Roads and Bridge Division, Zunheboto) to 105 (PWD (R&B) division, Dimapur). The engagement of Group 'D' staff

was disproportionately high in comparison with total men-in-position ranging from 29 *per cent* (Road and Bridge Division, Zunheboto) to 48 *per cent* (Mechanical Division, Mokokchung) of total men in position.

Engagement of huge work charged staff without work.

4.3.14 Government decided (July 1990) that employment of huge work charged staff should be discontinued or drastically reduced to save crore of rupees being wasted annually on engagement of work charged staff since the works were being carried out on contract basis.

4.3.15 Violating these orders, Executive Engineers of all the 35 executing divisions of the department continued to maintain a large number of work charged staff (15972 including 639 new appointees) without work during the period from July 1990 to March 2001. Neither any job register showing names of work done by them was maintained nor the cost of their wages was charged to any work or subwork as required under para 43 (a) of NPWA Code.

4.3.16 Records showed that the department spent Rs.94.24 crore towards the wages of these work charged staff during 1998-2001 by debiting the expenditure of Rs.59.73 crore under 'repair and maintenance' (Non-Plan) against the actual provision of Rs.48 crore and the balance amount of Rs.34.51 crore under Plan for which provision was made in budget. Thus, it appeared that had the department followed the Government's order of July 1990, the unnecessary huge expenditure could be restricted and avoided.

Store Management

Injudicious procurement of stores

4.3.17 The stock register of Central Store Division (renamed as Housing Division), Dimapur indicated that 34 items of sanitary and water supply materials worth Rs.214.19 lakh, (procured during 1985-86) were lying unutilised as of September 2001. Similarly, the Mechanical Division Mokokchung procured spare parts of Rs.49.89 lakh in 1985-86 and remained unutilised. Despite heavy stock remained unutilised, Executive Engineer, Housing Division, Dimapur, under supply order of Chief Engineer, further procured water supply materials worth Rs.20.85 lakh in December 1996 of which materials for Rs.0.73 lakh could be utilised as of September 2001.

4.3.18 The divisional officer stated (June 2000) that huge unutilised store materials was due to placement of supply orders by Chief Engineer without any requirement. Failure of the department to exercise the provision of Rule 103 of GFR for procurement of store materials with reference to requirement by user divisions resulted in accumulation of huge unutilised stock valued Rs.284.20 lakh during the last 5 to 15 years. However, no comments/view of the Chief Engineer, for the unnecessary procurements were furnished to audit.

4.3.19 This resulted in blockade of fund of Rs.284.20 lakh for the last 5 to 15 years (Rs.264.08 lakh for 15 years and Rs.20.12 lakh for 5 years) for unnecessary purchase of store materials. Besides, the Government incurred cost of fund of Rs.504.02 lakh on payment of interest during the above period

at the average borrowing rate of 12.43 per cent and 11.57 per cent respectively on Rs.284.20 lakh.

Store became unservicable due to prolonged storage

4.3.20 The survey reports conducted by the Department between October 1990 and December 2000 indicated that 2835 cast iron singles and sockets worth Rs.10.55 lakh of Central Store Division and scrap materials of Rs.74.81 lakh of Amguri Store Sub-Division became unservicable and obsolete due to prolonged storage of the materials in open, and the divisions recommended (October 1990 and December 2000) to the government for write off without fixing responsibility against any personnel for this loss/damage of stores.

Procurement of cement at higher rate

4.3.21 Without inviting open tender or ascertaining rates from main regional producer, the Executive Engineer, Capital Complex Division, Kohima procured 40,000 bags of cement from Raymond Cement Works, Bilaspur, Madhya Pradesh between March 1997 and May 1999 at higher rate in comparison with that of the Cement Corporation of India Limited (CCI), a Government of India Enterprise at Bokajan, near Dimapur as under.

Table No4.7

Quantity supplied (Bags)	Rate of the supplier (date of supply) Per bag	Value paid (1x3)	Rate of CCI Per bag	Effective date	Difference of rate (2-4) per bag	Extra expenditure (Rs.in lakh) (1x6)
1	2	3	4	5	6	7
20,000	Rs.174.02 (March'97) Including 4% CST and Railway freight upto Dimapur	Rs.34,80,400/-	Rs.145.60 including 4% CST at Dimpaur	Jan.97	Rs.28.42	5,68,400
10,000	Rs.171.45 Including 4% CST and Railway Freight (May 99)	Rs.17,14,500/-	Rs.161.20 (May 99) including 4% CST at Dimapur	May 99	Rs.10.25	1,02,500
10,000	Rs.174.02 (April 98) including 4% CST and railway freight upto Dimapur	Rs.17,40,280/-	Rs.140 including 4% CST at dimapur	August 97	Rs.34.02	3,40,200
40,000		Rs.69,35,180				10,11,100

Source: Payment voucher and rate obtained from CCI Bokajan

Failure to take advantage of competitive rates, therefore, resulted in an extra expenditure of Rs.10.11 lakh.

Execution of works

Extra avoidable expenditure due to improper planning and delay in finalisation of contract document

4.3.22 Executive Engineer, capital complex division, Kohima delayed handing over site alongwith structural drawings and design to the contractor by 2 years and 8 months from the date of work order (April 1994) due to change of plinth area from 9945 sft to 22072 sft for construction of two storeyed officers hostel at Kohima instead of single storeyed.

4.3.23 Due to delay in handing over site and further increase in scope of work, Government had to approve (April 1997 and August 2000), enchancement of

rate initially from 150 *per cent* to 390 *per cent*, then from 390 *per cent* to 800 *per cent* above SOR 1985 with effect from 1 March 1997 and 1 April 1999 respectively on request from contractor on the ground of price hike as per clause of the agreement. The work was in progress (March 2001). The department would ultimately incur extra expenditure of Rs.442.54 lakh (612.81 lakh value of work at enhanced rate – Rs.170.27 lakh being value of work at original rate) due to faulty planning and delay in handing over site and drawings.

4.3.24 Divisional officer could not furnish the analysis of rate justifying enhancement of 800 *per cent* over SOR 1985. However, comparative statement of analysis of schedule of 1985 and 1995 shows that even after taking the higher side of present market rate of material, labour and transportation cost, the justified enhancement worked out only to 425 *per cent* above SOR 1985. Thus the department extended undue benefit to the contractor to the extent of 375 *per cent* above SOR 1985.

Delay in completion invited huge cost escalation

4.3.25 Chief Engineer (R&B) Nagaland awarded work “construction of Railway Over Bridge at Dimapur (December 1990) to two contractors with stipulated time of completion within March 1997. The project was completed in November 2000.

4.3.26 Engineer in Chief NPWD allowed (December 1997) escalation as prayed for by contractor for the extended period of time as per agreement on the ground of (i) change of gauge from medium to Broad gauge causing delay in handing over design (ii) suspension of work for more than one year due to Hon’ble High Court injunction on complaint from affected shop keepers (iii) inclusion of additional work and (iv) untimely release of fund by the State Government.

4.3.27 Due to defective planning and delay in finalisation of site etc., before work was entrusted and poor monitoring, the department incurred an extra avoidable expenditure of Rs.255.41 lakh as escalation (between March 2000 and January 2001).

Non-receipt of Baily Bridge component against advance paid out of LIC Loan

4.3.28 Executive Engineer, R&B, Dimapur made advance payment of Rs.51.39 lakh (March 2000) from negotiated LIC loan to a Calcutta based supplier. (Bridge and Roof Company India Limited) for supply of Baily Bridge component within June, 1999 as per condition of supply order (March 1999). The supplier failed to supply bridge component till March, 2001 in spite of reminder issued by the division, resulting in delay in construction of proposed bridge over river Doyang under Dimapur sanish Nuiland road. This delay hampered socio-economic activities of the local people. Besides, Government had to pay interest Rs.7.53 lakh on Rs.51.39 lakh @Rs.13.50 *per cent* a year to L.I.C. for non utilisation of fund retained by the supplier for 396 days (March 2000 to March 2001).

Injudicious purchase of Bulldozer by housing wing despite 42 nos available in mechanical wing.

4.3.29 Executive Engineer, Capital Complex Division (NCCD) Kohima paid Rs.35.84 lakh (March 1997) being the cost of a Bulldozer to M/S Bharat Earth Movers Limited Calcutta against their proforma invoice (march 1997). Even after 3 years since purchase, the machine could not be put to any use yet. The Executive Engineer stated (March 2001) that the machine was under repair. For want of details of receipt, warranty etc., audit cannot comment whether there were any manufacturing defects which could be rectified during warranty period.

4.3.30 Since Mechanical wing of the Department has a fleet of 42 Bulldozers, the purchase of a new Bulldozer by Housing wing was not justified. This shows lack of coordination between two wings of the department with consequential avoidable financial burden on the department.

Quality Control

4.3.31 The Executive Engineer, Research Laboratory Cell (established in October 1979), Dimapur did not ensure that soil and materials used in execution of all works was chemically approved through testing. There was very poor participation by the executing divisions in its efforts. Only 19 nos tests mainly relating to local Division (Dimapur) was conducted during 1998-99 to 2000-2001. The danger of this practice of using untested constructional material became apparent when a builtup girder bridge constructed over the river Tizu (Zunheboto District) at a cost of Rs.8.73 lakh (September 1987) was washed away due to seepage below the depth of the abutment.

4.3.32 The Executive Engineer PWD(R&B) Zunheboto Division attributed (February 1988) this to the fact that the subsoil was not investigated. Thus, the department failed to utilise the facilities of the laboratory. As such services of 31 staffs were highly under utilised. The Executive Engineer, Research Laboratory Cell incurred idle expenditure of Rs.57.88 lakh on salaries of the staff as on March 2001.

Implementation of works by machinery

Under utilisation of machinery

4.3.33 Scrutiny of records relating to performance of 90 number of machinery on an average maintained by Executive Engineers mechanical division-II, Kohima and mechanical division, Mokokchung revealed that the machines were under utilised between 75 and 82 per cent of the working days based on 240 working days of a machine in a year during 3 years from 1998-99 to 2000-2001 as under.

Table No.4.8

Year	No. of machine	Total working days	Total working days utilised	Average No. of days of utilisation of each machine per year	Percentage of under utilisation
1998-99	87	20,880	3814	44	82
1999-2000	92	22,080	5205	57	76
2000-2001	90	21,600	5330	59	75

Source: Records furnished by Mechanical Division-I, Kohima and Mechanical Division, Mokokchung.

Unfruitful expenditure o idle machins and vehicles

4.3.34 Out of 90 machine being maintained by 2 divisions mentioned above, atleast 23 machines were lying idle every year in the last 3 years (upto 2001) due to being off road , beyond economic repair and due for condenmation. As a result the department incurred wastful expenditure to the extent of Rs.42.76 lakh on pay and allowances of the drivers (22 nos) and handymen (16 nos).

4.3.35 While machines were lying idle in mechanical divisions, the department incurred an expenditure of Rs.2.16 lakh on hire of one bulldozer and one stone crusher machine for 39 and 10 days respectively by R&B Division, Dimapur.

Monitoring and Evaluation

4.3.36 Evaluation Department functioning from October 1968 has not yet undertaken PWD for evaluation. Thus, the implementation of different projects/works in the State have not yet been monitored.

Recommendations

4.3.37 Accurate Budgetary procedure and practice, proper utilisation of resources, adequate financial management and expenditure control system are essential for effective implementation of projects/works which my be ensured.

ii) Economy and efficiency in the system of procurement of stores and inventory control practice need be enforced.

iii) Manpower Management needs considerable improvement and excess entertainment of staff should be reviewed.

iv) The Department should adopt proper planning for execution of work and avoid delay in handing over contract documents.

v) Adequate steps for proper utilisation of machines are essential for sound financial management which may be ensured.

4.3.38 The matter was reported to Government and Department in August 2001 their replies has not been received (January 2002).

SECTION-B-PARAGRAPHS

POWER DEPARTMENT

4.4 Blockade of funds due to injudicious procurement of equipment

Lack of proper planning resulted in suspension of construction of Horangke Hydel Project and Rs.213.20 lakh spent on procurement of the machinery much in advance of requirement led to locking up of Government funds and also cost of fund Rs.242.15 lakh.

4.4.1 Government sanctioned (December 1988) the construction of Horangke Hydel Project (3 x 500 KW) at an estimated cost of Rs.461 lakh followed by approval (May 1990) of Government of India, Ministry of Non-conventional Energy Sources (MNES). Power Group with targetted completion within 2 years. The estimated cost was subsequently revised (December 1998) to Rs.1171.19 lakh. The work of construction was divided into 3 groups, viz., Group 'A' (supply of turbine and generator sets including erection, testing and commissioning), Group 'B' and 'C' (mechanical, civil and other ancillary works). The works of Group 'A' were awarded to contractor¹ 'X' in April 1991, Group 'B' and 'C' to contractor 'Y' and 'Z' in March 1995 and February 1996 respectively after calling of tenders.

4.4.2 Mention was made in para 4.8 of the Report of the Comptroller and Auditor General of India for the year ended March 1993 that extra expenditure of Rs.45.80 lakh was incurred on placement of supply order of turbine generator sets including erection, testing and commissioning at a cost of Rs.214.29 lakh due to non-acceptance of the rate of second lowest tenders out of 4 tenders received.

4.4.3 Test check (April 2001) of records (April 1995 to March 2001) of the Executive Engineer, Hydro Electric Division, Kohima revealed that the supplier 'X' had delivered (June 1992) the turbine generator set at a cost of Rs.213.20 lakh which was lying idle in the store since its procurement. Further, it was noticed that though contract and agreement for civil and other ancillary works under Group 'B' and 'C' were executed in March 1995 and February 1996 and work orders were issued to the contractors 'Y' and 'Z', but works were suspended initially at the commencement (1996 to 1998) due to non-acquisition of the site for land dispute. As a result, the machinery could not be installed and its commissioning is targetted for 2003. Meanwhile, possibility of deterioration in the condition of the set could not be ruled out due to prolonged storage. Records showed that no effective measures were taken by the Department to obtain proper right of way from neighbouring villages to facilitate construction of the project.

¹ X= M/s Jtoti Ltd., Guwahati.
Y= M/s Genmachines, Jorhat.
Z= M/s Nagaland Enterprise, Dimapur.

4.4.4 Thus, due to lack of proper planning and coordination, the works of the project remained suspended and Rs.213.20 lakh spent on procurement of the machinery much in advance of requirement led to locking up of Government funds and the cost of fund Rs.242.25 lakh on accounts of interest at the average rate of Rs.12.62 per cent w.e.f. July 1992.

4.4.5 In reply, the Government stated (September 2001) that progress of the work was hampered due to fund constraint under State Plan. The reply is not tenable as the machinery was procured even before awarding Civil work and without ensuring availability of funds.

4.5 Extra expenditure due to price variation

The Department incurred an extra avoidable expenditure of Rs.56.01 lakh due to procurement of material at higher rates

4.5.1 Chief Engineer (CE), Power, Nagaland awarded (June 1996) the work order at a total cost of Rs.72.12 lakh for 'Design, manufacture, supply, erection, testing and commissioning of 66/33 KV 5MVA Sub-Station at Naginimora' to firm 'A'² without call of tenders. In terms of the work order, prices were subject to variation in accordance with the IEEMA³ price variation formula but, the contractor should submit the claim with supporting documents.

4.5.2 Test check (July 1999) of the records of the EE (Electrical) Transmission Division, Mokokchung revealed that the CE, Power, arbitrarily allowed price escalation and enhanced the rates of two types of circuit breakers (66 KV 25 KA and 33 KV 25 KA) in December 1996 from Rs.4.65 lakh to Rs.14.50 lakh and from Rs.2.50 lakh to Rs.7.20 lakh respectively, apart from other admissible charges.

4.5.3 There was nothing on record to substantiate that the allowance of price escalation was based on any formulae.

4.5.4 The EE paid (March 1999) Rs.99.44⁴ lakh to the firm 'A' upto 8th Running Account Bill for supply of 7 Circuit Breakers (CBs) (66 KV: 3 Nos., 33 KV: 4 Nos.) in full settlement of the claim.

4.5.5 Further scrutiny revealed that firm 'A' procured (September 1997 and March 1999) the above materials from another firm 'B'⁵ against the supply orders issued in August 1997 and the unit price (Ex-Works, Baroda) of the

² M/s Nezone Power Systems, Dimapur.

³ Indian Electrical and Electronics Manufacturers' Association.

⁴ 66 KV 3 Nos. @ Rs.14,50,000 Rs.43,50,000

33 KV 4 Nos.@ Rs.7,20,000 Rs.28,80,000

Rs.72,30,000

Add Central Excise Duty (re-imbursed to supplier) Rs. 5,94,500

Rs.78,24,500

Add 4% Central Sales Tax Rs. 3,12,980

Add 12% Nagaland Sales Tax Rs. 9,38,940

Add 12% Handling & Transportation charges Rs. 8,67,600

Rs.99,44,020 (A)

⁵ Asea Brown Boveri Ltd., Mumbai.

materials as claimed by the firm 'B' was Rs.5,75,000 for 66 KV and Rs.4,43,750 for 33 KV giving a difference of Rs.8.75 lakh and Rs.2.76 lakh respectively in basic price. The total cost of the materials at firm 'B's rates worked out to Rs.43.43⁶ lakh.

4.5.6 Thus, for procurement of seven 66/33 KV CBs from 'A' at higher rates without either obtaining competitive rates by call of tender or ascertaining the rates from the authorised manufacturer, the Department had to incur an extra avoidable expenditure of Rs.56.01 lakh.

4.5.7 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.6 Excess payment to suppliers

Irregular allowance of interest beyond the period of final settlement of claims resulted extra expenditure of Rs.24.04 lakh and avoidable payment of interest of Rs.66.66 lakh due to delayed payment of contractors bills

4.6.1 Mention was made in paragraph 4.13 of the Report of the Comptroller and Auditor General of India- Government of Nagaland for the year 1994-95 that Public Health Engineering Department (PHED) had incurred extra avoidable expenditure for allowance of interest on delayed settlement of suppliers' bill for procurement of GI pipes against the supply orders issued (December 1984 and March 1985) by the Additional Chief Engineer (ACE), PHED, Kohima at DGS&D rate in respect of Wokha Division.

4.6.2 Test check (March 2001) of the records (August 1997 to January 2001) of the Executive Engineer (EE), PHED, Tuensang, revealed that the Division procured GI pipes of different sizes worth Rs.44.54 lakh (excluding taxes etc.) from 4 local suppliers at DGS&D rates against the supply orders issued (December 1984 to December 1989) by the ACE, PHED. Since the orders were issued without ascertaining the provision of fund for the purpose, the Division failed to make payment in due time. Though the terms and conditions of the supply order did not permit payment of interest on delayed payments, on the representation of suppliers, the Government allowed (January 1992)

3 Nos. 66 KV Circuit Breakers @ Rs.5,75,000	Rs.17,25,000
4 Nos. 33 KV. -do- @ Rs.4,43,750	<u>Rs.17,75,000</u>
	Rs.35,00,000
Add 18% Central Excise Duty on Rs.17,25,000	Rs. 3,10,500
Add 16% -do- Rs.17,75,000	<u>Rs. 2,84,000</u>
	Rs.40,94,500
Add 4% Central Sales Tax	Rs. 1,63,780
Add Insurance charges and freight charges	<u>Rs. 84,759</u>
As per invoice	Rs.43,43,039 (B)
Difference of (A) and (B)	Rs.56,00,961

interest at the rate of 18 *per cent* due to delay in making payment of the supply bill. Accordingly, the EE, PHED, Tuensang made payment (May 1995) Rs.44.54 lakh, on account of material cost and Rs.66.66 lakh being interest thereon (calculated upto 15 March 1995) for delay in payment of bills (20). Hence, the full settlement of the claim (20 bills) had already been done.

4.6.3 Further scrutiny revealed that though the claims had already been settled (May 1995), the Division further paid (March 1998) Rs.24.04⁷ lakh as additional interest claimed from 16 March 1995 to 31 March 1998 (1095 days) to the suppliers against the same supply bills.

4.6.4 Thus, irregular allowance of interest beyond the period of final settlement of pending bills resulted in excess payment of Rs.24.04 lakh, in addition to extra avoidable expenditure of Rs.66.66 lakh incurred on this account.

4.6.5 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

4.7 Irregularities in purchase of CI Pipes

Advance payment in excess of stipulated provision of 20 *per cent* resulted unauthorised and undue financial aid to the contractor. Moreover Rs.32.08 lakh being advance payment for materials remained unrecovered for the last 3 years

4.7.1 The Chief Engineer, Public Health Engineering Department (PHED), Kohima placed (October 1998) supply order on a local supplier for procurement of 6280 meters Cast Iron (CI) pipes of two different sizes (250 and 300 mm) costing Rs.144.08 lakh (excluding taxes etc.) for augmentation of water supply to Dimapur town with the stipulation to complete supply within 90 days. The provision of 20 *per cent* advance payment on production of bank guarantee from any nationalised bank was also stipulated in the supply order.

4.7.2 Test check (April 2001) of the accounts (May 1997 to March 2001) of the Chief Engineer, PHED, Kohima revealed that the EE, PHE Store Division, Dimapur made advance payment of Rs.48 lakh in October 1998 against the

7

Name of the supplier	Date of supply order	No. of bills	Bills paid in May 1995	Interest paid in May 1995	Additional payment of interest in March 1998)
(Rupees in lakh)					
M/s Angami Agency	19/12/1989	4	7.68	6.09	4.14
M/s Tochi Chang	20/12/1984 to 6/3/1985	8	21.52	35.57	11.62
M/s Karisaho	20/12/1984 to 6/3/1985	5	8.83	14.75	4.76
M/s M. Khrietuo	6/3/1985	3	6.51	10.25	3.52
			44.54	66.66	24.04

stipulated provision of Rs.28.82 lakh (20 per cent), and resultantly, had made unauthorised payment of advance of Rs.19.18 lakh to the supplier, without obtaining any security or bank guarantee.

4.7.3 Besides, the supplier could not even complete supply of materials to the extent of advance given to him as of March 2001 against the requirement of completing the supply within 90 days. Out of 6280 meters CI pipes, only 485 meters pipes worth Rs.15.92 lakh (including taxes etc.) could be supplied (March 2001).

4.7.4 The Government stated (August 2001) that the Department had served one month's notice to the defaulting supplier to complete the supply of materials failing which action would be taken under the provision of law. But it was noticed that the balance quantity of materials were neither received nor any action was taken by the Government against the supplier as of October 2001.

4.7.5 Thus, the supplier was given unsecured advance of Rs.48 lakh of which, advance of Rs.19.18 lakh was unauthorised. The balance amount of Rs.32.08 lakh has remained unadjusted/unrecovered as of March 2001. Besides, locking up of fund led to loss of interest of Rs.9.04⁸ lakh (@ 13 per cent) and the project had adversely suffered due to non-receipt of materials.

4.8 Fraudulent drawal of supply bills

Rupees 5.86 lakh was drawn fraudulently by presenting duplicate and triplicate copy of the suppliers bills

4.8.1 According to Receipt and Payment Rules, the Drawing and Disbursing officer (DDO) are required to exercise proper check in respect of the bills for which the claim is preferred, to ensure that it has not been drawn earlier. Rules further provide that at the time of passing the bill, the duplicate/triplicate copies of the bill as well as the supply order and MB to guard against any payment thereagainst.

4.8.2 Test check (September 2000) of the records (July 1997 to August 2000)

of the Executive Engineer (EE), Public Health Engineering Department, Mokokchung, revealed that in order to make payment of outstanding liability bills (1985), the EE drew (March 1998) Rs.4.49⁹ lakh against 10 bills and paid

⁸	Loss of interest-	
	February 1999 to January 2000	12 months
	February 2000 to January 2001	12 months
	February 2001 and March 2001	<u>2 months</u>
		26 months
		13 per cent of Rs.32.08 lakh for 26 months
		= Rs.9.04 lakh.

Suppliers	Original bill	Amount (Rs.)	Fraudulent drawal (Rs.)	Total bill
K. Khrietuo	3 bills	2,16,184	2,50,019	4 bills
Tochi Chang	5 bills	1,59,926	1,81,822	6 bills
Kerisaha	2 bills	73,069	1,54,341	4 bills
Total:-	10 bills	4,49,179	5,86,182	14 bills

to 3 suppliers (March 1998) for final settlement of their claims. Besides, he further drew net amount of Rs.5.86 lakh (in the same month) by presenting duplicate and triplicate copy of the supplier's bills of identical amount more than once in respect of the same materials without exercising any checks required to be conducted by the DDO before drawal.

4.8.3 Thus, due to omission to exercise the prescribed check by the DDO, there was a fraudulent drawal of Rs.5.86 lakh through duplicate and triplicate copy of the bills in the same month.

4.8.4 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

WORKS AND HOUSING (HOUSING) DEPARTMENT

4.9 Irregularities in supply and utilisation of "Otis" elevators at Referral Hospital Complex, Dimapur

Undue financial benefit of Rs.33.28 lakh was allowed to the contractor by allowing advance payment in excess of stipulated limit involving loss of interest of Rs.32.95 lakh to the Government

4.9.1 On the instructions (5 February 1997) of the Government, Health and Family Welfare Department, Chief Engineer, PWD (Housing), Nagaland, Kohima, issued (7 February 1997) work order for Rs.158.85 lakh for supply and installation of 9 "Otis" elevators of different capacities at Referral Hospital Complex, Dimapur, to M/s Megha Export and Import, Shillong, an authorised agent of the manufacturer, with the condition, *inter alia*, that the works were to be completed within 62 weeks from the date of receipt of the order.

4.9.2 Owing to charges necessitated in the site requirement, the agreement was revised in February 1997. The revised agreement (13 February 1997) stipulated that 30 *per cent* would be paid on acceptance of the proposals, 60 *per cent* on receipt of advice of materials ready for despatch, and the balance 10 *per cent* on completion and installation of work.

4.9.3 During audit (September 2000) of the records (April 1996-July 2000) of the Executive Engineer, Referral Hospital Complex, Dimapur, it was noticed that the amount of work order was revised (29 May 1997) to Rs.169.05 lakh on account of changes in requirements as a result of site inspection carried out on 23 March 1997. The Executive Engineer paid 50 *per cent* (instead of 30 *per cent* as per revised agreement) advance on contract value amounting to Rs.84 lakh in February and June 1997 (Rs.47 lakh in February 1997 and Rs.37 lakh

in June 1997) to M/s Megha Export and Import without obtaining any security/bank guarantee. Thus, the contractor was given an undue financial benefit of Rs.33.28¹⁰ lakh due to excess payment of advance.

4.9.4 Scrutiny of records further revealed that the elevators were neither delivered at the project site, nor installed at the complex by the manufacturer as of March 2001 even after the lapse of 2 years and 10 months eventhough the contractual period (expired on 3rd week of May 1998). This resulted in locking up of Government funds of Rs.84 lakh. Besides, this advance payment led to a loss of interest of Rs.32.95¹¹ lakh (at the rate of 13.75 per cent for 2 years and 10 months and 7 days).

4.9.5 Other than a letter (August 2000) from the Executive Engineer (PWD-H) to M/s Megha Export, no further fruitful action in the matter, including contacting the principals M/s Otis Ltd., or initiation of legal action has been taken by the Government.

4.9.6 The matter was reported to Government and Department in May 2001; their replies had not been received (January 2002).

¹⁰	50% of Rs.169.05 lakh = Rs.84.525 lakh	Advance paid	Rs.84.00 lakh
	30% of Rs.169.05 lakh = Rs.50.72 lakh		<u>Rs.50.72 lakh</u>
		Excess paid	Rs.33.28 lakh

¹¹ At Government borrowing rate 13.75% for 2 years 10 months and 7 days w.e.f. 4th week of May 1998 to March 2001-

For 2 years	Rs.23,10,000
For 10 months	Rs. 9,62,500
For 7 days	<u>Rs. 22,151</u>
	Rs.32,94,651
	Say Rs.32.95 lakh.

CHAPTER – V
STORE AND STOCK
SECTION: A : REVIEW

HOME (POLICE) DEPARTMENT

5.1. Store and Stock management

Highlights

The stores and stock management in Police Department was flawed as requirements were not based on actual data on past consumption. Purchases were made in an unbridled manner leading to avoidable locking up of large inventories and public funds (Rs.54.55 crore). Essential documentation was either incomplete or not maintained. Although scales had financial implications, the system did not provide for their financial approvals. Due to disagreement in inventory reported and reflected in accounts, the annual stock level reported could not be relied upon and the total stock position was not known to the Department with any degree of precision.

The system of assessment of requirements were not assessed on the basis of actual past consumption data and available stocks. Requirements were assessed centrally in Police Headquarter at Kohima without ascertaining the needs and necessity of the field units resulted in locking up of inventories valued Rs.17.32 crore.

(Paragraph 5.1.6)

Due to purchase of materials in unbridled manner, the Department purchased anti-riot equipment worth Rs.52.90 lakh in excess of the requirements. Moreover, such equipment worth Rs.45.13 lakh remained unutilised in the Police Central Store, Chumukedima for more than 3 to 4 years.

(Paragraph 5.1.10)

Due to the Department's failure to mention the specification, design and weight in supply orders, 4187 bullet proof jackets procured between April 1997 and July 1999 at a cost of Rs.385.63 lakh were lying unused in stores as the Jawans did not wear those jackets because of heavy weight (each weighing 10 to 12 kgs) of these jackets. Similarly, kitchen-ware worth Rs.23.60 lakh purchased between June 1998 and August 2000 were lying idle in store for more than 1 to 3 years as these were purchased for in excess of actual requirements.

(Paragraphs 5.1.13 and 5.1.16)

Against authorised reserve stock limit of Rs.25 lakh, the Police Engineering Project Divisions at Chumukedima had accumulated stores exceeding the ceiling limit by Rs. 2559 lakh. No reserve stock limit was prescribed for Police Central Store, Chumukedima and Police Engineering Project Division, Alichen. As a result the stock held by these two offices (Rs. 176.92 lakh and Rs. 956 lakh respectively) as of 31 March 2001 was unauthorised.

(Paragraph 5.1.31)

Introduction

5.1.1. Timely acquisition of various stores like clothing items, equipment, footwear, kitchenware etc is critical to the functioning of the Police Department. Consequent upon introduction of free ration system from May 1998, the Department had also been purchasing edible items and other consumables for issue to its uniformed personnel. Besides, the Department had also been procuring construction materials for its two Engineering Divisions responsible for execution of civil works. The Department had no Purchase Manual of its own and reportedly following the guidelines regarding purchase, custody and accounting of stores laid down in General Financial Rules and Nagaland Public Works Department Code.

Organisational set up

5.1.2. The Department is headed by a Director General who is assisted by an Assistant Inspector General (Supply) responsible for policies, practices and procedures relating to acquisition and deployment of inventory. The Police Central Store, Chumukedima under the control of an Officer-in-Charge is the central procuring agency of the major items required by 9 battalions and 9 Superintendants of Police of the State. Besides, the Project Engineers, Police Engineering Project Divisions, Alichen and Chumukedima, (who are working under the Additional Chief Engineer, Police Department) had also been maintaining two stores at Alichen and Chumukedima to accommodate all materials required for execution of civil works. Although there was no store at district level, small and petty stores were maintained by each Battalion and Superintendent of Police.

Audit Coverage

5.1.3 Purchase, custody and management of stores for the years 1996-97 to 2000-2001 was reviewed in audit during May-June 2001 by examination of records of the Police Headquarter (PHQ), Kohima, both the Police Engineering Project Divisions (Alichen and Chumukedima), Police Central store, Chumukedima and 5¹ field offices out of 18 units. The important points

¹ Deputy Inspector General of Police (Wireless), Kohima; 1st NAP Battalion, Chumukidema; 7th NAP Battalion, Bhandari, 9th Battalion, Chumukidema and Superintendent of Police, Wokha.

noticed during audit have been discussed in succeeding paragraphs.

Budget provision and expenditure

5.1.4 The budget provision and the actual expenditure incurred on stores and stock could not be ascertained. However, the information furnished by the department on purchase of stores during past 5 years ended 31 March 2001 was as under

Table No. 5.1

<i>Particular</i>	<i>1996-97</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-2001</i>	<i>Total</i>
	<i>(Rupees in lakh)</i>					
Budget provision	759.04	795.64	998.48	1458.11	898.96	4910.23
Expenditure	754.70	1175.39	818.91	1382.58	716.38	4847.96
Variation Excess(+) /Savings(-)	(-)4.34	(+)379.75	(-)179.57	(-)75.53	(-)182.58	(-)62.27

Source: Departmental records

5.1.5 From the above, it appeared that there was excess expenditure of Rs.379.75 lakh during 1997-98. Records showed that excess expenditure was mainly due to procurement of clothing materials in excess of the budget allocation. However, the reasons for procurement exceeding budget allocations were not stated. In later years, these were substantial saving indicating that budget provisions were made without taking into consideration expenditure trend and consumption pattern of important items.

Assessment of requirement

5.1.6 The department did not obtain any information on past consumption from its Central Store, Divisional and other Battalion Stores and assessment of requirement was done centrally by PHQ without obtaining any indent from field offices. Under the existing system stores once issued to field units by the Police Central Stores, Chumukidema are deemed to have been consumed even if they remain idle in field units. Added to this, the closing stock lying idle in the Central Store or other stores had also not been taken into account while forecasting the needs. The faulty method of forecasting resulted in inflated demand, excess liability, avoidable locking up of inventories estimated to cost Rs.17.32 crore, as discussed in Paragraphs 5.1.8 to 5.1.18.

System of purchase

5.1.7 Based on centrally assessed requirements, the PHQ finalised the rates after calling tenders. Suppliers had been asked to supply the materials to Police Central Store, Chumukedima. Materials were subjected to pre-delivery inspection by "Line Committee" constituted by the Department from time to time for the purpose. After clearance by the Line Committee, the materials were received and recorded in the Stock Ledgers and bills were sent to the PHQ by the OC, PCS, Chumukedima for payment to the suppliers.

Unbalanced inventory

5.1.8 Effective store management aims at keeping inventories as low as possible. It was noticed in audit that huge stock of clothing valuing between

Rs.75 lakh to Rs.956 lakh was retained in the Police Central Store, Chumukedima at the end of each of the years 1996-97 to 2000-2001 as shown in the table given below.

Table No. 5.2

Year	Opening balance	Receipts	Total	Issues	Closing balance
	(Rupees in lakh)				
1996-97	129	392	521	446 (86)	75
1997-98	75	1101	1176	268 (23)	908
1998-99	908	254	1162	405 (35)	757
1999-2000	757	510	1267	407 (32)	860
2000-2001	860	374	1234	278 (23)	956

NOTE-Figures in the bracket show the percentage of issue to the total stock held.

5.1.9 Holding of excess inventories was mainly due to incorrect and inflated assessment of requirement. For prolonged retention in stores, possibility of deterioration and obsolescence also could not be ruled out.

5.1.10 The Department obtained (June 1997) requirements of anti-riot equipment from all its field units and procured the materials in 1997-98. The following table would show the position of such equipment available in stock, quantity indented by field offices and quantity purchased.

Table No. 5.3

Particulars	Cane shield	Body Protector	Fibre Helment	Cane stick
i) Requirements furnished by all field offices	4858	5157	3387	5691
ii) Less Quantities already available in stock	134	141	479	Nil
iii) Net requirements	4724	5016	2908	5691
iv) Total quantities purchased	5150	8340	6110	5691
v) Value of materials purchased (Rupees in lakh)	24.20	68.39	45.21	7.00
vi) Value of materials purchased in excess of requirement (Rs. in lakh)	2.00	27.26	23.64	Nil

5.1.11 The value of materials purchased in excess of requirement was Rs.52.90 lakh. Such unproductive locking up of funds was also corroborated from the stock ledgers of Police Central Store, Chumukedima which showed that 1794 cane shields, 2401 body protectors, 1618 Fibre helmets and 4091 cane sticks (representing 35 per cent, 29 per cent, 26 per cent and 72 per cent of the total quantities purchased respectively) valued at Rs.45.31 lakh were lying unissued in stock since these were purchased in December 1997 and January 1998.

5.1.12 The Department, however, could not explain as to why equipment worth Rs.52.90 lakh were purchased in excess of requirements and why equipment worth Rs.45.31 lakh were lying idle in stock for more than 3 years. Locking up of funds of Rs.52.90 in unnecessary procurement led to interest cost of Rs.18.57 lakh to the Government at the average borrowing rate for the year 1998-99 to 2000-01.

5.1.13 The Police Department had been purchasing Bullet Proof (BP) jackets of different categories for its officers and other armed personnel. No scale prescribing the entitlement of these jackets had been fixed (June 2001) by the

Department. Consequently, the basis on which the requirements of the BP jackets were assessed remained unascertainable.

5.1.14 In July 1999, the Inspector General of Police (HQ) observed that the Department purchased (April 1997 and July 1999) 4187 BP jackets of different categories at a total cost of Rs.385.63 lakh and issued the same to its different units. As the Jawans did not want to wear all these jackets due to their heavy-weight (10 to 12 kgs each) all these jackets had been lying unused in stores as of January 2002.

5.1.15 It was also noticed that while placing supply orders, the Department did not specify the weight, size and other specifications of these BP jackets and the suppliers were allowed to deliver the goods as per their options. No indent was also obtained by the Department from its field units to assess the requirements of BP jackets. Thus, as a result of placing faulty supply orders, materials worth Rs.385.63 lakh were unproductively locked up in the departmental stores, since the date of procurement. This resulted in interest cost of Rs.164.28 lakh to Government.

5.1.16 It was seen from the Stock Registers of "Cooking Utensils" that large quantities of kitchen-ware of different sizes and categories valued at Rs.23.60 lakh were lying unutilised in the Police Central Stores, Chumukedima since procured between June 1998 and August 2000 resulting in locking up of funds for more than 1 to 3 years. Such accumulation was mainly due to purchase of materials much in excess of actual requirements.

5.1.17 The Deputy Inspector General of Police (HQ) while admitting the idle outlay stated (October 2000) that purchase had been made keeping in mind future contingencies like wear and tear, breakages etc. The reply is not acceptable to audit as the extant rule forbids such a practice and this also goes against the basic tenet of stores management which provides that inventory should not be in excess of the immediate requirement nor fall below the optimum level.

5.1.18 The Department had also been procuring prefabricated huts for providing accommodation to its uniformed personnel. During test-check of records of the Police Engineering Project Division, Chumukedima, it was noticed that between April 1997 and July 2000, the Addl. C.E, P.E.P, purchased 201 sets of prefabricated huts of 64'x16' (157 sets) and 16' x 16' (44 sets) at a total cost of Rs.16.80 crore, of which only 157 sets were issued to different battalions and 44 sets (64' x 16' =32 Nos. and 16' x 16' = 12 Nos.) valued at Rs.3.21 crore were lying idle in store as detailed below:-

Table No. 5.4

Year	Opening balance	Received	Total	Issued	Closing balance
1997-98	Nil	59	59	31	28
1998-99	28	35	63	15	48
1999-2000	48	78	126	41	85
2000-2001	85	29	114	70	44
Total	161	201	362	157	205

Source: Departmental records

5.1.19 No reasons were stated by the Project Engineer for such huge accumulation.

5.1.20 In December 1998, the Government of India conveyed approval for raising an India Reserve Battalion by the Government of Nagaland and accordingly the said battalion was raised in March 1999. Pursuant to above, the Additional Chief Engineer, Police Engineering Project, Chumukedima submitted (March 1999) an estimate for Rs.259.95 lakh to the Department for procuring 29 pre-fabricated huts to accommodate the Police personnel of the said battalion at Yachang under Mokokchung district.

5.1.21 Scrutiny of records showed that Addl. C.E, P.E.P, placed (May 1999) supply orders for 29 pre-fabricated huts with a Dimapur based firm at a total cost of Rs.252.95 lakh. As per terms and conditions embodied in supply orders, 75 per cent of payment was to be made to the firm on proof of despatch, 20 per cent on receipt of materials and balance 5 per cent on erection of huts which was to be certified by the Project Engineer, Police Engineering Project Division, Chumukedima.

5.1.22 An amount of (Rs.238.07 lakh) was drawn in August 1999 by the E.E., P.E.P, CMD. and paid to the firm in August 1999 (Rs.181.19 lakh), October 1999 (Rs.46.30 lakh) and December 1999 (Rs.10.58 lakh) although materials were received by the Project Engineer in November 1999 and were lying unerected (June 2001). Despite this, the supplier was already paid erection charge of Rs.20.19 lakh in October and December 1999 which resulted in over payment and undue financial aid to the contractor. The Deputy Inspector General of Police (HQ) Kohima stated (October 2000) that reply would be furnished to audit on receipt of status report from A.C.E (PEP). No reply has, however, been furnished (January 2002).

Other points of interest

Loss due to forgoing of discount

5.1.23 In pursuance of Notice Inviting Tenders and recommendations (July 1997) of the Purchase Board, the Home Department (Police) approved (September 1997) names of 3² firms for supply of ration items for the year 1997-98. The Government also allowed these firms to continue the supply of these items for the years 1998-99 to 2000-2001 on the basis of representations submitted by them. While submitting (August 1997) tenders, a discount of one

² M/s Nezone Enterprise, Dimapur for whole Milk Powder,
M/s Angami Trading Company, Dimapur for Vegetable Ghee,
M/s T.Temsu Jamir, Dimapur for Vegetable Ghee and Refined Oil.

per cent was offered by the three selected firms provided that payment to them were made within 30 days from the date (s) of supply.

5.1.24 Although the Department purchased 7129 tonnes of different items (whole Milk Powder, Refined Oil and Vegetable Ghee) valued at Rs.636.29 lakh during the years 1998-99 to 2000-2001 from the said 32 firms, it failed to avail the said discount of one per cent and sustained a loss of Rs.6.36 lakh.

5.1.25 The Deputy Inspector General of Police (HQ) Kohima attributed the loss (October 2000) to procedural delays. However, steps taken by the Department for arresting such delays and to fix responsibility for the lapses were not intimated.

Purchase of Sub-standard dry-chilly

5.1.26 Test-check of records showed that 9174 kgs of dry-chilly valued at Rs.4.56 lakh were procured by the Deputy Inspector General of Police (PHQ) in August 1999 and amount was paid to the supplier in November 1999. The Line Committee, constituted to inspect and certify both quality and quantity of the material, observed (August 1999) that the dry chilly (9174 kgs) supplied were not of good quality. Despite this report of the Line Committee, the officer-in-charge, Police Central Store, Chumukedima accepted the sub-standard material and released payment.

5.1.27 The Deputy Inspector General of Police (PHQ) stated (October 2000) that the supply was accepted to avoid hardship to the Jawans. The reply could not explain as to how the hardship of the Jawans was avoided by feeding them sub-standard material when plenty of good quality chillies were available in the local market and why the supplier was not asked to replace the inferior quality material.

Mis-appropriation

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

5.1.29 It was noticed in audit that the AIG (supply) paid Rs.15.19 lakh towards clearance of past liabilities being cost of 1000 woolen blankets and 12198 metres of khaki terry cotton cloth which were supplied by Firms 'A' and 'B'³ against the supply orders dated 9 February and 12 February 1996 (as quoted in the supplier's bills) for the year 1995-96. Copies of supply order, approval of the Government for these procurement were not made available to Audit. Collateral checks of supply bills with the relevant stock ledgers, however, showed that although the materials were stated to have been taken into the relevant stock registers but no such receipt entries were made in the Stock Register. It is, thus, obvious that the amount (Rs.15.19 lakh) was paid without receipt of any materials and was misappropriated. The reply of the Department was awaited (January 2002).

³ 'A' – K. Sahu Angami
'B' – M/s Khrietou Angami

Record management

5.1.30 None of the 8 (eight) offices test audited maintained the basic records (Goods Receipt Notes, Bin Cards, Priced Stores Ledgers etc.) to capture data with regard to purchase rates; and rates were arrived at by dividing the total cost of stores purchased by their tonnage/quantities. It was, therefore, not possible for the Department to indicate with any degree of accuracy the value of their inventories, making any evaluation difficult. The monitoring system presently in vogue was in the form of periodical reports and returns being rendered by the field units to the Police Headquarter. Submission of these reports were also occasional. In absence of this, authenticity of the inventories maintained by the Department could not vouched in audit.

Reserve stock limit

5.1.31 To exercise proper control over purchase, issue and balance of stores, the Reserve Stock Limit (RSL) of materials for each division/store is to be fixed at the beginning of each year as per provision of rules. Although the RSL (Rs.25 lakh) was fixed in early eighties for Police Engineering Project Division, Chumukedima, the limit had not been revised (June 2001). Against this limit, the value of stock held by the Police Engineering Project Division, Chumukedima varied from Rs.2579 lakh to Rs.2584 lakh during 1996-97 to 2000-2001 which was 102 times the authorised stock limit.

5.1.32 In November 1992, the Project Engineer, Police Engineering Project Division, Alichen requested the Department to fix Reserve Stock Limit for his Division, but no RSL was fixed by the Department for PEPD, Alichen as well as for Police Central Store, Chumukedima and in the absence of any authorised RSL, the stock of Rs.1132.92 lakh (Rs.176.92 lakh by Alichen and Rs.956 lakh by Chumukedima) held by them as of 31 March 2001 was unauthorised.

Physical verification of stores

5.1.33 Annual stock taking and reconciliation of discrepancies is a mandatory requirement of any store management as the entire future planning of procurement depends on existing stock-levels. Under Financial rule, stock taking is to be carried out annually and discrepancies, noticed if any, between the actual holding and book balance is to be reconciled to make correct index of stock held. It was noticed that no stock verification was done during the years 1996-97 to 2000-2001 in the units test-checked. As a result, the actual inventory level as well as discrepancy, if any, between the book balance and actual physical balance could not be vouchsafed in audit. This also indicated that stock-taking had been relegated to lower priority.

Recommendations

5.1.34 Based on the shortcomings discussed in the foregoing paragraphs, audit recommends that -

(i) -The Department should make endeavour to generate accurate and timely information on stock-holding of all the stores for proper assessment of

requirements; avoid uncontrolled purchase of materials and locking up of scarce funds;

(ii) -Stock holding in all the units should be more transparent to facilitate assessment of accurate and need-based requirements; and

(iii) -The Department should tone up its record management and adopt a system of maintaining priced inventory instead of present system of only quantitative accounting.

5.1.35 The matter was reported to Government in July 2001; their replies had not been received (January 2002).

SECTION: B

WORKS AND HOUSING/PUBLIC HEALTH
ENGINEERING/POWER DEPARTMENTS**5.2 Closing of stock registers**

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

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

Table No.5.5

Name of Department	No. of Division	Stock maintained (no.of divisions)	Position of stock Accounts		Remarks
PWD (R&B)	24	21	1 Division	September 1992	3 Divisions do not maintain Store
			3 Divisions	Upto September 1995	
			1 Division	Upto September 1996	
			5 Divisions	Upto September 1997	
			11 Divisions	Upto September 2000	
PWD (Housing, Civil and Mechanical Divisions)	20	8	Information not furnished by the Department. However, as per records of the Sr. Deputy Accountant General (A&E), out of 20 Divisions, 8 Divisions maintain Stores and 12 Divisions do not maintain store.		
PHE	10	10	All 10 Divisions have closed upto September 2000		
Power	16	12	5 Divisions	Upto September 1999	Information not received for 4 Divisions
			7 Divisions	Upto September 2000	
Total	70	51			

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

5.2.3 Fifteen out of 44 Public Works Divisions (Roads and Bridges, Mechanical, Housing and Civil Divisions) had not closed their stock accounts for periods ranging between 1 and 8 years. While 15 Divisions do not maintain stores, information relating to closing of stock accounts in respect of 4 Electrical Divisions were not made available. In absence of the actual value of the stock held by the Divisions could not be ascertained in audit. This will also affect the cost of the works for which materials had been issued by the Divisions.

Physical verification of stores

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

5.2.5 Out of 70 Divisions, 10 Public Health Engineering Divisions, 7 Electrical Divisions and 11 Public Works Divisions (Roads and Bridges) had conducted physical verification of stores upto September 2000. 5 Electrical Divisions upto September 1999. PWD (Roads and Bridges) Divisions had conducted physical verification of stores - 5 upto September 1997, 1 upto September 1996, 3 upto September 1995, 1 upto September 1992. Information relating to physical verification of stores in respect of remaining 27¹ divisions were awaited (January 2002).

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

Reserve stock limit

5.2.7 (i) Reserve Stock Limit (RSL) had not been prescribed for 3 out of 10 Public Health Engineering Divisions. Of these, the sanctioned RSL was exceeded in 4 Divisions by a total amount of Rs.1,474.74 lakh. The excess due to non-relevance with the prevailing market rate as the existing reserve stock limit was sanctioned in February 1982. 6 Divisions exhibited minus balance of stores aggregating Rs.1,571.78 lakh as on 31 March 2001. The minus balance was attributed by the Department due to centralised procurement through indents and the value of stock materials being left unadjusted against the indenting divisions.

(ii) RSL had not been prescribed for 23 out of 44 Public Works Divisions (Roads and Bridges, Mechanical, Housing and Civil). Of these, 9 Divisions unauthorisedly held stores worth Rs.3,782.40 lakh at the end of March 2001. The sanctioned RSL was exceeded in 17 Divisions by a total amount of Rs.1,331.23 lakh.

(iii) RSL had not been prescribed for 2 out of 16 Electrical Divisions. Eight Divisions had exhibited minus balance of stores aggregating Rs.742.22 lakh as on 31 March 2001. No reasons have been furnished by the Divisions for the minus balance.

1 Electrical Division (4), Public Works Divisions (Housing, Roads & Bridges, Civil and Mechanical Divisions),(23)

Tools and Plant

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

5.2.9 It was noticed that all 10 Public Health Engineering Divisions had closed the Tools and Plant accounts and physically verified them upto September 2000. 7 Electrical Divisions and 11 Public Works Divisions (Roads & Bridges) had closed the Tools and Plant accounts and physically verified them upto September 2000. 5 Electrical Divisions upto September 1999. PWD (Roads & Bridges) Divisions had closed the Tools and Plant accounts and physically verified - 5 upto September 1997, 1 upto September 1996, 3 upto September 1995, 1 upto September 1992. Information relating to closing of Tools and Plant account and physical verification thereof in respect of 4 Electrical Divisions and 23 Public Works Divisions (Housing, Roads and Bridges, Civil and Mechanical Divisions) was not made available.

Conclusion

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

CHAPTER - VI REVENUE RECEIPTS

SECTION: 'A' REVIEW

FINANCE AND TAXATION DEPARTMENT

6.1 Internal control mechanism of Sales Tax Department

Highlights

Failure to institute internal control measures to monitor performance of assessing officers resulted in non levy/short levy of interest of Rs.178.40 lakh.

(Paragraph 6.1.5.1)

Due to non-inclusion of upto-date interest in the requisition sent to the certificate officer, interest amounting to Rs.463.01 lakh became irrecoverable.

(Paragraph 6.1.5.2(a))

Taxable turnover of Rs.8,411.96 lakh, in case of 21 dealers was irregularly exempted without verification of records or obtaining valid certificates which resulted in loss of revenue of Rs.667.72 lakh.

(Paragraph 6.1.7)

Lack of internal control and cross verification of records of the dealers with that of movement register, resulted in concealment of turnover amounting to Rs.40.82 crore and evasion of tax and penalty for Rs.9.33 crore.

(Paragraph 6.1.9.2)

Failure of the check gate system resulted in non recording of taxable goods worth Rs.18,684.77 lakh in the movement register and evasion of tax amounting to Rs.2,005.20 lakh.

(Paragraph 6.1.9.3 (a))

Abnormal delay in disposing appeal cases by the appellate authorities resulted in locking up of revenue amounting to Rs.413.89 lakh.

(Paragraph 6.1.11)

6.1.1. Introduction

In Nagaland, the levy, assessment and collection of Sales Tax is governed by the Nagaland Sales Tax (NST) Act, 1967 and Rule 1970 and Nagaland Purchase Tax (NPT) and Rules 1993 respectively and administrative instruction issued from time to time by the Department. In order to have proper control over the registration of assesses, submission of returns,

assessment and collection of taxes, the Department has, in pursuance of Sales Tax Act and Rules, prescribed various mechanisms like Control register, Assessment and Demand collection register, Daily movement register, Monthly progress report etc.

6.1.2. Scope of Audit

With a view to evaluating the efficiency of the department in ensuring the internal control mechanism of Sales Tax Department in accordance with the prescribed procedure, a review of the relevant records in six out of 13 tax assessing and collecting units of the State and Mobile squad for the period from 1996-97 to 2000-2001 was conducted during March to June 2001.

6.1.3. Organisational set up

The Commissioner of Taxes (CT), assisted by two Additional Commissioner of Taxes and Two Deputy Commissioner of Taxes, is responsible for the administration of the Acts and Rules of Sales Tax Department. There are three zonal offices headed by Assistant Commissioner of Taxes (ACT) with head quarters at Kohima, Dimapur and Mokokchung. There are 13 unit offices for registration, assessments and collection of sales tax. In addition to above, there is one Intelligence cell attached to Directorate known as Mobile squad under the control of an Assistant Commissioner of Taxes (ACT), who is assisted by a Superintendent of Taxes (ST).

6.1.4. Survey and Registration

6.1.4.1. Non-registration of dealers

Under the Nagaland Sales Tax (NST) Act, 1967, every dealer whose gross turnover exceeds the taxable quantum of Rs.50,000 shall be liable to pay tax. The Act further provides that no dealer while being liable to pay tax shall carry on business unless he has been registered and possesses a certificate of registration. The Act also empowers the Commissioner of Taxes to register a dealer compulsorily, if in his opinion, that the dealer is liable for registration but has failed to apply for registration.

Test check of records of Dimapur unit revealed that there were no records to show the total number of dealers surveyed. No survey was conducted in Kohima unit office. However, a register styled as 'register of Trial cases' was maintained by all 4 units in Dimapur circle on the basis of Inspectors' report. The year-wise position of such dealers included in the case register are shown below:

Sl. No.	Particulars	Year				
		1996-97	1997-98	1998-99	1999-2000	2000-01
	DIMAPUR ZONE					
i)	No. of cases included in the Trial case Register as on 1 April-(O.B)	473	531	583	739	860
ii)	No. of cases detected and included in the Trial case Register during the year	58	52	156	121	132
iii)	Total no. of cases included in the Trial case register as on 31 March (i & ii)	531	583	739	860	992
iv)	Total no. of cases liable for registration as on 31 March (out of iii)	518	566	701	817	949
v)	No. of case registered out of (iv) above.	83	104	172	206	254
vi)	No. of cases pending for registration out of (v) above.	435	462	529	611	695

The registers revealed that against 949 unregistered dealers liable for registration as of 31 March 2001, 254 cases only had been registered and brought under taxation umbrella. The reasons for non registration of these dealers were not stated.

Further, test check of the records of 20 such trial cases out of 43 cases not considered as liable for registration revealed that 17 cases were liable for registration. Due to delay in taking action for registration, the seven dealers either closed down their business and 10 dealers ignored the notices. This resulted in loss of revenue amounting to Rs.6.64 lakh detailed in *Appendix-XXIV*. Thus, possibility of loss of more revenue in the remaining 23 cases cannot be ruled out as their liability to pay tax has not yet been determined.

6.1.4.2. Monitoring of performance of assessing officers

For speedy disposal and reducing the pendency of assessment cases, the Commissioner of Taxes, by an order of July, 1983, had fixed the monthly norm for disposal of 25 cases by each ST.

The Zonal ACTs were entrusted with the job to monitor the actual performance of the assessing officers against the norm fixed, in February 1992.

Test check of records of 6 units revealed that out of 18000 cases of assessments required to be finalised by the assessing officers during the years 1996-97 to 2000-2001, only 6697 cases were finalised during the said period registering a shortfall of 55 per cent to 69 per cent between 1996-97 and 2000-2001.

Further, lack of a monitoring system for watching disposal of assessment cases resulted in a high percentage of cases remaining pending in 6 selected units of sales tax charges as shown below:

<i>Year</i>	<i>No. of assessment pending at the beginning of the year</i>	<i>No. of cases due for assessments during the year</i>	<i>Total No. of assessment due for completion during the year</i>	<i>No. of assessment completed during the year</i>	<i>No. of assessment pending finalis - ation at the end of the year</i>	<i>percentage of pendency</i>
1996-97	15885	4268	20153	1597	18556	92
1997-98	18556	4520	23076	1108	21968	95
1998-99	21968	4682	26650	1222	25428	95
1999-00	25428	4825	30253	1452	28801	95
2000-01	28801	5121	33922	1318	32604	96

Thus, the percentage of pendency of assessment cases has ranged between 92 to 96.

Another important consequence of the failure to institute an appropriate internal control measure to monitor performance of the officers, was assessments becoming barred to the tune of Rs.80.22 lakh as shown in *Appendix - XXV* by limitation of time. It was further noticed in audit that no internal control measure had been instituted for continuous review of pending assessment cases to identify those which were likely to become barred on the expiry of 8 years from the date they were due for assessment.

6.1.4.3. Returns and reports

The NST Act, 1967 envisaged self assessment by the registered dealers in respect of their turnover and payment of admitted tax. For this purpose, every registered dealer is required to furnish quarterly returns in the month following the end of the quarter and deposit the tax payable. The Act also provides for levy of penalty in cases of delay in furnishing the returns.

The NST Act, 1967 provides for maintenance of register in form XIII to watch receipt of returns and assessments made. Moreover, under a departmental instruction of May 1972 a watch register known as control register is also required to be maintained to facilitate monitoring of receipts of returns, but it was noticed that no such registers were maintained.

Test check of 165 assessments cases in respect of 60 dealers under Sales Tax unit office, Dimapur, revealed that returns in 75 cases were submitted by the dealers after the expiry of due date with delay ranging between 15 days and 95 days and were liable to pay fine for Rs.1.50 lakh (@ Rs.2,000 per case). But in no case penalty/fine was levied/proposed.

Non-maintenance of records in the prescribed manner indicate slack internal controls of the Department.

6.1.5. Interest

6.1.5.1 Short levy/Non-levy of interest

Under section 22A of the NST Act 1967 and Section 21 of NPT Act, 1993, if a dealer fails to pay the full amount of tax payable by him by the due date, he is liable to pay simple interest at the prescribed rate varying from 12 to 24 *per cent* per annum on the amount of tax falls short.

Test check of assessment records revealed that due to non observance of the provision of the Act and rules by the assessing officer resulted in short levy/non levy of interest amounting to Rs.178.40 lakh shown in the *Appendix-XXVI*.

6.1.5.2.(a) Non-inclusion of upto date interest in the requisition sent to the certificate officer

Test check of the records of the ST, Dimapur circle with reference to the records maintained by the Recovery Officer i.e. ACT, Dimapur revealed that in respect of 11 dealers, a total outstanding tax plus interest of Rs.631.49 lakh pertaining only to the period from 1984-85 to 1996-97 was included in the requisition sent (between 3 May 1996 and 21 November 2000) to the Recovery Officer. The interest short levied for the period from 1997-98 to 2000-2001 (November 2000) in these cases worked out to Rs.463.01 lakh as shown in *Appendix-XXVII*.

(b) Evasion of tax due to non cross verification

(i) Seven dealers of Dimapur circle in their trading account had shown purchase of last point taxable goods valued Rs.52.29 lakh (6 per cent goods) during the period from 1995-96 to 1997-98. On cross verification with 12 (twelve) selling dealers of Dimapur circle it was seen that the value of goods sold to those purchasing dealers against 'P' forms was Rs.123.26 lakh of 6 per cent goods and Rs.16.67 lakh of 4 per cent goods during the above period. Thus turnover amounting to Rs.70.97 lakh of (6 per cent) goods and Rs.16.67 lakh (of 4 per cent goods) with a tax effect of Rs.4.91 lakh was concealed by the purchasing dealers. In addition interest and penalty (maximum) of Rs.4.51 lakh and Rs.14.73 lakh respectively are also leviable.

(ii) A dealer, (M/s Good Will Traders bearing R.C. No.Kma/B/ST/55) of Kohima sales tax unit office, in his trading account for the years 1996-97 and 1997-98 exhibited purchase of Rs.18.74 lakh and Nil respectively and assessments were completed accordingly. On cross verification with the records of a dealer of Assam it was seen that the dealer purchased CGI Sheets valued Rs.85.34 lakh during the period between 22 January 1997 and 29 December 1997 by utilising two 'C' forms. Thus turnover of Rs.66.60 lakh was concealed by the dealer, evading tax of Rs.2.66 lakh (4 per cent). In addition, interest and penalty of Rs.10.66 lakh could have been levied.

(c) Non assessment of additional tax

Under Section 4A of the NST Act, 1967, a dealer, whose gross turnover exceeds Rs.5 lakh and Rs.10 lakh is liable to pay additional tax on turnover @ 1 per cent and @1.5 per cent respectively.

Test check of assessment records of 17 dealers of Dimapur circle revealed that the additional tax on turnover was not levied in these 17 cases although their turnover exceeded Rs.5 lakh and Rs.10 lakh. This resulted in loss of revenue of Rs.188.77 lakh.

During discussion it was, however, stated (June 2001), that such tax was not levied in each case based on the notification dated 2.8.1990. On scrutiny of the above notification it was seen that the exemption was allowed under section 8 of the NST Act for items in Schedule II attached to the Act. Therefore, instead of getting the Act amended by the legislature the exemption was granted through this order. An executive order cannot overrule legislative sanction. Thus, the reply of the department is not tenable.

6.1.6. Collection of Tax

i) Deduction at source

Nagaland Sales Tax Rules provide that Sales Tax shall be deducted at source from the supplier's bill and deposited into treasury.

(a) Test check of the accounts of 8 Drawing and Disbursing officers of the State Government revealed that sales tax amounting to Rs.39.46 lakh deducted by them from the bills of the suppliers/contractors between 1995-96 and 2000-

2001 was not remitted either into treasury or to the concerned STs (June 2001). Thus the amount remained outside the Government account for a period ranging from 3 month to 63 months as of May 2001.

(b) On cross verification of records of the NO.1, MGAR,¹ Dimapur with that of the Sales Tax Unit Officer Dimapur it was seen that one unregistered dealer (i.e. M/s Nezone Enterprise, Khermahal, Natun Basti Dimapur) supplied whole milk powder to this unit valued at Rs.238.68 lakh and Rs.39.88 lakh during the period 1999-2000 and 2000-2001 respectively. The unit neither deducted tax amounting to Rs.20.63 lakh at source nor the amount was deposited into treasury

ii) Non enforcement of legal provision of Sales Tax Act

As against the net amount of Rs.2,513.72 lakh being the assessed tax (after deduction of admitted tax) for the year 1996-97 to 2000-2001 payable by 6 units, the dealers had so far paid Rs.308.78 lakh only (March 2001). For the recovery of the balance amount of Rs.2,204.94 lakh the Department had not taken any initiative under section 39 of NST Act, to recover it together with penalty as arrears of land revenue.

Test check of records also revealed that though 220 cases of 4 units of Dimapur involving revenue Rs.279.13 lakhs forwarded to the certificate officer, Dimapur during 1996-97 to 2000-2001 for initiating certificate procedure for effecting tax recovery as Public Demand, only Rs.51.52 lakh could be realised as yet. This indicated slackness in internal control mechanism of the Department.

6.1.7. Irregular exemptions

Sales of goods at the last point of Sale, sales which are effected by transfer of documents to the title of goods from one State to another, transfer of stock from one State to another occasioned by transfer of goods to other place of business and in course of exports of goods outside India may be exempted from the levy of Sales tax under various provisions of Sales Tax Act, provided necessary declarations in form 'P', 'F', 'H' etc., as the case may be, are furnished by the dealers.

Test check of the records of Dimapur unit revealed that in case of 21 dealers, taxable turnover of Rs.8411.96 lakh was irregularly exempted from payment of Sale Tax without verification records or obtaining valid declaration certificates as shown in the table below. This irregular exemption resulted in loss of revenue worth Rs.667.72 lakh.

¹ Maintenance Group Assam Rifles.

(Rupees in lakh)

Name of the circle	No. of dealers	Assessment year	Nature of observations	Taxable turnover	Tax involved in exemptions
Dimapur	5	1995-96 to 1997-98	Exemption allowed but not covered by declaration form 'P'	478.37	28.70
Kohima	2	- do -	Goods taxable at the last point of sales, but exemption allowed without verification of records from where such purchases were brought to assessment.	59.04	3.54
Dimapur	7	1995-96 to 1999-2000	Exemption allowed against certificate issued by Area Manager CSD(I) instead of the Principal Officer Military Unit. Allowance was, thus, against the spirit of provision of CST Act.	2,364.24	236.39
- do -	1	1997-98 to 1998-99	Though such sales were not effected by transfer of documents of the title of goods, from one state to another, exemption was irregularly allowed.	1,612.19	64.49
-do-	6	1995-96 to 1999-2000	Exemption allowed against declaration form 'F' for the period of transaction beyond one calendar month, and without valid document/certification in form 'H' in respect of exports of goods outside India.	3,898.12	334.60
Total	21			8,411.96	667.72

6.1.8. Grant of concessional rate/Incorrect allowance of concessional rate

Under the CST Act, 1956 and rules made thereunder, inter-state sales of goods, other than declared goods, to registered dealers if supported by prescribed valid declaration form 'C', furnished by the purchasing dealer, are taxable at the concessional rate of 4 *per cent*. Otherwise tax is payable at the normal rate of 10 *per cent* or at the rate of tax applicable under the State Act, whichever is higher. The Rules further provide that no single declaration shall cover more than one transaction of sale, if it exceeds Rs1.00 lakh in a year.

Test check of assessment records of Dimapur unit office revealed (March-June 2001) that in case of 4 dealers, sales turnover aggregating Rs.136.31 lakh neither supported by 'C' form nor covered by valid 'C' form, were incorrectly assessed at concessional rate resulting in under assessment of tax of Rs.7.92 lakh under CST Act, 1956.

6.1.9. Working of Sale Tax check-post

6.1.9.1. Lack of co-ordination between Mobile squad and assessing authority

The effective functioning of the check-posts in Nagaland specially for Dimapur region largely depends upon the follow-up action taken by STs (unit officers) on the way-bills i.e., declarations by the assesseees in prescribed form with particulars of goods transported. No system was introduced to maintain a way-bill register for entering receipt of way-bills, received from check-gates for verification, and recording the results of such verification

Test check of assessment records in Dimapur unit office revealed that way-bills received from check-gates were kept in respective assessment records but no system was devised to compile such waybills systematically. Further, test-check of 230 assessment records, however, revealed that in almost every assessment case, way-bills valued about 40 to 60 *per cent* only of the purchase

figure were exhibited by the dealer in his books of accounts. In the absence of adequate internal control mechanism, the Taxation authorities were not in position to ensure that no purchase and sale of goods imported/exported by road escaped being accounted for in the dealers' books of accounts.

6.1.9.2. Concealment of turnover

Test check revealed that 10 registered dealers of Dimapur circle imported taxable goods between 1988-89 and 1999-2000 and assessments were made on taxable returns of Rs.76.27 crore as per records and books of accounts of the dealers. But scrutiny of the movement registers of the checkgates indicated purchase of taxable goods worth Rs.117.09 crore during the period. Thus, the dealers concealed taxable turnover of Rs.40.82 crore and evaded payment of tax for Rs.2.33 crore. In addition, the dealers were also liable to payment of Rs.7.00 crore as penalty under Section 22 of Nagaland Sale Tax Act, 1967, as shown in the table below:

Name of the dealer	Period	Taxable purchase as per dealers accounts	Taxable purchase as per movement Register	Concealment of turnover	Evasion of tax	Maximum Penalty lëvaible
<i>(Rupees In lakh)</i>						
1. M/s Nagaland Beverage	1995-96 to 1998-99	83.88	230.63	146.75	14.67	44.51
2. M/s 'A' Veneer Products	1995-96 to 1996-97	37.88	123.45	85.57	8.56	25.68
3. M/s Atta Sawmills	1995-96	12.16	103.97	91.81	9.18	27.54
4. M/s Hindustan Trade	1998-99 to 1999-2000	210.22	504.36	294.14	17.65	52.95
5. M/s Sethi & Co.	1999-2000	22.04	92.26	70.22	5.61	16.38
6. M/s P.P.Singh & Co.	1998-99	0.58	41.39	40.81	3.27	9.81
7. M/s Progressive Motors	1997-98 to 1998-99	3781.89	6062.20	2280.31	91.21	273.63
		4148.65	7158.26	3009.61	150.15	450.50
8. M/s Nagaland Handloom & Handi Crafts Development Corporation Ltd.	1987-88 to 1988-89	164.26	248.24	83.98	8.82	26.46
9. Forest Utilisation Officer	---	41.26	93.16	51.90	18.16	54.48
10. M/s Nestle India Ltd.	1996-97 to 1999-2000	3272.44	4209.33	936.89	56.21	168.63
Grand Total		7626.61	11708.99	4082.38	233.34	700.07 <i>Say 7 crore</i>

6.1.9.3. Failure of check-gate system resulting in tax evasion

(a) Under the Scheme "Transport Subsidy" launched by GOI in 1971, subsidy to industrial units in selected areas for carriage of raw materials is admissible with a view to promoting the growth of industries in these areas. In Nagaland, 90 per cent of the cost of transportation by rail from Siliguri to nearest Railway Station of the industrial unit and by road upto industrial unit is subsidised subject to submission of certain certificates including Sale Tax clearance.

Records indicated that Industries Department released transport subsidy during 1999-2001 to 92 industrial units established in Nagaland for importing raw materials from other state. Test check of the records of 32 units (out of 92) located at Dimapur and Kohima circles revealed that raw materials like iron and steel worth Rs.186.85 crore were imported between 1995-96 and 1998-99 and these units were granted transport subsidy of Rs.2.96 crore. These units also manufactured goods worth Rs.325.63 crore and sold in the market without payment of any tax. On cross verification of records maintained in Sales Tax check-gates it was noticed that not a single consignment of these industrial units was recorded in the movement register. This resulted in tax evasion of Rs.20.05 crore.

(b) Cross verification of records of the Directorate of Industries, Nagaland, Kohima with that of the Sales Tax unit office, Dimapur and Sales Tax check gates erected near Dimapur revealed that two unregistered timber dealers of Dimapur despatched goods valued at Rs.18.41 crore during the periods 1993-94 to 1996-97 outside Nagaland, a portion of which despatched after the establishment of two check gates, but not a single consignment was recorded in the Movement register (outward) maintained by the Sales Tax check-gates. Thus, the dealers evaded payment of tax amounting to Rs.3.80 crore as detailed in *Appendix-XXVIII*.

On cross verification of records maintained by the sales tax check gates with that of Dimapur circle revealed that an unregistered dealer (M/s Nezone Enterprise Kermahal, Natun Basti, Dimapur) imported taxable goods from other States valued at Rs.1.31 crore and Rs.2.20 crore during 1998-99 and 1999-2000 respectively having a tax effect of Rs.0.28 crore. These goods were not assessed to tax as the firm was not registered. Thus it is evident that the functioning of check gates is not in accordance with the provision of the Act and it has failed to check leakage of tax.

6.1.10. Escapement of sales tax on work contracts

Under the provisions of the NST Act, 1967, every contractor is liable to pay tax in respect of any transfer of property in goods or execution of works contract at the rate of 4 per cent after deducting 30 per cent of the cost on labour component.

Test check of vouchers pertaining to PWD, Housing etc. Department revealed that 26 contractors carried out works contract during 1999-2000 valued at Rs.330.28 lakh and payment of such bills were also made in 1999-2000 without deducting NST at source. This resulted in loss of revenue amounting to Rs.9.25 lakh.

6.1.11. Remand/appeal cases

Pendency of appeals and its impact on revenue collection

Test check of the records maintained in connection with the appeal cases by the ACT, Dimapur zone indicated the yearwise break-up of receipt, disposal and pendency cases as on 31.3.2001 as under:

<i>Periods</i>	<i>No. of appeal cases received</i>	<i>Amount of assessment order incl. Penalty, if any</i>	<i>No. of cases disposed of</i>	<i>Year of disposal</i>	<i>Amount settled for disposal</i>	<i>Amount realised on disposal</i>	<i>Balance</i>	<i>Reasons for non realisation of the balance amount</i>
<i>(Rupees In lakh)</i>								
Upto 1996-97	Not available							
Upto 1997-98	3	Rs.13.52	2	1998-99	Nil	Nil	Nil	---
Upto 1998-99	24	Rs.493.85	15	1998-99 1999-2000	Rs.3.43	Nil	Rs.3.43	NA
Upto 1999-00	30	Rs.640.90	17	1999-2000 2000-01	Rs.4.28	Rs.0.002	Rs.4.28	NA
Upto 2000-01	4	Rs.4.38	3	2000-01	Rs.0.28	Rs.28	Nil	---
Total	61	Rs.1152.65	37		Rs.7.99	Rs.0.282	Rs.7.71	NA

During the period from 1997-98 to 2000-2001, 61 cases involving Rs.1,152.65 lakh were received by the ACT/Dimapur from the Dimapur units only, out of which 37 cases involving Rs.738.77 lakh were disposed off at Rs.7.99 lakh. Further, out of the settled amount of Rs.7.99 lakh, Rs.0.28 lakh only could be realised by the Department. Reasons for non realisation of balance amount of Rs.7.71 lakh (June 2001) was not available. It would be seen from the above that government revenue amounting to Rs.413.89 lakh locked up due to delay in disposal of balance 24 appeal cases by the ACT, Dimapur zone.

6.1.12. Internal Audit

There is no internal audit wing in the Department for checking the registration, assessment, collection etc. of cases. In the absence of internal audit which is defined as control of all controls, the Department has no method of assuring itself of the efficient functioning of the various system or to be able to identify deficiencies therein for their timely rectification.

Besides, for monitoring the functioning of the Department, a monitoring and vigilance cell known as mobile squad was set up in 1979 in the office of the Commissioner of Taxes.

The jurisdiction of the mobile squad extends to the whole of Nagaland. No proof could, however, be produced to audit to show the mobile squad had visited different areas of the State to facilitate proper assessment and collection of tax.

6.1.13. Suggestions

(i) There is need for better coordination between Industries Department and Sales Tax Department to prevent tax evasion by industrial units enjoying transport subsidy.

(ii) Finance Department may evolve a system to furnish information to Sales Tax Department regarding industrial units availing transport subsidy and works contracts liable for registration under NST Act.

(iii) An effective Management Information System should be developed by the Sales Tax Department for the purpose of monitoring all purchase and sales transactions of business and industrial establishments through constant data inflow from check-posts and other Departments.

(iv) The misuse of exemptions by traders must be stopped immediately by strict application of NST Act provisions.

Legislative intent should not be violated by issuing executive order granting exemption of turnover tax in respect of certain commodities.

The matter was reported to Government and Department in August 2001; their replies had not been received (January 2002).

SECTION: B-PARAGRAPHS

6.2 Trend of revenue receipts

The total receipts of the Government of Nagaland for the year 2000-01 were Rs.1,254.10 crore. Of these, revenue raised by the State Government was Rs.85.47 crore, comprising Rs.46.24 crore from tax revenue, and the balance Rs.39.23 crore from non-tax revenue. The receipts from Government of India amounting to Rs.1,168.63 crore accounted for 93 *per cent* of the total receipts.

6.3 Analysis of revenue receipts**(a) General**

A time series analysis of the receipts for the years 1998-2001 is given below:-

	1998-99	1999-2000	2000-01
	(Rupees in lakh)		
I. Revenue raised by the State Government			
(a) Tax revenue	3,056.36	3,949.60	4,624.68
(b) Non-tax revenue	4,414.93	3,886.59	3,922.71
Total: I	7,471.29	7,836.19	8,547.39
II. Receipts from Government of India			
(a) State's share of divisible Union Taxes	43,719.00	52,604.00	9,648.00
(b) Grants-in-aid	47,748.16	52,706.25	1,07,214.85
Total: II	91,467.16	1,05,310.25	1,16,862.85
III. Total receipts of the State (I plus II)	98,938.45	1,13,146.44	1,25,410.24
IV. Percentage of I to III	8	7	7

(b) Tax revenue raised by the State

Receipts from tax revenue (Rs.46.24 crore), during the year 2000-01, constituted 54 *per cent* of the State's own revenue receipts (Rs.85.47 crore). Details of tax revenue for the year 2000-01, and the preceding two years, are given below:

	1998-99	1999-2000	2000-01	Percentage of Increase (+)/ Decrease (-) in 2000-01 with reference to 1999-2000
	(Rupees in lakh)			
1. Sales Tax	1,609.88	2,304.50	2,729.98	(+) 18
2. Taxes on Vehicles	437.01	458.83	528.63	(+) 15
3. Other Taxes on Income and Expenditure	602.27	786.55	962.81	(+) 22
4. State Excise	188.58	172.89	176.85	(+) 2
5. Stamps and Registration Fees	194.04	185.13	176.96	(-) 4
6. Other Taxes and Duties on Commodities and Services	11.56	15.29	14.18	(-) 7
7. Land Revenue	12.19	25.68	34.66	(+) 35
8. Taxes and Duties on Electricity	0.83	0.70	0.61	(-) 13
	3,056.36	3,949.57	4,624.68	(+) 17

Reasons for variations in receipts during 2000-01, compared to 1999-2000, have not been intimated by the concerned departments (January 2002).

(c) Non-tax revenue of the State

Receipts from non-tax revenue (Rs.39.23 crore), during the year 2000-01, constituted 50 per cent of the revenue raised by the State. Details of non-tax revenue under the principal heads for the year 2000-01, and the preceding two years, are given below:-

	1998-99	1999-2000	2000-01	Percentage of Increase (+)/Decrease (-) in 2000-01 with reference to 1999-2000
	(Rupees in lakh)			
1. Interest Receipts	144.27	458.70	350.44	(-) 24
2. Public Service Commission	3.82	2.54	3.22	(+) 27
3. Police	20.87	14.56	24.26	(+) 67
4. Stationery and Printing	0.35	0.67	0.48	(-) 28
5. Public Works	13.88	32.14	31.55	(-) 2
6. Other Administrative Services	327.85	610.70	185.32	(-) 70
7. Contribution and recoveries towards Pension & ORB ¹	8.04	7.78	9.26	(+) 19
8. Miscellaneous General Services	1,482.85	79.03	122.39	(+) 55
9. Education, Sports, Art and Culture	12.11	15.25	13.48	(-) 12
10. Medical & Public Health	2.43	2.09	6.82	(+) 226
11. Water Supply and Sanitation	17.60	32.89	29.32	(-) 11
12. Housing	21.79	189.38	225.34	(+) 19
13. Social Security and Welfare	0.05	0.50	1.39	(+) 178
14. Crop Husbandry	3.18	3.39	13.81	(+) 307
15. Animal Husbandry	10.21	20.55	16.88	(-) 18
16. Forestry and Wildlife	305.11	169.77	263.73	(+) 55
17. Food storage and Warehousing	1.88	7.54	5.97	(-) 21
18. Co-operation	5.51	8.46	8.11	(-) 4
19. Other Agricultural Programmes	3.93	3.05	4.13	(+) 35
20. Minor Irrigation	0.08	0.35	0.35	---
21. Power	1,721.36	1,785.14	1,987.01	(+) 11
22. Village and Small Industries	10.37	14.02	14.73	(+) 5
23. Non-ferrous Mining and Metallurgical Industries	3.10	1.27	9.42	(+) 642
24. Road Transport	249.93	380.93	515.90	(+) 35
25. Tourism	14.17	18.01	8.42	(-) 53
26. Other General Economic Services	5.70	5.03	5.27	(+) 5
Total:-	4,390.44	3,863.74	3,857.00	(-) 0.17

Reasons for increase/decrease have not been intimated by the concerned departments (January 2002).

6.4 Variations between Budget estimates and actuals

The major variations between Budget estimates and actual receipts under the major heads of revenue for the year 2000-01 are given below:-

Major heads of revenue	Budget estimates (Rupees in lakh)	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
(1)	(2)	(3)	(4)
1. Other taxes on Income and expenditure	800.00	962.81	(+) 20
2. Stamps and Registration Fees	429.00	176.96	(-) 59
3. State Excise	250.00	176.85	(-) 29

1. Other Retirement Benefits.

Major heads of revenue		Budget estimates (Rupees in lakh)	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
(1)	(2)	(3)	(4)	
4.	Sales Tax	3,570.00	2,729.98	(-) 24
5.	Taxes on Vehicles	500.00	528.63	(+) 6
6.	Other Taxes and Duties on Commodities and Services	26.00	14.18	(-) 45
7.	Interest Receipts	300.00	350.44	(+) 17
8.	Police	4.20	24.26	(+) 478
9.	Stationery and Printing	21.00	0.48	(-) 98
10.	Public Works	42.00	31.55	(-) 25
11.	Other Administrative Services	500.00	185.32	(-) 63
12.	Miscellaneous General Services	100.00	122.39	(+) 22
13.	Education, Sports, Art & Culture	26.00	13.48	(-) 48
14.	Medical and Public Health	9.50	6.82	(-) 28
15.	Water Supply and Sanitation	67.00	29.32	(-) 56
16.	Housing	477.00	225.34	(-) 53
17.	Social Security and Welfare	13.65	1.39	(-) 90
18.	Crop Husbandry	13.65	13.81	(+) 1
19.	Dairy Development	12.60	---	(-) 100
20.	Forestry & Wildlife	250.00	263.73	(+) 5
21.	Food, Storage and Warehousing	---	5.97	(+) 100
22.	Co-operation	2.10	8.11	(+) 286
23.	Other Agricultural Programmes	7.35	4.13	(-) 44
24.	Power	2,000.00	1,987.01	(-) 1
25.	Village and Small Industries	10.50	14.73	(+) 40
26.	Non-ferrous Mining and metallurgical Industries	5.25	9.42	(+) 79
27.	Road Transport	483.00	515.90	(+) 7
28.	Tourism	11.55	8.42	(-) 27
Total:-		9,931.35	8,411.43	(-) 15

Reasons for variations have not been intimated by the concerned departments (January 2002).

6.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection, and the percentage of such expenditure to gross collections during the years 1998-99, 1999-2000 and 2000-01, along with the relevant all India average percentage of expenditure of collection to gross collections for the year 1998-99, are given below:-

Sl. No.	Revenue head	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the 1999-2000
			(Rupees in lakh)			
1.	Sales Tax	1998-99	1,609.88	216.84	13	1.56
		1999-2000	2,304.50	233.78	10	
		2000-01	2,729.98	283.42	10	
2.	State Excise	1998-99	188.58	333.45	177	3.31
		1999-2000	172.89	349.20	202	
		2000-01	176.85	382.86	216	
3.	Taxes on Vehicles	1998-99	437.01	103.62	24	3.56
		1999-2000	458.83	126.86	28	
		2000-01	528.63	153.97	29	
4.	Stamps and Registration Fees	1998-99	194.04	10.99	6	4.62
		1999-2000	185.13	9.55	5	
		2000-01	176.96	9.00	5	

FINANCE AND TAXATION DEPARTMENT

6.6 Concealment of turnover

Due to concealment of taxable turnover by a dealer resulted in evasion of tax amounting to Rs.9.63 lakh besides, penalty of Rs.28.89 lakh was not levied

In case of inter State sales/trade or commerce, the provisions of Central Sales Tax (CST) Act, 1956 are applicable. Under section 10 of CST Act, in case of concealment of turnover by a dealer, penalty not exceeding three times the tax due is also leviable.

Test check of assessment records of a dealer (M/s Bansidhar Anandilal, R.C.No.DMR/D/ST/259) registered with the Dimapur Sales Tax unit office revealed (March-June, 2001) that net taxable turnover for the years 1998-99 and 1999-2000 was determined (April and December, 2000) by the assessing officer at Rs.430.09 lakh (Rs.215.19 lakh plus Rs.214.90 lakh). On cross verification of records with that of Movement registers maintained by the Sales Tax check-gates, it was seen (June 2001) that during return period 1998-99 and 1999-2000, the dealer imported taxable goods valued Rs.618.88 lakh (Rs.287.17 lakh plus Rs.331.71 lakh). The gross profit declared by the dealer during the above periods was Rs.24.24 lakh (Rs.12.55 lakh plus Rs.11.69 lakh). Based on the above transactions, the net taxable turnover during the above periods should be Rs.590.67 lakh, considering the declared closing stock (31 March 2000) of Rs.52.45 as taxable. The dealer had thus concealed his taxable turnover of Rs.160.58 lakh (Rs.590.67 lakh minus Rs.430.09 lakh)

* Expenditure is more than the collection under State Excise, mainly due to excess establishment charges, and imposition of ban on sale of liquor in the State.

and evaded tax amounting to Rs.9.63 lakh calculated at the rate of 6 per cent. In addition maximum penalty amounting to Rs.28.89 lakh was also leviable.

The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

6.7 Evasion of tax by concealment of turnover

Concealment of purchase value of raw materials by a dealer led to evasion of tax of Rs.3.88 lakh and penalty of Rs.10.92 lakh

Under the provisions of the Central Sales Tax Act (CST), 1956, and rules framed thereunder, declaration form 'C' are issued to registered dealers by the sales tax authorities to enable them to make inter-State purchases at concessional rate. Goods so purchased attract tax under the State sales tax laws when sold locally. Under section 10 of CST Act, 1956, if any dealer conceals the particulars of his turnover deliberately, furnishing incorrect particulars of such turnover, penalty not exceeding three times the amount of tax so evaded is leviable on the dealers.

Test check of assessment records of a dealer 'A' of Mokokchung Sales Tax office revealed (September 2000) that the dealer disclosed purchases of raw materials and finished goods (*i.e.*, furniture) manufactured during the period from 1994-95 to 1997-98 as nil. On cross verification by audit of the assessment records of a dealer 'B' of Maharashtra revealed that the dealer 'A' had purchased raw materials *i.e.*, steel valued at Rs.32.33 lakh in June 1994 at concessional rate of tax by declaration in form 'C'.

Thus, the dealer concealed his purchase value of raw materials as well as sales of goods manufactured out of these. Even limiting the sale value of manufactured goods to the purchase value of raw materials, the dealer evaded tax of Rs.3.88 lakh. In addition, penalty amounting to Rs.10.92 lakh (maximum) was also leviable.

In reply, the Department stated (August 2001) that a notice had been issued to the dealer to furnish all the documents. Further results have not been intimated (January 2002).

The matter was reported to Government in September 2000 and January 2001; the reply had not been received (January 2002).

6.8 Turnover escaping assessment

Due to wrong assessment by the assessing authority, the dealer escaped tax of Rs.6.19 lakh in addition interest of Rs.3.09 lakh

Under the Nagaland Sales Tax Act, 1967, and rules made thereunder, if upon any information which has come into possession, the Commissioner of Taxes is satisfied that any turnover in respect of sales of any goods chargeable to tax has escaped assessment during the period covered by any return, he may at any time within eight years of the end of the aforesaid period, serve on the dealer a notice containing all or any of the requirements which may be

'A'- M/s Unicraft
Engineering Works,
RC No.MKG/NST/
761 and MKG/CST/
278

'B'-M/s SAE India
Ltd., MAH-38 AKL
4821

included in a notice and may proceed to assess or reassess the dealer in respect of such period accordingly.

Test check of assessment records of the Assistant Commissioner of Taxes, Dimapur zone revealed (March-June 2001) that sales turnover in respect of a tea dealer (M/s Alok Bhandar R.C.No.DMR/B/ST/59) for the period 1998-99 was determined (August 1999) by the assessing authority at Rs.96.13 lakh (i.e. excluding the elements of tax) instead of Rs.199.22 lakh i.e. (OB=Rs.18.58 + purchases+Rs.181.84 (-) closing stock Rs.1.20 lakh) Thus, taxable turnover amounting to Rs.103.09 lakh (Rs.199.22 lakh minus Rs.96.13 lakh) escaped assessments having a tax effect of Rs.6.19 lakh. In addition interest amounting to Rs.3.09 lakh is also leviable (upto June 2001).

The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

FOREST DEPARTMENT

6.9 Loss of revenue due to irregular grant of exemption

Government suffered loss of revenue of Rs.7.39 lakh due to irregular grant of exemption from payment of forest royalty

In pursuance of Supreme Court's order (15 January 1998) and subsequent clearance of High Power Committee (HPC) for North Eastern Region, for processing the legally acquired inventorised stock of raw materials lying in the mills within 6 months or the time limit prescribed, whichever is earlier, the Principal Chief Conservator of Forests (PCCF) issued order (February 1998) which provided, *inter alia*, for clearance of outstanding dues (arrears) within the said prescribed time limit by all the mills who were in default of payment of arrears.

The HPC permitted (February 1998) a mill 'A' to process its inventorised stock of materials lying in the mill premises within the time limit of 81 days.

During test check of records (April 1997 to March 2000) of the Divisional Forest Officer (DFO), Mokokchung, it was noticed (September 2000) that against the forest royalty of Rs.29,99,184 (including sales tax) fixed by the DFO for timber years 1988-89 to 1996-97, the mill 'A' paid Rs.16,95,017 (upto 21 May 1996) with an outstanding balance of Rs.13,04,167 (as of March 1998). However, on representation of the mill owner in March 1998 seeking exemption of forest royalty for timber year 1988-89 to 1993-94, on the plea that he had been paying forest royalty at the revised rate (effective from 10 July 1989) while mill owners of Dimapur area in Nagaland had been paying forest royalty at old rate (i.e. prior to the revision of rate from July 1997), the PCCF refixed (April 1998) without assigning any reason and that too without approval of the Government, the outstanding balance of forest royalty at Rs.5,64,680 (including sales tax) in respect of the mill, payable in three instalments within 81 days of the operational period as cleared by HPC. In compliance of this order, the mill owner paid this amount between May and

'A' M/s Changki
Valley Forest
Products (P) Ltd.,
Longtho

July 1998. This resulted in irregular grant of exemption of forest revenue amounting to Rs.7.39 lakh.

The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

PUBLIC HEALTH ENGINEERING DEPARTMENT

6.10 Non-accounting of Government revenue

Non-accounting the revenue in Cash Book, resulted in misappropriation of funds of Rs.2.21 lakh

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

During audit of the records (April 1997 to June 2000) of the Executive Engineer, Public Health Engineering Department, Kohima it was noticed (July 2000) that out of Rs.5.32 lakh collected between July 1997 and July 2000 from private consumers on account of installation charges of new water supply connection during (July 1997 and March 1998) Rs.2.21 lakh was neither taken in the Cash Book nor deposited into the treasury. This resulted in misappropriation of Government money of Rs.2.21 lakh.

The matter was reported to Government and Department in June 2001.; their replies had not been received (January 2002).

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

6.11 Misappropriation of Government revenue

Non-accounting of revenue realised in to the Cash Book resulted in misappropriation of funds of Rs.4.87 lakh.

Rule 6 of Receipts and Payment Rules lays down that money received by or tendered to Government offices on account of revenue or receipts as dues to Government shall, without delay, be accounted for in the Cash Book and be paid in full into the treasury or accredited bank for inclusion in Government accounts.

Test check (July-August 2000) of the records (April 1995 to March 2000) of 4 Farm² Managers revealed that sale proceeds to the tune of Rs.4.87 lakh on account of sale of 48,343 liters milk (Rs.4.35 lakh), 29,628 eggs (Rs.0.37 lakh), 143.43 kgs. Birds (Rs.0.06 lakh) and piglet (Rs.0.09 lakh) realised between June 1996 to March 2000 was neither accounted for in the Cash Book nor deposited to Government accounts and may have been misappropriated.

The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

WORKS AND HOUSING (EDUCATION) DEPARTMENT

6.12 Non-deduction of works tax- loss of Government revenue

Government suffered loss of revenue of Rs.22.64 lakh due to non-deduction of works tax at source

The Nagaland Sales Tax Act 1971 (as-amended), stipulates that Sales Tax on works contract @ 4 per cent on the value of works (after deducting 30 per cent for cost of labour) should be deducted at source from the contractor's bills.

Test check of the records of the Executive Engineer, Education Engineering Division, Kohima (September 1997 to July 2000) revealed (September 2000) that the Division paid (December 1997 to May 2000) Rs.94.43 lakh to the contractors for supply and erection of 57 steel struss of different sizes. However, the works tax of Rs.2.64 lakh was not deducted.

**M/s United Traders,
Kohima**

Similarly, the works tax of Rs.20 lakh was not deducted from the contractor on works bill of Rs.714.30 lakh for construction of Indira Gandhi Stadium.

Thus, due to non-deduction of works tax by the Executive Engineer, Education Engineering Division, Kohima as required under the NST Act 1996, Government sustained revenue loss of Rs.22.64 lakh.

The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

² (i) Cattle Breeding Farm, Lerie, Kohima under Directorate of Veterinary and Animal Husbandry, Nagaland, Kohima (ii) Cattle Breeding Farm, Medziphema under Principal Veterinary Farm Assistant Training Institute, Medziphema (iii) Hatchery Unit, Dimapur under Deputy Director, Veterinary and Animal Husbandry, Dimapur and (iv) Pig Breeding Centre, Merangkong

CHAPTER VII
FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS

SECTION: B-PRAGRAPHS

Assistance to autonomous bodies and others

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

7.1.1 During 2000-01, financial assistance of Rs.19.12 crore was paid to various autonomous bodies and other institutions broadly grouped as under:-

Table No.7.1

Serial Number	Name of institutions	Amount of assistance paid (Rupees in crore)
1.	Village Development Boards	12.51
2.	Industrial institutions	3.12
3.	Town Committees	0.80
4.	Co-operative Societies	0.17
5.	Development authority	0.50
6.	Non-Government Schools/Colleges and Institutions	0.94
7.	Other Institutions	1.08
	Total:-	19.12

Source: Detailed Appropriation Accounts

Delay in furnishing utilisation certificates

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

7.2.1 3238 utilisation certifications due in respect of grants aggregating to Rs.82.80 crore paid during the period from 1967-68 to 2000-01 had not been furnished. Department-wise break-up of outstanding utilisation certificates was as under:-

Table No.7.2

Serial Number	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries & Commerce	1986-87 to 2000-01	35	18.74
2.	School Education	1982-83 to 2000-01	644	*27.28
3.	Co-operation	1967-68 to 2000-01	286	6.03
4.	Rural Development	1980-81 to 2000-01	2,255	**20.34
5.	Agriculture	1999-2000 & 2000-01	9	*6.92
6.	Veterinary & Animal Husbandary	2000-01	9	3.49
	Total:-			82.80

Source: Based on Departmental letter

Delay in submission of accounts

7.3 In order to identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government and Heads of Departments, are required to furnish to Audit every year detailed information about, the financial assistance given to various institutions, the purpose for which assistance was sanctioned, and the total expenditure of the institutions. Information for the years 1995-96 to 2000-01 was awaited from the Finance Department of the Government (January 2002).

Audit arrangements

7.4 Under section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any Body or Authority which is substantially financed, by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A Body or Authority is said to be substantially financed, if the amount of Government grant or loan is not less than Rs.25 lakh, and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that Body or Authority. The following six Authorities/Bodies received Rs.24.73crore as grants/loans from the Government of India/State Government in 1999-2000. Information for the year 2000-01 has not been furnished by the department as of December 2001.

* The position of utilisation certificates outstanding was as per last year's position as the information upto (September 2001) is awaited (January 2002).

** The position of outstanding utilisation certificates was only for the grants upto 1993-94. Information for subsequent years is awaited (January 2002).

Table No.7.3

Sl No.	Name of Body/Authority	Source of Funds	Amount of grant/loan	
			1999-2000	2000-01
			(Rupees in crore)	
1.	Nagaland University	Govt. of India	22.93	@
2.	Development Authority, Dimapur	Govt. of Nagaland	1.00	
3.	Nagaland Board of School Education	-do-	0.80	
4.	Nagaland State Social Welfare Advisory Board, Kohima.	Govt. of India & Govt. of Nagaland	@	
5.	District Rural Development Agencies	Govt. of India and Govt. of Nagaland		
6.	North East Zone Cultural Centre, Dimapur	-do-		

7.4.1 Nagaland Khadi and Village Industries Board, Kohima is a Statutory Corporation formed under an Act passed by the State Legislature. During 1996-97 and 1997-98, the Board received Rs.1.55 crore and Rs.1.46 crore respectively, from the Government of Nagaland. Details of loans/grants received during 1996-97 from the Khadi and Village Industries Commission, had not been made available. The Board has finalised its accounts upto 1987-88 only. Information regarding finalisation of accounts from 1988-89 onwards is still awaited (January 2002).

@ Information not furnished (January 2002) by the organisation.

CHAPTER VIII
GOVERNMENT COMMERCIAL AND TRADING
ACTIVITIES

SECTION: B-PARAGRAPHS

8.1 Overview of Government companies

8.1.1 Introduction

As on 31 March 2001, there were 6 Government companies (including one subsidiary) under the control of the State Government. The number of companies remained unchanged over the previous year. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

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

8.1.2 Investment in Government companies

As on 31 March 2001, the total investment in 6 Government companies (including one subsidiary) was Rs.57.88 crore (equity: Rs.18.74 crore; long term loans: Rs.29.53 crore and share application money: Rs.9.61 crore) as against a total investment of Rs.53.24 crore (equity: Rs.18.19 crore; long term loans: Rs.25.74 crore and share application money: Rs.9.31 crore) in 6 Government companies (including one subsidiary) as on 31 March 2000. All the companies were working as on 31 March 2001.

The summarised financial results of Government companies are detailed in *Appendix-XXIX & XXX*.

8.1.3 Sector-wise investment in Government companies

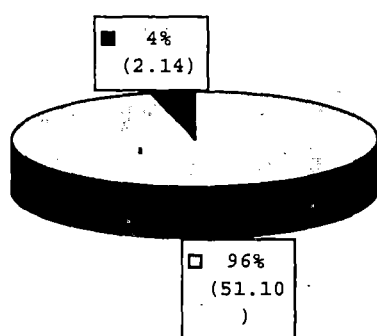
As on 31 March 2001, the total investment of Government companies comprised 48.98 *per cent* of equity capital and 51.02 *per cent* of loans as compared to 51.65 *per cent* and 48.35 *per cent* respectively as on 31 March 2000.

The interest (equity and long terms loans) in various sectors and percentage thereof as at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

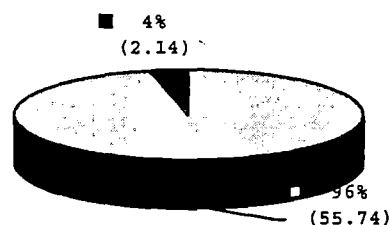
(Figures in brackets indicate investment in Rupees in crore)

8.1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

As on 31 March 2000



As on 31 March 2001



□ Industries and Commerce ■ Geology and Mining

The budgetary outgo (in the form of equity, capital and loans) and grants/subsidies from the State Government to Government companies for the three years upto 2000-01 are given below:

	(Rupees in crore)					
	1998-99		1999-2000		2000-2001	
	Number of companies	Amount	Number of companies	Amount	Number of companies	Amount
Equity capital outgo II	2	1.15	4	1.19	3	0.85
Loans given from budget	1	0.55	1	0.55	1	0.10
Grants	2	2.05	5	5.29	3	5.21
Subsidy towards						
(i) Projects/Programmes/Schemes	---	---	---	---	---	---
(ii) Other subsidy	---	---	---	---	---	---
(iii) Total subsidy	---	---	---	---	---	---
Total outgo	3*	3.75	5*	7.03	4*	6.16

No guarantees for loans were given by the State Government during the year 2000-01.

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

8.1.5 Finalisation of accounts by Government companies

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

However, as could be noticed from *Appendix-XXX*, none of the 6 Government companies had finalised their accounts for the year 2000-01, within the stipulated period. During the period from October 2000 to September 2001, 3 Government companies finalised 3 accounts for 1991-92, 1992-93 and 1986-87. The accounts of all the companies were in arrears for periods ranging from nine to 23 years as on 30 September 2001 as detailed below:-

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of Government companies	Reference to serial number of <i>Appendix-XXX</i>
1.	1992-93 to 2000-01	9	1	1 (i)
2.	1981-82 to 2000-01	20	1	1 (ii)
3.	1983-84 to 2000-01	18	1	1 (iii)
4.	1978-79 to 2000-01	23	1	1 (iv)
5.	1985-86 to 2000-01	16	1	1 (v)
6.	1987-88 to 2000-01	14	1	2 (i)

The administrative departments have *Appendix-XXX* to oversee and ensure that the accounts are finalised and adopted by the PSUS within prescribed period. Though the concerned administrative departments and officials of the government were apprised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUS could not be assessed in Audit.

8.1.6 Working results of Government companies

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

According to latest finalised accounts of 4 Government companies, 3 companies had incurred an aggregate loss of Rs.1.81 crore.

8.1.6.1 Loss incurring companies

Of the 3 loss making companies, one company had accumulated losses of Rs.49.00 lakh which exceeded its up capital of Rs.10.28 lakh.

8.1.7 Return on Capital Employed

As per latest finalised accounts (upto September 2001) the capital employed¹ worked out to Rs.14.50 crore in five companies and total return² thereon amounted to Rs.(-) 1.77 crore as compared to total return of Rs.(-)0.33 crore in the previous year (accounts finalised upto September 2000). The details of capital employed and total return on capital employed in the case of Government companies are given in *Appendix—XXX*.

8.1.8. Persistent irregularities and system deficiencies in financial matters of companies

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

- (1) The accounts are not finalised in time.
- (2) Since most of the companies did not hold Board Meetings regularly as required under Section 265 of the Companies Act, 1956, major decisions are often taken without approval of BODs.

8.1.9 Response to Inspection Reports

Audit observation noticed during audit and not settled on the spot are communicated to the Head of PSUs and concerned Department of the State Government through Inspection Reports. The heads of PSUs are required to furnish reply through respective heads of Department within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 6 PSUs disclosed that 294 paragraphs, relating to 28 Inspection Reports remained outstanding at the end of September 2001. Of these, 7 Inspection Reports containing 110 paragraphs had not been replied for more than 3 years. Department wise break up of Inspection Reports and Audit observations outstanding as on 30 September 2001 is given below: -

Sl. No.	Name of the Department	Number of PSUS	Number of outstanding inspection reports	Number of outstanding paragraphs	Year from which paragraphs outstanding
1	Industries and Commerce	5	23	228	1986-87
2	Geology and Mining	1	5	66	1987-88
Total		6	28	294	

It is recommended that the, (a) Government should ensure that procedure exists for action against the official who failed to send replies to Inspection reports as per the prescribed time schedule, (b) action to recover

¹ Capital Employed represents net fixed assets (including capital work in progress) plus working capital except in finance companies where it represents a mean of aggregate of opening and closing balances of paid up capital, free reserves, bonds deposit and borrowings (including re-finance).

² For calculating total return on capital employed interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

The reviews/paragraphs of Commercial Chapter of Audit Reports pending discussion as on 31 March 2001 by the Committee on Public Undertakings are shown below:-

Period of Audit Report	Number of Reviews and Paragraphs			
	Appeared in Audit Report		Pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1994-95	---	1 ³	All the reviews and paragraphs pertaining to the year 1995-96 to 1999-2000 except 1997-98 are pending for discussion.	
1995-96	1	2*		
1996-97	1*	Nil		
1997-98	1*	1*		
1998-99	1	1	---	---
1999-2000	---	1	---	---

8.1.11 Departmentally managed Government Commercial/ Quasi-Commercial Undertakings

Proforma accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 2 to 29 years.

As on 31 March 2001, there were nine departmentally managed Government commercial and quasi-commercial undertakings.

Mention was made in paragraph 8.1.10 of the Report of the Comptroller and Auditor General of India for the year 1999-2000 about delay in preparation of proforma accounts of these undertakings.

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

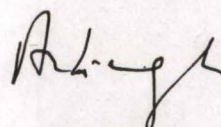
Sl. No.	Name of the Department/Undertaking	Extent of arrears
1.	Organisation of the Director of Food and Civil Supplies Department	1971-72 to 2000-01
2.	Nagaland State Transport Department	1988-89 to 2000-01
3.	Nagaland Power Department	1993-94 to 2000-01
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99 to 2000-01
	(ii) Medium size Seed farm, Merapani	1999-2000 to 2000-01
	(iii) Seed Farm, Tizit	1998-99 to 2000-01
5.	Changki Valley Fruit Preservation Factory	1987-88 to 2000-01
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99 to 2000-01
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 2000-01

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

* Discussed in June 2001 but recommendations of COPU is awaited.

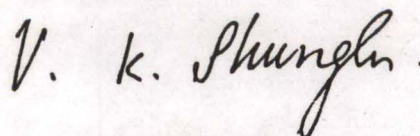
Sl. No.	Name of the Department/Undertaking	Extent of arrears
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99 to 2000-01
	(ii) Cattle Breeding farm, Tuensang	1998-99 to 2000-01
	(iii) Cattle Breeding Farm, Aliba	1998-99 to 2000-01
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 2000-01
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99 to 2000-01
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99 to 2000-01
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 2000-01
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 2000-01
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 2000-01
	(x) Pig Breeding Centre, Tizit	1997-98 to 2000-01
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 2000-01
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 2000-01
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 2000-01
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99 to 2000-01
	(xv) Pig Breeding Centre, Merangkong	1998-99 to 2000-01
	(xvi) Chick Rearing Centre, Kohima	1998-99 to 2000-01
	(xvii) Pig Breeding Centre, Sathuja	1998-99 to 2000-01
	(xviii) Cattle Breeding farm, Baghty	1998-99 to 2000-01
	(xix) Sheep Farm, Poilwa	1998-99 to 2000-01
	(xx) Buffalo Farm, Jalukie	1998-99 to 2000-01
	(xxi) Regional Broiler Centre, Kohima	1998-99 to 2000-01
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 2000-01

Kohima
The 010302



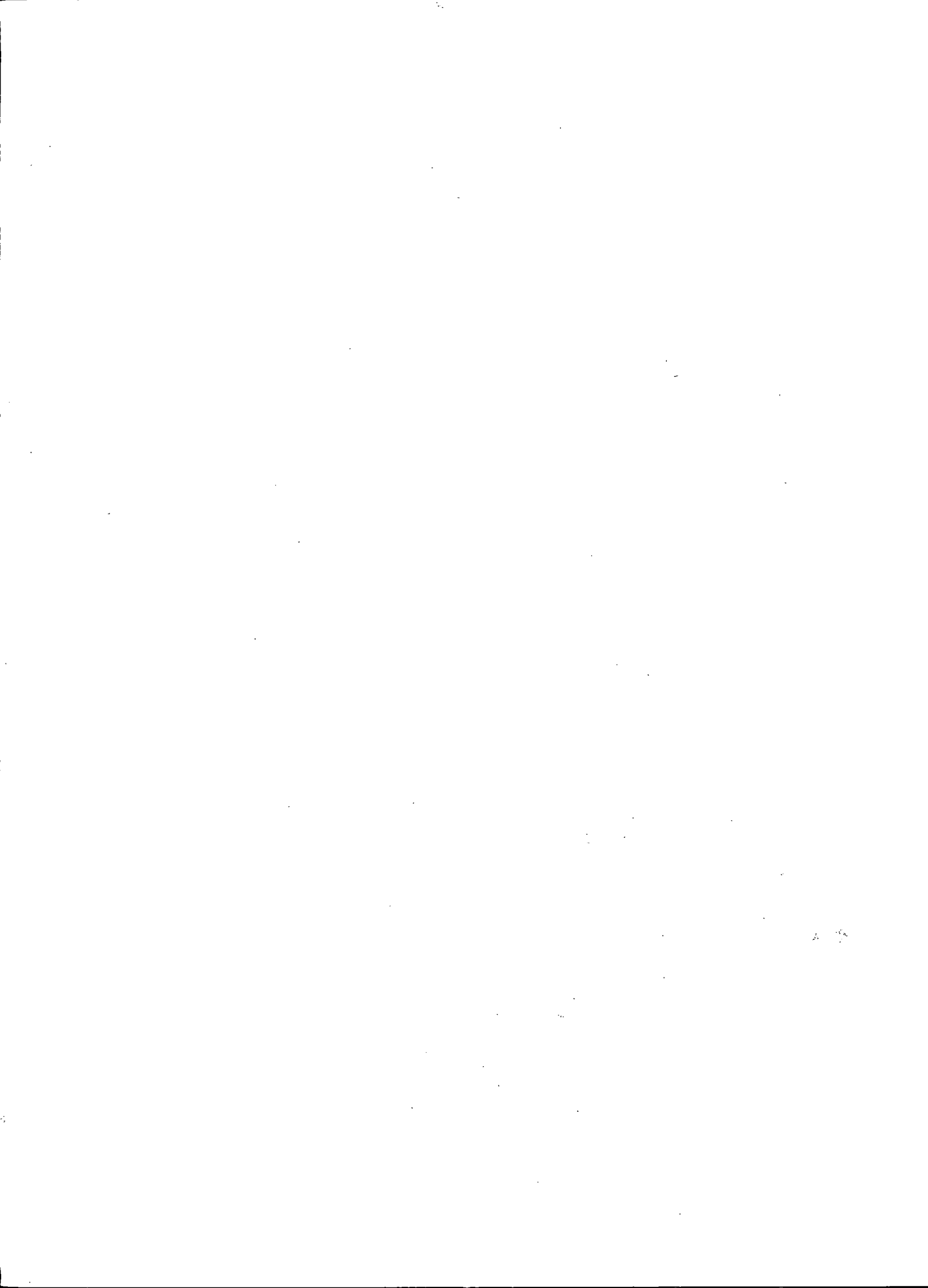
(A.K. SINGH)
Accountant General (Audit), Nagaland.

Countersigned



New Delhi
The 130302

(V.K. SHUNGLU)
Comptroller and Auditor General of India.



APPENDICES



APPENDIX--I**Division of Accounts and List of Indices/Ratios and basis of their calculation.**

(Reference :- Paragraph 1.1 and 1.46; pages 1 & 15)

Part A. Government Accounts

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

Part I: Consolidated Fund

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

Part II. Contingency Fund

The Contingency Fund created under Article 267(2) of the Constitution of India is in the nature of an imprest placed at the disposal of the Governor of the State to meet urgent unforeseen expenditure pending authorization from the State Legislature. Approval of the State Legislature is subsequently obtained for such expenditure and for transfer of equivalent amount from the Consolidated Fund to Contingency Fund. The corpus of this Fund authorized by the Legislature at the end of 2000-01 was Rs.0.35 crore.

Part III. Public Account

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

II. Form of Annual Accounts

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

Part B. List of Indices/ratios and basis for their calculation
(Referred to in paragraph 1.1 & 1.46; pages 1 & 15)

Indices/Ratios		Basis for calculation
Sustainability		
Balance from the current Revenue	BCR	Revenue Receipts <i>minus</i> all Plan Grants (under Major Head 1601-02,03,04, 05-) and Non-plan Revenue Expenditure
Primary Deficit		Fiscal deficit <i>minus</i> interest payment
Interest Ratio		Net Interest payment ÷ Revenue receipts <i>minus</i> Interest receipts
Capital Outlay vs Capital Receipts	Capital Outlay	Capital expenditure as per Statement No. 2 of the Finance Accounts.
	Capital receipts	Internal loans (net of ways and means advances) <i>plus</i> Loans and Advances from Government of India (excluding ways and means advances), <i>plus</i> net receipts from small savings, provident funds etc., <i>plus</i> Repayments received of loans advanced by the State Government <i>minus</i> loans advanced by the State Government.
Total tax receipts vs GSDP	GSDP	As furnished by the Addl. Director, Economics and Statistics Department, Nagaland upto 1997-98.
State tax receipts vs GSDP		
Flexibility		
Balance from current revenue		As above
Capital repayments vs Capital borrowings	Capital Repayments	Disbursements under Major Heads 6003 and 6004 <i>minus</i> repayments on account of Ways and Means Advances/Overdrafts under both the major heads.
	Capital Borrowings	Addition under Major Heads 6003 and 6004 <i>minus</i> addition on account of Ways and Means Advances/Overdraft under both the major heads
Incomplete projects		
Total Tax receipts vs GSDP	State Tax Receipts	Statement-10 of Finance Accounts
	Total Tax Receipts	State Tax receipts <i>plus</i> State's share of Union Taxes
Vulnerability		
Revenue Deficit		Paragraph No.1.34 of Audit Report
Fiscal Deficit		--do--
Primary Deficit vs Fiscal Deficit	Primary Deficit	Fiscal Deficit <i>minus</i> interest payments
Total outstanding guarantees including letters of comfort vs Total revenue receipts of the Government	Outstanding guarantees	Table below paragraph 1.8
	Revenue Receipts	Table No.1.14
Assets vs Liabilities	Assets and Liabilities	Table below paragraph 1.2
	Debt	Borrowings and other obligations at the end of the year (Statement No-3 of the Finance Accounts).

APPENDIX—II

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

(Reference:- Paragraph 2.7; page 26)

Sl No	Number and name of the grant/appropriation	Total grant/ appropriation	Total expenditure	Excess
(1)	(2)	(3) (Rs.)	(4) (Rs.)	(5) (Rs.)
Revenue Section (Voted).				
1.	13-Village Guards	5,51,51,000	5,69,66,980	18,15,980
2.	35-Medical, Public Health and Family Welfare	77,08,27,000	77,39,99,484	31,72,484
3.	37-Assistance to Municipalities and Development Works in Towns	21,72,000	1,00,00,000	78,28,000
4.	38-Information and Public Relation	7,18,01,000	7,18,05,220	4,220
5.	41-Labour	1,50,64,000	1,65,11,861	14,47,861
6.	49-Soil and Water Conservation	12,66,75,000	12,92,61,272	25,86,272
7.	58-Roads and Bridges	46,60,60,000	51,34,54,008	4,73,94,008
8.	59-Irrigation and Flood Control	12,80,36,000	12,83,17,418	2,81,418
9.	61-Back Ward Area Development Programme, Special Employment Programme and Special Development Programme	5,91,00,000	5,91,05,487	5,487
10.	64-Housing	15,40,38,000	20,25,02,141	4,84,64,141
11.	74-Mechanical Engineering	12,15,01,000	13,02,74,885	87,73,885
	Total Revenue (Voted)	197,04,25,000	209,21,98,756	12,17,73,756
Capital Section (Voted)				
1.	33-Youth Resources and Sports	134,00,000	162,13,000	28,13,000
2.	35-Medical, Public Health and Family Welfare	12,92,45,000	12,93,50,000	1,05,000
3.	41-Labour	3,50,000	150,64,000	147,14,000
4.	47-Weights and Measures	2,20,000	2,60,000	40,000
5.	50-Animal Husbandry and Dairy Development	89,85,000	89,95,239	10,239
6.	55-Power Projects	46,71,00,000	52,80,34,297	609,34,297
	57-Housing Loans	10,96,70,000	11,32,90,6000	36,20,600
	Total:- Capital (Voted)	72,89,70,000	81,12,07,136	822,37,136
Capital Section (Charged)				
1	76. Servicing of Debt.	13,51,28,96,000	3,82,70,04,902	31,41,08,902
	Total capital Section (Charged)	3,51,28,96,000	3,82,70,04,902	31,41,08,902
	Grand Total	621,22,91,000	673,04,10,794	51,81,19,794

APPENDIX—III

Statement showing grant wise Supplementary grants obtained proving unnecessary

(Reference :- Paragraph 2.10 (a); page 27)

Sl No	Number and name of the Grant	Supplementary grants obtained	Amount of savings
Revenue Section (Voted)		<i>(Rupees in lakh)</i>	
1.	1 State Legislature	27.51	36.64
2.	4 Administration and Justice	46.52	82.13
3.	5 Election	6.34	17.16
4.	6 State Excise	60.32	64.44
5.	8 Sales Tax	43.32	65.55
6.	9 Treasury and Accounts Administration	42.56	72.13
7.	16 State Guest House	60.33	102.13
8.	17 State Lotteries	7.86	158.05
9.	19 Solders, sailors & Airmen's Board	1.43	3.32
10.	21 Relief of Distress Couused by Natural Calamities	8.00	128.86
11.	27 Planning Machinery	317.10	423.41
12.	30 Administrative Training Institute	5.82	8.40
13.	32 Higher & Technical Education	550.20	579.62
14.	33 Youth Resources and Sports	0.91	50.04
15.	36 Urban Development	114.53	316.80
16.	40 Employment & Training	2.36	2.84
17.	50 Animal Husbandry & Diary Development	442.40	765.39
18.	54 Mineral Development	94.08	150.49
19.	60 Water Supply Schemes	211.02	558.14
20.	65 State Council of Educational Resource and Training	69.58	91.09
21.	69 Fire Service	33.14	62.95
		2145.63	3740.35
Revenue Section (Charged)			
1.	2 President/Vice President/Governor/ Administration of Union Territories	12.98	14.57
2.	76 servicing debt	767.48	793.36
	Total	2925.69	4548.28
Capital Section (Voted)			
1	36 Capital outlay on urban Development	27.00	33.23
	Total Capital Section (Voted)	27.00	33.23
	Grand Total	2952.69	4581.51

APPENDIX—IV

Details showing the supplementary grants obtained resulting in savings in each case exceeding Rs.10 lakh and above.
(Reference :- Paragraph 2.10 (b); page 27)

Sl No.	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
(Rupees in crore)						
Revenue Section (Voted)						
1.	1 State Legislature	4.43	0.28	4.62	4.25	0.37
2.	4 Administration of Justice	3.24	0.46	3.70	2.88	0.82
3.	5 Election	3.15	0.06	3.21	3.04	0.17
4.	7 State Excise	3.87	0.60	4.47	3.83	0.64
5.	8 Sales Tax	3.06	0.43	3.49	2.83	0.66
6.	11 District Administration, Special Welfare Scheme and Tribal Councils	23.19	6.33	29.52	28.11	1.41
7.	12 Treasury and Accounts Administration	6.19	0.43	6.62	5.89	0.73
8.	14 Jails	5.11	1.71	6.82	5.64	1.18
9.	15 Vigilance Commissioner	0.94	0.37	1.31	1.14	0.17
10.	16 State Just House	3.41	0.61	4.02	3.00	1.02
11.	17 State Lotteries	1.98	0.07	2.05	0.47	1.58
12.	21 Relief of Distress caused by Natural Calamities	2.05	0.08	2.13	0.84	1.29
13.	22 Civil Supplies	4.41	0.92	5.33	4.58	0.75
14.	25 Land Records and Survey	4.99	2.11	7.10	5.70	1.40
15.	26 Civil Secretariat	28.72	6.37	35.09	31.83	3.26
16.	27 Planning Machinery	36.00	3.17	39.17	34.94	4.23
17.	28 Civil Police	165.33	36.55	201.88	171.93	29.95
18.	29 Stationery and Printing	4.31	0.51	4.82	4.34	0.48
19.	31 School education	146.97	26.90	173.87	157.33	16.54
20.	33 Youth Resources and Sports	5.31	0.01	5.32	4.82	0.50
21.	36 Urban Development	6.07	1.14	7.21	4.04	3.17
22.	43 Social Security and Welfare	22.97	10.66	33.63	25.63	8.00
23.	45 Co-operation	3.35	5.41	8.76	4.60	4.16
24.	47 Weights and Measures	1.32	0.34	1.66	1.36	0.30
25.	48 Agriculture	24.83	5.58	30.41	29.66	0.75
26.	50 Animal Husbandry & Dairy Development	20.66	4.42	25.08	17.43	7.65

Appendix IV-contd.

Sl No	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
27	51 Fishery	4.21	1.21	5.42	5.07	0.35
28.	52 Forest	13.43	2.41	15.84	14.84	1.00
29.	54 Mineral Development	4.42	0.94	5.36	3.85	1.51
30.	55 Power	56.67	4.94	61.61	58.65	2.96
31.	56 Road Transport	12.59	3.75	16.34	14.77	1.57
32.	60 Water Supply Scheme	23.32	2.11	25.43	19.85	5.58
33.	62 Civil Administration Works	0.85	2.77	3.62	2.90	0.72
34.	63 Science Technology, Ecology & Environment & Training	0.46	3.35	3.81	0.57	3.24
35.	65 State Council of Educational Research & Training	2.67	0.69	3.36	2.45	0.91
36.	67 Home Guards	3.93	1.39	5.32	4.41	0.91
37.	68 Police Engineering Project	3.04	0.89	3.93	3.36	0.57
38.	69 Fire Service	3.46	0.33	3.79	3.16	0.63
39.	72 Wastel and Development	7.89	2.27	10.16	9.55	0.61
40.	73 State Institute of Rural Development	0.39	0.40	0.79	0.64	0.15
41.	76 Servicing of Debt	186.35	7.67	194.02	177.09	16.93
	Total Revenue (Voted)					
	Revenue Section (Charged)					
1.	2 Head of State	1.60	0.13	1.73	1.58	0.15
	Total Revenue					
	Capital Section (Voted)					
1.	22 Capital Outlay on Food Storage and Wore Housing	0.77	7.02	7.79	7.34	0.45
2.	31 Capital outlay on Education	2.80	32.39	35.19	8.04	27.15
3.	36 Capital outlay on Urban Development	3.42	0.27	3.69	3.36	0.33
4.	47 Capital outlay on Roads and Bridges	2.58	4.67	7.25	7.13	0.12
5.	43 Capital outlay on Social Security & Welfare	3.71	8.63	12.34	0.68	11.66
6.	45 Loans for Co-operative	0.14	22.42	22.56	6.72	15.84
7.	48 Capital outlay on Corp Husbandry	0.65	7.69	8.34	8.08	0.26
8.	52 Capital outlay on Forestry & Wildlife	0.60	0.69	1.29	0.89	0.40
9.	53 Capital outlay on Telecommunication & other Electronic	11.82	2.30	14.12	7.10	7.02
10.	58 Capital outlay on Roads and Bridges	43.16	20.19	63.35	21.80	41.55

Appendix IV - concluded.

Sl No	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
11.	60 Capital outlay on Water Supply & Sanitation	29.02	31.60	60.62	41.90	18.72
12.	64 Capital outlay on Public Works Housing	11.65	7.54	19.19	8.32	10.87
13	74 Capital outlay on Roads and Bridges	1.29	1.18	2.47	0.17	2.30
	Total Capital (Voted)					
	Grand Total	972.66	297.36	1270.02	1004.38	265.64

APPENDIX-V
Details showing inadequate Supplementary Grant Provision
(Reference :- Paragraph 2.10 (c);page 27)

(Rupees in crore)

Sl. No.	Number and name of Grant	Original Grants	Supplementary	Total	Expenditure	Excess
	Revenue Section (Voted)					
1.	13 Village Guards	2.71	2.81	5.52	5.70	0.18
2.	35 Medical and Public Health	69.94	7.14	77.08	77.40	0.32
3.	37 Assistance to Municipalities & Development works in Town	0.13	0.09	0.22	1.00	0.78
4.	41 Labour	1.39	0.12	1.51	1.65	0.14
5.	49 Soil and Water Conservation	11.79	0.88	12.67	12.93	0.26
6.	64 Housing	13.23	2.17	15.40	20.25	4.85
7.	74 Mechanical Engineering	11.15	1.00	12.15	13.03	0.88
	Capital Section					
8.	55 Power	29.78	16.93	46.71	52.80	6.09
9.	57 Housing Loans	9.85	1.12	10.97	11.33	0.36
	Total	149.97	30.06	182.23	196.09	13.86

APPENDIX—VI
Statement showing persistent savings during 1998-99 to 2000-2001

(Reference:- Paragraph 2.11, page 27)

Serial number	Number and name of the grant	Savings in lakh of rupees (Percentage of savings)		
		1998-99	1999-2000	2000-2001
(1)	(2)	(3)	(4)	(5)
Revenue Section (Voted)				
1.	12- Treasury and Accounts Administration	81.72 (14)	88.76 (15)	72.90 (11)
2.	33- Youth Resources and Sports	220.85 (37)	111.09 (18)	50.03 (10)
Capital Section (voted)				
3.	25- Land Records and Survey	20.00 (100)	22.75 (100)	22.75 (100)
4.	51- Fisheries	25.50 (62)	23.00 (56)	27.00 (66)
5.	52- Forest	68.10 (100)	68.10 (100)	39.85 (31)
6.	64- Housing	569.59 (45)	641.56 (51)	1086.50 (57)

APPENDIX—VII

Details showing significant cases of excess expenditure during 2000-2001

(Reference:- Paragraph 2.12 (a) ; page 27)

Sl No	Number and name of the grant	Amount of excess (Rupees in lakh) (percentage of excess)	Reasons for excess
	Revenue Section (Voted)		Reasons for excess expenditure were awaited (January 2002)
1.	37 Assistance to Municipalities and Development works of Town	78.28 (360)	
2.	58 Roads and Bridges	473.94 (10)	
3.	64 Housing	484.64 (31)	
	Capital Section (Voted)		
4.	41 Labour	147.14 (4204)	
5.	55 Power	609.34 (13)	

APPENDIX—VIII

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

(Reference:-Paragraph 2.12 (b), page 27)

Sl No	Number and name of the grant	Amount of savings in lakh of rupees (percentage of savings)	Reasons for savings
	Revenue Section (Voted)		Reasons for saving had not been communicated in any of these cases
1.	4 Administration of Justice	82.14 (15)	
2.	7 State Excise	64.44 (14)	
3.	8 Sales Tax	65.55 (19)	
4.	12 Treasury and Accounts Administration	72.90 (11)	
5.	14 Jail	118.44 (17)	
6.	16 State Guest House	102.13 (25)	
7.	17 State Lotteries	158.04 (77)	
8.	21 Relief of distress caused by Natural Calamities	128.86 (60)	
9.	22 Civil Supplies	75.01 (14)	
10.	25 Land Records and Survey	139.69 (20)	
11.	27 Planning Machinery	423.41 (11)	
12.	28 Civil Police	2995.46 (15)	
13.	32 Higher and Technical Education	579.62 (21)	
14.	36 Urban Development	316.80 (44)	
15.	39 Tourism	139.81 (37)	
16.	42 Rural Development	5566.32 (65)	
17.	43 Social Security and Welfare	800.75 (24)	
18.	45 Co-operation	415.88 (47)	
19.	50 Animal Husbandry & Diary Development	765.39 (31)	
20.	53 Industries	286.34 (11)	
21.	54 Mineral Development	150.49 (28)	
22.	60 Water Supply Scheme	558.14 (22)	

APPENDIX—VIII concluded.

Sl No	Number and name of the grant	Amount of savings in lakh of rupees (percentage of savings)	Reasons for savings
23.	62 Civil Administration Works	71.77 (20)	Reasons for saving had not been communicated in any of these cases
24.	63 Science, Technology, Ecology & Environment	324.07 (85)	
25.	65 State Council of Educational Research and Training	91.09 (27)	
26.	67 Home Guards	91.06 (17)	
27.	68 Police Engineering Project	57.22 (15)	
28.	69 Fire Service	62.95 (17)	
29.	70 Horticulture	95.80 (11)	
30.	75 Police telecommunication Organisation	291.69 (25)	
Capital Section Voted			
31.	14- Jails	58.07 (91)	
32.	25 Land Records and Survey	139.69 (20)	
33.	31 School Education	2715.51 (77)	
34.	43 Social Security and Welfare	1166.44 (94)	
35.	45 Co-operation	1584.49 (70)	
36.	56 Roads Transport	106.48 (70)	
37.	60 Water Supply Scheme	1872.22 (31)	
38.	62 Civil Administration Works	225.41 (50)	
39.	64 Housing	1086.51 (57)	
40.	68 Police Engineering Project	804.99 (49)	

APPENDIX—IX

Details showing available savings not surrendered

(Reference:-Paragraph 2.13, page 27)

Sl No.	Number and Name of Grant	Amount of savings (Rupees in crore)
(1)	(2)	(3)
Revenue Section (Voted)		
1.	11 District Administration Special Welfare scheme and Tribal Councils	1.42
2.	27 Planning Machinery	4.23
3.	28 Civil Police	29.95
4.	31 School Education	16.54
5.	32 Higher and Technical Education	5.80
6.	43 Social Security and Welfare	8.01
7.	50 Animal Husbandry and Dairy Development	7.65
8.	52 Forest	1.00
9.	55 Power	2.96
Total		77.56
Revenue Section (Charged)		
10.	76- Servicing of Debt	16.93
Capital section (Voted)		
11.	31 School Education	27.16
12.	43 Social Security and Welfare	11.66
13.	64 Housing	10.87
Total		49.69
Grand Total:-		144.18

APPENDIX—X

Details showing surrender in excess of savings

(Reference:- Paragraph 2.14; page 27)

Sl No.	Number and name of grant	Amount of savings	Amount surrendered	Final excess
Revenue (Voted)				
<i>(Rupees in lakh)</i>				
1.	4 Administration of Justice	82.14	84.74	2.60
2.	5 Election	17.16	24.57	7.41
3.	12 Treasury & Accounts Administration	72.90	73.77	0.87
4.	14 Jails	118.44	184.52	66.08
5.	15 Vigilance Commission	16.97	25.40	8.43
6.	22 Civil Supplies	75.02	78.72	3.70
7.	29 Stationery and Printing	48.09	50.26	2.17
8.	39 Tourism	139.81	140.41	0.60
9.	45 Co-operation	415.88	417.48	1.60
10.	53 Industries	186.34	611.90	325.56
11.	66 Sericulture	5.95	29.14	23.19
Total		1278.70	1720.91	442.21
Capital Section (Voted)				
12.	60 Water Supply Schemes	1872.22	2392.65	520.43
13.	70 Horticulture	3.90	10.00	6.10
Total Capital Section		1876.12	2402.65	526.53
Grand Total:-		3154.82	4123.56	968.74

APPENDIX-XI
Statement showing drawal of Abstract Contingent Bills by various DDOs
(Reference: Paragraph 2.20 ; page 28)

Sl. No.	Month	Voucher Number	Amount	Name of the Department	Name of the DDO
(1)	(2)	(3)	(4)	(5)	(6)
1.	5/99	30	1,55,000	PWD (R&B)	Chief Engineer, PWD (R&B), Kohima
2.	5/99	21,28,29	8,17,057	Transport & Communication	General Manager, NST, Dimapur
3.	7/99	2	4,000	Home Department	Addl. Deputy Commissioner Tuensang
4.	8/99	1	5,000	- do -	Addl. Deputy Commissioner, Phek
5.	8/99	2	1,000	- do -	Sub-Divisional Officer (C) Chazuba
6.	8/99	3	5,000	- do -	Deputy Commissioner, Phek
7.	12/99	19	14,00,000	Civil Secretariat	Addl. Secretary, CM's Secretariat., Kohima
8.	8/2000	3	9,000	Home Department	Deputy Commissioner, Mokokchung
9.	8/2000	1	9,000	- do -	Deputy Commissioner, Kohima
10.	2/2000	1	2,000	- do -	Addl. Deputy Commissioner, Khiphire
11.	1/2000	1	3,000	- do -	Addl. Deputy Commissioner, Aboi
12.	8/2000	2	4,000	- do -	Addl. Deputy Commissioner, Aboi
13.	8/2000	1	4,000	- do -	Addl. Deputy Commissioner, Noklak
14.	9/99	10	9,000	- do -	Addl. Deputy Commissioner, Tuli
15.	8/2000	1	2,000	- do -	Addl. Deputy Commissioner, Tuli
16.	8/2000	1	4,000	- do -	Addl. Deputy Commissioner, Niuland
17.	8/2000	2	4,000	- do -	Addl. Deputy Commissioner, Mangkolemba
18.	2/2000	B/80	6,000	- do -	Addl. Deputy Commissioner, Pfutseru
19.	2/2000	V-2	4,000	- do -	Addl. Deputy Commissioner, Wokha
20.	2/2000	---	3,000	- do -	Addl. Deputy Commissioner, Longkhim
21.	3/99	1	4,000	- do -	Addl. Deputy Commissioner, Tizit
22.	8/2000	1	4,000	- do -	Addl. Deputy Commissioner, Tabu
23.	8/2000	1	1,000	- do -	Addl. Deputy Commissioner, Chazuba
24.	8/2000	1	4,000	- do -	Extra Assistant Commissioner, Niuland, Dimapur
25.	3/2000	76	3,44,000	- do -	Extra Assistant Commissioner, Niuland Dimapur
26.	3/2000	76	8,000	- do -	Extra Assistant Commissioner, Peren
27.	3/2000	76	4,000	- do -	Extra Assistant Commissioner, Phek

Appendix XI concluded.

Sl. No.	Month	Voucher Number	Amount	Name of the Department	Name of the DDO
(1)	(2)	(3)	(4)	(5)	(6)
28.	8/2000	1	3,000	Home Department	Sub-Divisional Officer (C), Changtongia
29.	2/2000	3	17,000	- do -	Sub Divisional Officer (C), Tuensang
30.	2/2000	2	2,000	- do -	Sub Divisional Officer (C), Akulato
31.	2/2000	1	2,000	- do -	Sub Divisional Officer (C), Naginimora
32.	2/2000	2	2,000	- do -	Sub Divisional Officer (C), Meluri
33.	2/2000	1	4,000	- do -	Sub Divisional Officer (C), Zunheboto
34.	8/99	1	5,000	- do -	Sub Divisional Officer (C), Zhuneboto
35.	2/2000	27	85,000	Transport & Communication	Dy Secretary, Transport & Communication, Kohima
36.	3/2000	82	68,480	Veterinary & Animal Husbandry	Principal V.F.A. Training Institute, Medziphema
37.	3/2000	3	6,50,000	Education Department	Special Officer, Directorate of Higher & Technical Education, Kohima
		Total:-	36,57,537		

APPENDIX - XII

Statement showing expenditure incurred under TB Control Programme against Urban, Rural and TB Hospitals.

(Reference: Paragraph 3.2.4;page 39)

(Rupees in lakh)

Year	Sector	Budget Provision				Expenditure				Receipt & Expenditure against CSS Programme		
		Urban	Rural	TB Hospital	Total	Urban	Rural	TB Hospital	Total	Receipt cash	Expenditure	Receipt in kind
1996-97	Non-Plan	65.63	2.24	---	67.87	71.93	2.24	66.78	140.95	---	---	---
	Plan	28.50	---	---	28.50	19.69	---	---	19.69	---	---	3.21
1997-98	Non-Plan	72.88	2.73	37.06	112.67	22.44	12.06	73.46	107.96	---	---	---
	Plan	18.55	---	1.00	19.55	1.09	---	---	1.09	1.57	1.56	1.80
1998-99	Non-Plan	90.80	3.46	114.41	208.67	52.07	0.99	81.84	134.90	---	---	---
	Plan	18.55	---	1.85	20.40	14.14	---	---	14.14	1.81	1.81	---
1999-2000	Non-Plan	102.42	4.06	128.75	235.23	97.32	3.47	90.92	191.71	---	---	---
	Plan	23.09	22.96	1.00	47.05	20.85	6.45	---	27.30	2.60	2.60	---
2000-2001	Non-Plan	105.30	4.18	128.02	237.50	71.02	---	135.40	206.42	---	---	---
	Plan	23.09	22.96	---	46.05	10.69	---	---	10.69	10.69	10.69	12.89
Total	Non-Plan	437.03	16.67	408.24	861.94	314.78	18.76	448.40	781.94	---	---	17.90
	Plan	111.78	45.92	3.85	160.55	66.46	6.45	---	72.91	--	--	--
Grant Total		548.81	62.59	412.09	1022.49	381.24	25.21	484.40	854.85	16.67	16.66	17.90

APPENDIX - XIII
Statement showing Government of India grants in aid to TB Societies and expenditure thereagainst.
(Reference: Paragraph 3.2.7; page 40)

(Rupees in lakh)

(A) State TB Centre Societies Staff Component														
		MO	IEC Officer	DEO	Driver	Sectl. Staff	Equipment	Computer	Photo copier	Fax machine	Year	Total	Expenditure	Balance
1999-2000	9/3/99	---	---	---	---	---	---	---	1.10	0.16	1999-	1.26	1.26	---
	31/3/99	0.80	.80	.50	.50	.050	0.46	2.10	---	---	2000	5.66	2.25	3.41
												6.92	3.51	

(B) District TB Societies															
	Date of registration	Civil works	Labratory construction	Training	Publicity	Comput-er	Vehicle.		Prin-ting.	Misc	Contract-ual service	Total		Expdt.	Balance
							Purchase	Mainte-nance							
Kohima	22/2/99	3.50	0.75	3.75	0.25	---	4.10	0.48	1.25	0.63	1.45	1999-00=12.06 2000-01=04.10	16.16	---	16.16
Mokokchung	- do -	1.90	0.75	1.02	0.10	1.80	4.10	---	0.50	0.13	0.85	2000-01	11.15	4.65	6.50
Mon	4/11/2000	2.30	0.30	0.70	0.10	---	4.10	0.36	0.50	0.50	1.05	2000-01	9.91	---	9.91
Tuensang	24/11/2000	2.50	0.60	1.62	0.20	---	4.10	0.36	1.00	0.50	1.05	2000-01	11.93	NA	
Wokha	1/2/2001	1.90	0.15	0.88	0.05	---	4.10	0.36	0.25	0.50	1.05	2000-01	9.24	NA	
Zunheboto	1/9/2001	2.10	0.23	0.61	0.08	---	4.10	0.36	0.38	0.50	1.05	2000-01	9.41	NA	
Phek	19/01/2001						4.10					2000-01	4.10	NA	
												1999-00=12.06			
	TOTAL	14.20	2.78	8.58	0.78	1.80	28.70	1.92	3.88	2.76	6.50	2000-01=59.84	71.90	4.65	32.57

APPENDIX - XIV

**Statement showing detection of TB patients and treatment thereof in Nagaland.
(Reference: Paragraph 3.2.12; page 41)**

Year	Case detection				Treatment		State report	
	Population of the State (1991 census) (in lakh)	New cases		Percentage	No. of cases brought under treatment	Per cent of cases brought under treatment to total cases (7 to 4)	No. of cure cases	No. of death cases
		Targets	achievements		New			
1	2	4	6	7	9	10	11	12
1996-97	12.10	1250	1350	108	750	55.55	NA	24
1997-98		1934	1626	84.07	991	60.95	NA	15
1998-99		1934	2380	123.06	997	41.89	NA	10
1999-2000		740	643	86.84	413	64.23	NA	4
2000-01		1251	144	11.51	NA	NA	NA	NA
Total		7109	6143	86.41	3151			

APPENDIX - XV
Statement showing discrepant reporting of TB detection and treatment cases.
(Reference: Paragraph 3.2.16; page 42)

(a) Case detection

Date of report	Year	Examination		T B cases detection									
				Sputum + Ve		X-ray + Vc		Extra pulminery		Others		Total	
				Sputum	x-ray	Old	New	Old	New	Old	New	Old	New
16/10/2000	1997-98	1581	NA	NA	151	NA	NA	NA	NA	NA	1380	NA	1531
	1998-99	2513	NA	NA	498	NA	NA	NA	NA	NA	1302	NA	1800
	1999-2000	2189	NA	NA	628	NA	NA	NA	NA	NA	1350	NA	1978
August 2001	1999-00 DTC	New 2306	New 2449	NA	868	NA	2187	NA	185	---	---		3240.
	PHI=Nil	Old 1616	Old 963										
As per data furnished by Headquarter office (CAG)	1996-97	- Breakup not furnished -										NA	1350
	1997-98											NA	1626
	1998-99											NA	2380
	1999-2000											NA	643

(b) Treatment status (i) Conventional at 3 DTCS (Mon, Zunheboto and Tuensang)

	Year	Old cases			New cases	Total
		Retreatment	Charge from other family	Transfer from other centre		
As per data furnished by Headquarter office	1996-97	NA	NA	NA	750	750
	1997-98	NA	NA	NA	991	991
	1998-99	NA	NA	NA	997	997
	1999-2000	NA	NA	NA	413	413
As per report furnished by STO to audit (August 2001)	1996-97 to 1998-99/	NA	NA	NA		
	1999-2000	18,029	85	51	1424	19,589

(ii) Short course of chemotherapy

	Year	New cases	Treatment completed
As per report furnished by STO to audit (August 2001)	1999-2000	303	60

APPENDIX - XVI
Statement showing component wise expenditure on AIDS control programme
(Reference: Paragraph 3.3.6; page 47).

(Rupees in lakh)

Sl. No.	Components		1996-97	1997-98	1998-99	Total 1996-99	1999-2000	2000-01	Total 1999-2001	Total 1996-2001
1.	Programme Management	Receipts	---	---	---	---	142.10	39.10	181.60	---
		Expenditure	16.91	24.37	24.70	65.98	97.51	36.49	134.00	199.98
2.	Blood safety	Receipts	---	---	---	---	12.40	14.43	26.83	---
		Expenditure	6.95	5.23	11.50	23.68	14.32	24.34	38.66	62.34
3.	IEC and Condom Promotion	Receipts	---	---	---	---	101.00	93.00	194.00	---
		Expenditure	93.25	121.05	166.40	380.70	125.04	64.54	189.58	570.28
4.	Sentinel surveillance	Receipts	---	---	---	---	5.10	2.84	7.94	7.94
		Expenditure	4.71	6.00	5.00	15.71	4.00	3.16	7.16	22.87
5.	STD clinic	Receipts	---	---	---	---	16.00	5.00	21.00	---
		Expenditure	10.53	9.49	14.36	34.38	25.00	3.26	28.26	62.64
6.	Training	Receipts	---	---	---	---	54.00	48.33	102.33	---
		Expenditure	42.70	10.00	30.00	82.70	42.30	37.59	79.89	162.59
7.	Civil Works	Receipts	---	---	---	---	48.00	6.30	54.30	---
		Expenditure	---	---	---	---	55.00	4.01	59.01	59.01
8.	Others	Receipts	---	---	---	---	1.00	41.50	42.50	---
		Expenditure	---	---	---	---	15.90	13.99	29.89	29.89
	Total	Receipts	190.00	155.00	227.00	572.00	380.00	250.50	630.50	1202.50
		Expenditure	175.05	176.14	251.96	603.15	379.07	187.38	566.45	1169.60
	Excess (+) Savings (-)		(-)14.95	(+)21.14	(+)24.96	(+)31.15	(-)0.93	(-)63.12		(-)32.90

Closing balance = Opening balance as on 1 April 1996. Rs.10.33 lakh
Savings 1996-2001. Rs.32.90 lakh
Over drawal by DHS & incorporated
in accounts against central assistance. Rs.20.86 lakh
Total:- Rs.64.09 lakh

APPENDIX - XVII
Statement showing programme wise breakup expenditure
(Reference: Paragraph 3.3.6; page 47).

(Rupees in lakh)

Component	Year	Funds released by NACO	Expenditure	Percentage of expenditure
Priority Targetted Intervention against HIV/AIDS	1999-2000	116.50	98.12	84.22
	2000-2001	95.60	53.51	55.97
Preventive Intervention for General Community	1999-2000	83.40	120.12	144.03
	2000-2001	57.43	53.31	92.83
Institutional Strengthening	1999-2000	143.10	135.83	94.92
	2000-2001	90.47	77.24	85.57
Low cost AIDS care	1999-2000	33.00	20.00	60.61
	2000-2001	5.00	3.26	65.20
Intersectoral Collaborates	1999-2000	4.00	5.00	125.00
	2000-2001	2.00	0.06	3.00
Total	1999-2000	380.00	379.07	99.76
	2000-2001	250.50	187.38	74.80
Grant Total		630.50	566.45	89.84

APPENDIX - XVIII

**Statement showing population covered under sentinel surveillance
(Reference: Paragraph 3.3.14 and 3.3.17; page 49).**

Year	Adult population above 12 years	IVDU			STD			ANC			Total			PC of population covered in survey to adult population
		Total	HIV+Ve	P.C.	Total	Positive	P.C.	Total	Positive	P.C.	Total	Positive	P.C.	
1996	10.02 lakh	100	30	30	400	12	3	---	---	---	500	42	8.4	0.05
1997		100	21	21	---	---	---	---	---	---	100	21	21	0.01
1998		250	45	18	311	15	4.8	1486	12	0.81	2047	72	3.52	0.20
1999		119	9	7.5	250	11	4.4	1463	27	1.85	1832	47	2.56	0.18
2000		128	8	6.25*	201	14	6.96	1536	25	1.63	1845	47	2.52	0.19

* According to NACO records the figures for IVDU and ANC are 7.03 and 1.35.

APPENDIX - XIX

**Statement showing budget provision and expenditure on Leprosy Eradication Programme (As per Appropriation Accounts).
(Reference: Paragraph 3.4.7; page 53)**

Year		State budget provision			Expenditure		
		Urban	Rural	Total	Urban	Rural	Total
1996-97	Non-Plan	82.56	2.46	85.02	106.65	0.13	106.78
	Plan	9.00	---	9.00	22.65	---	22.65
1997-98	Non-Plan	91.55	2.75	94.30	45.09	---	45.09
	Plan	13.84	---	13.84	1.84	---	1.84
1998-99	Non-Plan	114.21	3.48	117.69	122.01	5.26	127.27
	Plan	17.56	---	17.56	5.82	---	5.82
1999-2000	Non-Plan	128.95	4.07	133.02	157.92	5.88	163.80
	Plan	22.40	---	22.40	33.12	---	33.12
2000-2001 ¹	Non-Plan	---	---	---	---	---	---
	Plan	---	---	---	---	---	---
Total	Non-Plan	417.27	12.76	430.03	431.67	11.27	442.94
	Plan	62.80	---	62.80	63.43	---	63.43
		480.07	12.76	492.83	495.10	11.27	506.37

¹ Accounts for 2000-2001 have not yet been compiled.

APPENDIX - XX

**Statement showing status of Leprosy patient as per survey (Lep) of March 2000
(Reference: Paragraph 3.4.12; page 54)**

District	Population	No. of cases on records	Released from treatment	Cases under treatment as on March 2000	IR² (³/₂) per 10,000	PR as of March 2000 Per 10,000 (⁵/₂)
1	2	3	4	5	6	7
Kohima including Dimapur	5,00,000	729	688	41	14.58	0.82
Mokokchung	2,10,000	71	68	3	03.38	0.14
Tuensang	3,00,000	558	551	7	18.6	0.23
Mon	2,22,000	994	987	7	44.77	0.32
Phek	1,01,823	5	5	0	0.49	---
Wokha	1,70,000	61	58	3	3.59	0.18
Zunheboto	1,95,000	68	65	3	3.48	0.15
Total	16,98,823	2486	2422	64	14.63	0.38

² IR= Incident Rate.
PR= Prevalance Rate.

APPENDIX - XXI

**Statement showing Receipt and Distribution of MDT drugs.
(Reference: Paragraph 3.4.17; page 55)**

year	MB(A)		MB(C)		PB(A)		PB(C)		ROM	
	Total qty received from GOI	Total qty issued to districts	Total qty. received from GOI	Total qty. issued to districts	Total qty. received from GOI	Total qty. issued to districts	Total qty. received from GOI	Total qty. issued to districts	Total qty. received from GOI	Total qty. issued to districts
1996-97	6000	6000	5000	5000	---	---	1000	1000	---	---
1997-98	---	---	456	456	456	456	---	---	---	---
1998-99	2074	1162	2074	1162	7000	7000	500	500	500	450
1999-2000	---	---	2000	1000	2500	2100	1000	---	---	---
2000-2001	5000	1000	---	---	4000	2000	---	---	---	---
Total	13074	8162	9530	7618	13956	11556	2500	1500	500	450
Qty. not issued	4912		1912		2400		1000		50	

APPENDIX - XXII

**Statement showing inadequate availability and loss of arms and ammunition
(Reference: Paragraph 3.5.17 and 3.5.22 ; page 62 & 63)**

Field unit	Sl. No.	Type of arms & ammunition lost	Arsenal No.	Quantity	Value involved		Date & year of occurrence	Action taken by the department	Remarks (stage of case)
					Rate per unit Rs.	Amount Rs.			
1	2	3	4	5	6	7	8	9	10
Superintendent of Police Kohima	1.	Sten Gun	64968	1	14999	14999	6/5/1997	Case No.066197 u/s 392 IPC dt. Nil -do- -do-	Pending
	2.	Sten Gun Magazine	Not available (NA)	1	487	487	-do-		-do-
	3.	9mm ammunition	---	15 rounds	12.60	189	-do-		-do-
	4.	Sten Gun M.K.II	F.P. 86492	1	14999	14999	15/8/1996	Case No.0098-96-u/s 409 IPC dt. Nil	-do-
	5.	Sten gun magazine	N.A.	2	487	974	7/3/1997	Case No.037/97 u/s 449/325/307/302 IPC dt.Nil	-do-
	6.	9mm ammunition	-	29rounds	12.60	365	-do-		-do-
	7.	303 Rifles-MK-I	N.A.	2	15840	31680	20/9/1999	Case No.159/99 u/s 395/397 IPC date Nil	-do-
Commandant 1 st Nagaland Amed Police Battalion (1 st NAPB) Chumukidema	8.	Sten Gun	57497	1	14999	14999	15/7/1996	N.A	-do-
	9.	Sten Gun Magazine	N.A.	5	487	2435	-do-	-do-	-do-
	10.	9mm ammunition	---	35 rounds	12.60	441	-do-	-do-	-do-
	11.	303 Rifles MK-III	33589	1	15840	15840	-do-	-do-	-do-
	12.	303 BDR. Ammunition	---	50 rounds	29.34	1467	-do-	-do-	-do-
	13.	303 Rifles MK-III	37813	1	15840	15840	-do-	-do-	-do-
	14.	303BDR ammunition	---	50 rounds	29.34	1467	-do-	-do-	-do-
	15.	303 Rifles MK-I	3785	1	15840	15840	-do-	-do-	-do-
	16.	303BDR ammunition	---	50 rounds	29.34	1467	-do-	-do-	-do-
	17.	303 Rifles MK-III	38758	1	15840	15840	-do-	-do-	-do-
	18.	303BDR ammunition	---	50 rounds	29.34	1467	-do-	-do-	-do-
	19.	303 Rifles MK-I	H.38098	1	15840	15840	7/10/1996	Case No.147/96 U/S 380 IPC date 12/11/1996	-do-

APPENDIX – XXII (concluded).

1	2	3	4	5	6	7	8	9	10
Commandant 6 th NABP, Tizit	20.	9mm Sten Gun	N.A	1	14999	14999	20/7/1997	Case No.076/97 U/S 380/ 409 IPC R/W 7(B)(f) dated Nil	-do-
	21.	Sten Gun Magazine	-do-	2	487	974	-do-		-do-
	22.	9mm ammunition	---	35 rounds	12.60	441	-do-		-do-
	23.	303 Rifles MK-III	N.A.	1	15840	15840	-do-	-do-	-do-
	24.	303 BDR ammunition	---	5 rounds	29.34	147	-do-	-do-	-do-
	25.	7.62 SLR Magazine	N.A.	3	385	1155	14/6/1998	N.A	-do-
	26.	7.62 SLR BDR ammunition	---	110 rounds	18.27	2010	-do-	N.A	-do-
27.	303 Rifles MK-I	95-C-6724	1	15840	15840	30/10/2000	N.A	-do-	
Inspector General of Police (INT/CID), Nagaland, Kohima	28.	9mm Carbine	SS-1345	1	16079	16079	1996	Case No.0262/96 U/S 392/34 IPC dt. Nil	-do-
	29.	9mm Carbine	QQ-6414	1	-do-	16079	2000	Case No.19/2000 U/S 381/IPC dt. Nil	-do-
	30.	9mm Carbine	QQ-6738	1	-do-	16079	1999	Case No.223/99 U/S 395/398 R/W 7/8 NSR dt. 26/11/99	-do-
	31.	AK-47 Rifles	4781-63	1	7000	7000	1998	Case No.0047/98 dt. 8/4/98	-do-
	32.	AK-47 Rifles	0772-62	1	7000	7000	1999	Case No.0001/99 U/S 302/ 207/325/297/120,134 IPC dt. 28/11/1999	-do-
	33.	AK-47 Rifles	6342-62	1	7000	7000	2000	Case No.0213/2000 U/S 380 IPC dt. Nil	-do-
	34.	9mm Pistol	1610-4644	1	21469	21469	2000	Case No.622/2000 U/S 379 IPC dt. Nil	-do-
		Total:-				3,08,748			

APPENDIX XXIII

**Statement showing yearwise Budget Provision and expenditure of the Department during 1998-99 to 2000-01
(Reference: Paragraph 4.3.4; page 107)**

A - NON - PLAN

Year	Original	Supplementary	Re-appropriation	Total	Actual expenditure	(-) Saving (+) Excess	Percentage
(Rupees in crore)							
1	2	3	4	5	6	7	8
1998-99	58.95	1.48	---	60.43	62.88	(+)2.45	4
1999-2000	58.73	5.38	(-)0.26	63.85	73.92	(+)10.07	16
2000-2001	66.29	7.87	---	74.16	84.62	(+)10.46	14
Total:-	183.97	14.73	(-) 0.26	198.44	217.28	(+)18.84	
B - PLAN							
1998-99	41.60	1.40	(-)3.64	39.36	32.61	(-)6.75	17
1999-2000	41.60	18.45	(-)1.55	58.50	41.88	(-)16.62	28
2000-2001	56.10	28.91	---	85.01	30.30	(-)54.71	64
Total:-	139.30	48.76	(-)5.19	182.87	143.10	(-)39.77	

Source: Appropriation Accounts

APPENDIX-XXIV

**Statement showing loss of revenue due to closure of business of the firm and non-compliance of notice issued to the firm under Trial Case (under Superintendent of Taxes, Ward 'B')
(Reference: Paragraph 6.1.4.1; page 136)**

Sl. No.	Name of the firm under trial case	Date of Inspector's reports	Trial case No.	Date of commencement of business	Liability of tax w.e.f.	Daily average sale (Rs.)	Gross turnover		Rate of tax (per cent)	Amount of tax (Rs.)	Remarks
							Year	Amount (Rs.)			
1.	M/s Mukesh Store	16/12/1998	B/TRL/M-26	5/7/1989	5/7/1989	1,200 to 1,500 Average is 1,350	1989-90	(-) 50,000 3,64,500	4	12,096	IT's report dated 30/5/2000 states that the owner has closed his business and the proceeding was closed on 31/5/2000 (Deals in R.M. Garments and Hosieries)
							1990-91 to 1999-2000	49,27,500	4	1,89,519 2,01,615	
2.	M/s Popular Shoes	19/2/1999	B/TRL/P-14	16/7/1998	16/7/1998	500	1998-99	(-) 50,000 1,29,500	6	4,500	IT's report dated 15/6/2000 stated that the business is no longer in existence and proceedings was closed on 16/6/2000 (Deals in shoes, chappals and Socks)
							1999-2000	1,82,500	6	10,330 14,830	
3.	M/s Ashish Chowdhury Furniture	12/8/1998	B/TRL/A-17	July 1995	July 1995	300	1995-96	82,125 (-) 50,000	12	3,442	IT's report dated 15/6/2000 stated that the business is no longer in existence and the proceedings was closed on 16/6/2000 (Deals in wooden furniture)
							1996-97 to 1999-2000	4,38,000	12	46,929 50,371	
4.	M/s Lucky Dress	26/2/1998	B/TRL/L-13	2/4/1998	2/4/1998 to 30/6/1999	500	1998-99	1,82,500 (-) 50,000	4	5,096	IT's report dated 8/9/1999 stated that the dealer closed down business in July 1999 and left Dimapur and the proceedings was closed on 12/9/1999 (Deals in RMG, Hosiery and cosmetics)
							1999-2000	45,625	4	1,755 6,851	
5.	M/s Audio Truck	23/8/1994	B/TRL/A-13	11/7/1994	11/7/1994 to Dec. 1995	1,000	1994-95	2,64,000 (-) 50,000	12	22,929	IT's report dated 28/4/1999 stated that the proprietor closed in early part of 1996 and left Dimapur and the proceedings was closed (Deals in radio, tape recorder, parts and accessories)
							1995-96 (upto 12/95)	2,73,750	12	29,330 52,259	
6.	M/s Delhi Varieties	30/4/1998	B/TRL/D-10	Dec. 1994	Dec. 1994	800	1994-95	(-) 50,000 97,333	6	2,679	Notice U/S 15(2) dated 14/1/2000 was last issued for submission of return from 1994-95 to 1999-2000 but the dealer refused to accept the notice: No further proceedings initiated (Deals in leather bags, cosmetics, photo album and plastic goods)
							1995-96 to 1999-2000	14,60,000	6	82,642 85,321	
7.	M/s Rupan furniture	12/8/1998	B/TRL/R-17	Jan. 1997	Jan. 1997	200	1997-98	(-) 50,000 73,000	12	2,464	IT's report dated 6/6/2000 stated that the dealer closed business in November 1999 and left Dimapur and the proceedings was closed (Deals in wooden furniture)
							1998-99	73,000	12	7,821	
							1999-2000 (upto 10/99)	42,583	12	4,562 14,847	

APPENDIX-XXIV CONCLUDE.

8.	M/s Salim Garments	18/2/1999	B/TRL/S-66	2/12/1998	2/12/1998	600	1998-99	(-) 50,000 73,000	4	885	Did not comply with last notice U/S 15(2) dated 18/5/2000. No further action initiated after that (Deals in RMG and hosiery).
							1999-2000	2,19,000	4	8,423	
										9,308	
9.	M/s Abdul Haziz and Brothers	24/2/1999	B/TRL/A-27	1/5/1997	1/5/1997	300	1997-98	1,00,375 (-) 50,000	6	2,851	Did not comply with the last notice dated 26/5/2000 for submission of return. Thereafter, no action was initiated (Deals in shoes and chappals).
							1998-99	1,09,500	6	6,198	
							1999-2000	1,09,500	6	6,198	
										15,247	
10.	M/s Ajanta Dresses	30/11/1998	B/TRL/A-19	1996	1996	400	1996-97 to 1999-2000	5,84,000 (-) 50,000	4	20,538	Did not comply with last notice dated 26/5/2000 for submission of return. No further action initiated after that (Deals in readymade garments).
11.	M/s Anjali Dresses	30/11/1998	B/TRL/A-18	25/2/1997	25/2/1997	500	1997-98	(-) 50,000 1,82,500	4	5,096	Did not comply with the last notice dated 20/9/1999. No further proceedings initiated (Deals in readymade garments).
							1998-99	1,82,500	4	7,019	
							1999-2000	1,82,500	4	7,019	
										19,807	
12.	M/s Micro Shoe Centre	19/2/1999	B/TRL/M-34	Jan. 1997	Jan. 1997	400	1997-98	(-) 50,000 1,46,000	6	5,434	Did not comply with the last notice dated 25/5/2000 to submit returns. Thereafter no further action was initiated (Deals in footwear and socks).
							1998-99	1,46,000	6	8,264	
							1999-2000	1,46,000	6	8,264	
										21,962	
13.	M/s Sirajuddin	19/2/1999	B/TRL/S-63	Aug. 1998	Aug. 1998	500	1998-99	(-) 50,000 1,21,667	4	2,756	Did not comply with the last notice dated 20/5/2000 to submit returns (Deals in readymade garments).
							1999-2000	1,82,500	4	7,019	
										9,775	
14.	M/s Megna Sound	15/5/1998	B/TRL/M-24	20/6/1997	20/6/1997	500	1997-98	(-) 50,000 1,41,375	12	9,790	Did not comply with the last notice dated 20/5/2000 to submit returns (Deals in tape recorder, cassettes, TV).
							1998-99	1,82,500	12	19,554	
							1999-2000	1,18,500	12	19,554	
										48,898	
15.	M/s Ruby Garments	18/2/1999	B/TRL/R-30	30/3/1997	1/4/1997	400	1997-98	(-) 50,000 1,46,000	4	3,692	Did not comply with the last notice dated 18/1/2000 to submit returns (Deals in RM Garments & Hosiery).
							1998-99	1,46,000	4	5,615	
							1999-2000	1,46,000	4	5,615	
										14,922	
16.	M/s Crystal Maze	13/12/1994	NA	1/9/1994	1/9/1994	500	1994-95	(-) 50,000 1,06,458	4	2,171	Did not comply with the last notice dated 17/1/2000 to submit returns (Deals in RMG, Hosiery, cosmetics).
							1995-96 to 1999-2000	9,12,500	4	35,096	
										37,267	
17.	M/s Skylark	26/11/1998	B/TRL/S-33	13/4/1994	13/4/1994	500	1994-95	(-) 50,000 1,76,500	4	4,865	The dealer did not comply with the last notice dated 19/4/2000 and the proceedings was closed (Deals in RMG).
							1995-96 to 1999-2000	9,12,500	4	35,096	
										39,961	
							Grand total:			6,63,779	

N.B.- Gross turnover calculated as under:-
Average Daily Sale x 365

APPENDIX - XXV

**Statement showing assessment barred by time
(Reference: Paragraph 6.1.4.2; page 136)**

Sl. No.	Name of Unit/Ward	No. of cases	Period of assessments	Date after which assessments become time barred	Date of assessment	(Rupees in lakh)		
						Tax effect	Paid	Balance
1.	Ward 'D' Dimapur M/s NLHDC Ltd.	2	1988-89	March 1997	9/4/1998	11.94	6.78	5.16
			1989-90	March 1998	9/4/1998	17.49	---	17.49
2.	Ward 'D' Dimapur M/s ICB & Co. DMR/D/ST/1749	7	1984-85	March 1993	22/3/2000	0.49	---	0.49
			1985-86	March 1994	-do-	1.23	---	1.23
			1986-87	March 1995	-do-	2.91	---	2.91
			1987-88	March 1996	-do-	0.70	---	0.70
			1988-89	March 1997	-do-	0.46	---	0.46
			1989-90	March 1998	-do-	0.63	---	0.63
			1990-91	March 1999	-do-	2.21	---	2.21
3.	M/s NIRMSC	4	1986-87	March 1995	12/12/95	1.34	---	1.34
			1987-88	March 1996	6/7/99	1.43	---	1.43
			1988-89	March 1997	-do-	0.17	---	0.17
			1989-90	March 1998	-do-	16.73	---	16.73
4.	Ward 'D' Dimapur M/s NSCO.OPMCFL DMR/D/ST/167	10	1979-80	March 1988	6/1997	9.89	6.79	3.10
			To	To				
			1988-89	March 1997		67.62	13.57	54.05
5.	M/s PFUVI Angami saw mills DMR/D/PUR/31 DMR/D/CST/355	1	1992-93	March 2001	Not completed	26.17	---	26.17
						93.79		80.22

APPENDIX - XXVI

**Statement showing short levy/non levy of interest
(Reference: Paragraph 6.1.5.1; page 137)**

Name of the charge	Name of the dealer R/C. NO.	Year/dated of assessments	Tax paid on self assessment	Tax levied	Interest levied	Interest leviable	Short levy/non levy of interest
Ward 'D' Dimapur	M/s NHHDCCL DMR/CST/756	1988-99 to 1993-94 7/4/1998	6.78	141.13	---	141.83	141.83
Ward 'A' Dimapur	M/s Kuda Wood Product Ltd. DMR/CST/A/1082	1993-94 6/3/1996	---	5.21	---	2.20	2.20
Ward 'A' Dimapur	M/s ONGC, Dhanshiri Valley Project. DMR/A/CST/878	1993-94 19/5/2000	71.46	92.61	---	25.82	25.82
		1994-95 26/11/1999	13.08	13.08	1.64	4.88	3.24
Ward 'B' Dimapur	M/s Nandalal & Mandilal DMR/B/ST/318	1999-2000 2/2/2001	6.20	14.42	---	0.74	0.74
		1998-99 20/1/2000	5.81	15.29	0.38	1.11	0.73
Ward 'D' Dimapur	M/s Dimapur Veneer & Saw Mills DMR/D/PUR/46	1994-95 22/11/2000	---	0.96	---	1.28	1.28
		1995-96 22/11/2000	---	0.95	---	1.02	1.02
		1996-97	---	0.91	---	0.76	0.76
Ward 'B' Dimapur	M/s Hindustan Trade Agency DMR/B/ST/223	1996-97 12/9/1997	---	28.71	0.31	1.17	0.86
		1997-98 29/2/2000	20.56	21.79	0.24	1.05	0.81
Ward 'A' Dimapur	M/s Vinay Cement DMR/ST/A/337 DMR/CST/A/334	1998-99 29/2/2000	6.25	6.27	0.01	0.31	0.30
		1998-99		CST	0.03	0.90	0.87
		27/8/1999		NST	0.02	0.16	0.14
			130.14	336.12	2.63	181.03	178.40

APPENDIX - XXVII

Statement showing the amount of interest calculated and forwarded to the C.O., actual amount of interest due on the date of forwarding the case to C.O. and the difference

(Reference: Paragraph 6.1.5.2(a); page 137)

Sl. No.	Name of the assessee and registration No under N/L Purchase Tax Act.	Assessment period	Section under which assessment made and date of assessment	Amount of Tax assessed plus penalty, if any	Interest charged on the date of assessment	Date of sending the case to certificate officer	Actual amount of interest on the date of sending the case to C.O.	Amount of interest less charged
1.	M/s Angami Wood Product, Dimapur No.DMR/PUR/D-43	1993-94	8(4) 4/3/98	68,674	63,012	21/8/99	86,086	23,074
		1994-95	-do-	1,39,838	1,10,411	-do-	1,41,733	31,322
		1995-96	-do-	2,50,964	1,43,278	-do-	1,94,139	50,861
2.	M/s North East Wood Industries Dimapur No.DMR/PUR/D-47	1993-94	8(4) 27/2/98	2,54,514	2,41,219	29/9/2000	3,86,692	1,45,473
		1994-95	-do-	6,46,166	4,79,016	-do-	8,26,662	3,47,646
		1995-96	-do-	4,75,858	2,57,911	-do-	4,94,575	2,36,664
3.	M/s Ata Veneer & Saw Mill Dumapur No.DMR/PUR/D-40	1993-94	8(4) 28/2/98	58,400	48,247	6/7/2000	85,490	37,243
		1994-95	-do-	2,18,758	1,59,380	-do-	2,67,732	1,08,352
		1995-96	-do-	2,43,274	1,27,250	-do-	2,39,350	1,12,100
		1996-97	-do-	1,05,839	11,884	-do-	78,731	66,847
4.	M/s 'A' Veneer & Saw Mill Dimapur NO.DMR/PUR/D-23	1993-94	8(4) 19/2/98	3,04,463	2,46,225	8/8/2000	4,52,177	2,05,952
		1994-95	-do-	7,09,393	5,38,098	-do-	8,83,309	3,45,211
		1995-96	-do-	6,45,756	3,35,106	-do-	6,49,088	3,13,982
		1996-97	8(4) 8/12/98	1,65,672	---	-do-	1,26,766	1,26,766
5.	M/s Atou Saw & Veneer Mill Dimapur No.DMR/PUR/D-26	1993-94	8(4) 16/2/98	2,31,284	2,01,806	8/8/2000	3,43,494	1,41,688
		1994-95	-do-	4,94,673	4,31,626	-do-	6,15,948	1,84,322
		1995-96	-do-	8,36,645	5,29,218	-do-	8,40,963	3,11,745
		1996-97	8(4) 8/12/98	2,77,570	---	-do-	2,12,386	2,12,386
6.	M/s Highland Saw Mill, Dimapur NO.DMR/PUR/D-44	1993-94	8(4) 19/2/98	1,10,254	1,03,743	9/8/2000	1,63,816	60,073
		1994-95	-do-	2,01,440	1,47,884	-do-	2,50,955	1,03,071
		1995-96	-do-	2,16,287	1,07,360	-do-	2,17,543	1,10,183
		1996-97	8(4) 7/12/98	98,079	---	-do-	75,110	75,110
7.	M/s Kosa Industries (P) Ltd., Dimapur No.DMR/PUR/D-45	1993-94	8(4) 15/5/98	2,15,026	2,09,511	21/11/2000	3,34,150	1,24,639
		1994-95	-do-	1,46,000	1,11,871	-do-	1,91,844	79,973
		1995-96	-do-	4,87,390	2,70,045	-do-	5,23,457	2,53,412
8.	M/s Dimapur Veneer & Saw Mill(P) Ltd, Dimapur No.DMR/PUR/D-46	1993-94	8(4) 1/4/98	5,01,401	3,45,271	8/8/2000	7,44,661	3,99,390
9.	M/s Kuda Wood Products Ltd. No.DMR/A/CST/1082	1987-88	-	38,82,401	74,716	3/5/1996	21,69,077	20,94,361
		&						
		1988-89						
		1989-90						
		to						
		1993-94		12,93,379	---	22/1/1998	12,02,033	12,02,033
10.	M/s Forest Utilisation Officer DMR/B/ST/567	1884-85 To 1992-93		4,44,35,842	---	15/7/1997	3,86,40,804	3,86,40,804
11.	M/s Medicine Distributor House	1986-87 To 1993-94		1,40,007	---	17/3/1999	1,56,538	1,56,538
	Total			578,55,247	52,94,088		515,95,309	463,01,221

APPENDIX - XXVIII

**Statement showing evasion of payment of tax
(Reference: Paragraph 6.1.9.3.(b); page 142)**

Sl. No.	Name of the dealer & Add.	R/C.No. if any	Items of goods (raw materials) imported from other state by road	Year	Value of raw materials i.e timber	Items of goods manufactured	Sales turnover	Rate of tax	Tax involved	Remarks
1.	M/s Saw-Cum-Veneer mill 3 rd Mile Chekiya vill, Dmr.	U/R	Timber(Round logs)	1994-95	1,59,67,895	Swan timber & veneer.	2,63,99,580	10% & 25%	26,39,958-CST 39,91,973-PUR 30,23,379-CST 43,78,403-PUR 14,34,650-CST 23,92,727-PUR	Transport subsidy released during 1999-2000 Rs.15,00,000
				1995-96	1,75,13,613	-do	3,02,33,792			
				1/4/96 To 31/12/96	95,70,910	-do-	1,46,505			
					4,30,52,418		7,09,79,877			
								70,97,987-CST		
								1,07,63,103-PUR		
2.	M/s Inter Wood Industry, Lakeview, Dimapur	-do-	Timber (Round Logs)	1993-94	1,68,49,250	Veneer & sawn timber	3,58,77,306	10% & 25%	35,87,730-CST	-do- 15,00,000
				1994-95	1,75,84,660	-do-	3,84,85,784	-do-	38,48,578-CST	
				1995-96	1,76,37,858	-do-	3,87,82,537	-do-	43,96,165-PUR	
								-do-	38,78,253-CST 44,09,464-PUR	
								11,31,45,627		
								1,13,14,561-CST		
								88,05,629-PUR		
					3,52,23,518		18,41,25,504	1,84,12,548-CST		
					7,82,75,936			1,95,68,732-PUR		
			Grand Total					3,79,81,280		

APPENDIX—XXIX

Statement showing particulars of capital, loans/equity received out of budget, other loans outstanding as on 31 March 2001 in respect of Government companies (Figures in Col. 3 (a) to 4 (f) are Rupees in lakh) @

(Reference: Paragraph 8.1.2; page 156)

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of the year					Equity/loans received out of the Budget during the year 2000-01		Other loans received during the year	Loans outstanding at the close of the year			Debt equity ratio for 2000-01 (previous year) 4 (f)/3 (e)
		State Govt.	Central Govt.	Holding companies	Others	Total	Equity	Loans		Govt.	Others	Total	
(1)	(2)	3 (a)	3 (b)	3 (c)	3 (d)	3 (e)	4 (a)	4 (b)	4 (c)	4 (d)	4 (e)	4 (f)	5
(A) Government companies sector													
Industries and Commerce													
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	1508.36	---	---	473.25	1981.61	50.00	---	511.36	110.00	1656.77	1766.77	0.89:1 (0.71:1)
2.	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	437.00	94.24	---	---	531.24	25.00	---	---	73.30	---	73.30	0.14:1 (0.14:1)
3.	Nagaland Industrial Raw Materials and Supply Corporation Ltd.	114.83	---	---	---	114.83	10.10	10.00	---	---	10.00	10.00	0.9:1 (0.19:1)
4.	Nagaland Hotels Ltd. ¹	7.50	---	40.00	---	47.50	---	---	---	1048.55	---	1048.55	22.07:1
5.	Nagaland Sugar Mills Company Ltd., Dimapur ³	---	---	---	---	---	---	---	---	---	---	---	(21.59:1)
Total of the sector		2067.69	94.24	40.00	473.25	2675.18	85.10	10.00	511.36	1231.85	1666.77	2898.62	1.08:1
Geology and Mining													
6.	Nagaland State Mineral Development Corporation Ltd., Kohima	160.00	---	---	---	160.00	---	---	---	54.39	---	54.39	0.34:1 (0.34:1)
Total of the sector		160.00	---	---	---	160.00	---	---	---	54.39	---	54.39	0.34:1
Grand total:-		2227.69	94.24	40.00	473.25	2835.18	85.10	10.00	511.36	1286.24	1666.77	2953.01	1.04:1

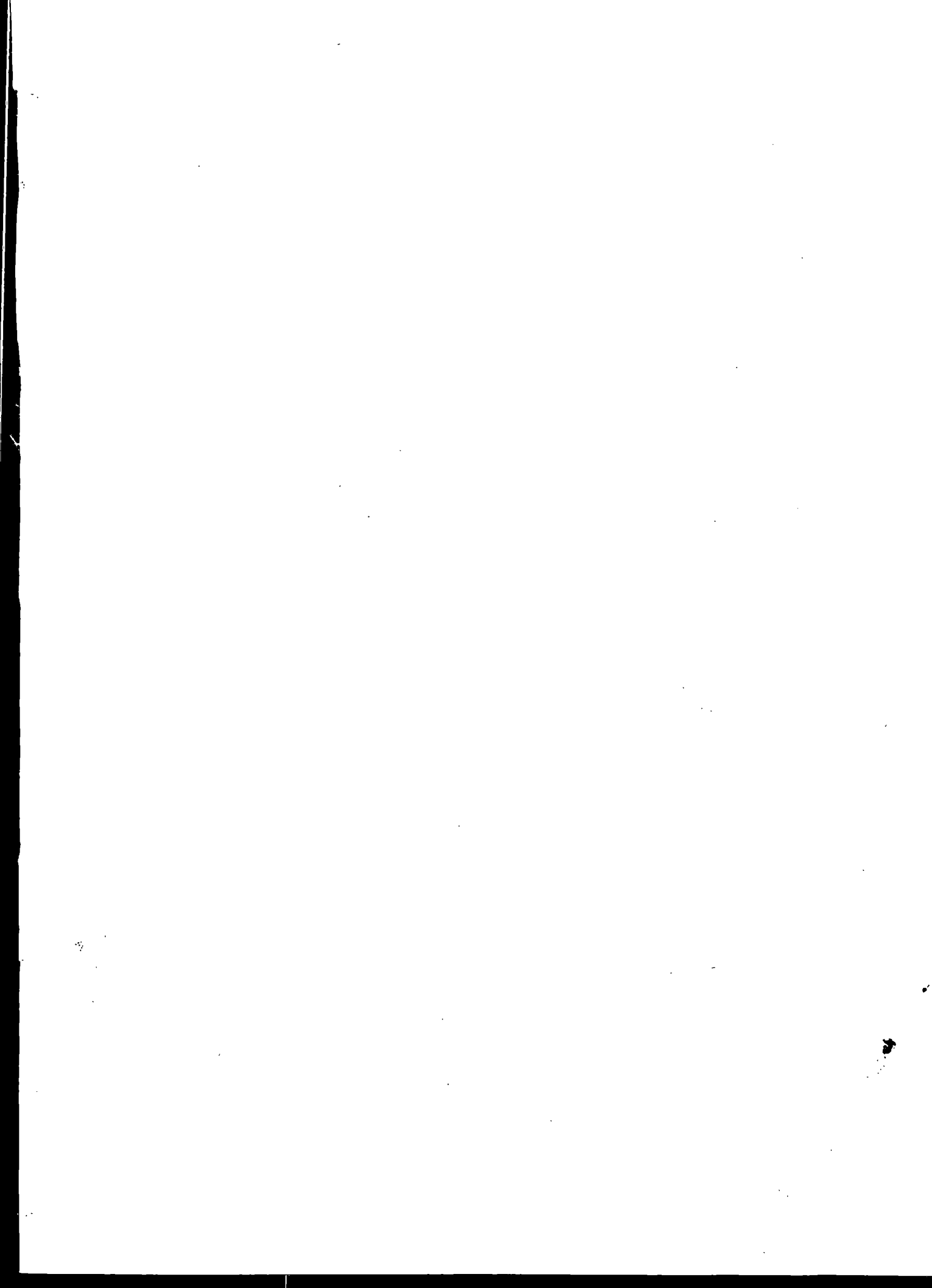
- @ All figures are provisional as given by the companies.
 • Includes bonds, debentures, inter-corporate deposits etc.
 •• Represents long term loans.
 1. As previous year's have been adopted as company has not furnished information in the current year.
 3 Information not provided by the Company.

APPENDIX—XXX

Summarised financial results of Government companies for the latest year for which accounts were finalised
 (Reference: Paragraphs 8.1.2, 8.1.5.1, 8.1.6 and 8.1.7; pages 156,158 & 159)

													(Figures in column 7 to 12 are Rupees in lakh)		
Sl. No.	Name of the company	Name of the Department	Date of incorporation	Period of which accounts finalised	Year in which accounts finalised	Net Profit (+)/ Loss (-)	Net impact of audit comments	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed *	Total return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Status of the company/corporation.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
A. Government Companies Sector															
1. Industries and Commerce															
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26.03.1970	1991-92	2000-01	(-) 95.66	Remedial measures taken against audit comments	1125.27	(-) 526.49	1187.42	(-) 172.43	---	9	Working	
(ii)	Nagaland Industrial Raw Materials & Supply Corporation Ltd., Dimapur	--do--	28.03.1973	1980-81	1999-2000	(-) 49.00	---	10.28	(-) 49.00	25.60	---	---	20	Working	
(iii)	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	--do--	27.02.1979	1982-83	2000-01	(-) 36.18	---	---	(-) 87.22	---	(-) 4.12	---	18	Working	
(iv)	Nagaland Sugar Mills Company Ltd., Dimapur	--do--	22.03.1973	1977-78				Information not furnished					23		
(v)	Nagaland Hotels Ltd. (subsidiary to NIDC)	--do--	17.03.1982	1984-85	1999-2000		---	Information not furnished					16		
Total of the Sector						(-) 180.84	---	1135.55	(-) 662.71	1213.02	(-) 176.55	---			
2.															
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21.05.1981	1986-87	2000-01	---	---	.004	---	237.42			14	Working	
Total of the sector								.004		237.42					
Grand total:-						(-) 180.84	---	1135.554	(-) 662.71	1450.44	(-) 176.55				

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





**COMPTROLLER AND AUDITOR GENERAL OF INDIA
2002**