



**सत्यमेव जयते**

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

**FOR THE YEAR ENDED 31 MARCH 1999**

**GOVERNMENT OF NAGALAND**



# TABLE OF CONTENTS

	Reference to Paragraph (s)	Page(s)
<i>Preface</i>		<i>vi</i>
<i>Overview</i>		<i>vii-xvii</i>

## CHAPTER I

### AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

Introduction	1.1	1
Financial position of the State	1.2	1-3
Sources and applications of funds	1.3	3-4
Financial operations of the State Government	1.4	4-5
Revenue Receipts	1.5	6-7
Revenue expenditure	1.6	7-9
Capital expenditure	1.7	9
Quality of expenditure	1.8	9-10
Financial management	1.9	10-13
Public Debt	1.10	13-14
Indicators of financial performance	1.11	15-19
Abstract of Receipts & Disbursement	<i>Exhibit I</i>	20-22
Financial indicators for Government of Nagaland	<i>Exhibit II</i>	23-24

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Introduction	2	25
Summary of Appropriation Accounts	2.1-2.2	25-26
Results of Appropriation Audit	2.3	27-30
Rush of expenditure	2.4	30
Abstract contingent Bills	2.5	30

## CHAPTER III

### CIVIL DEPARTMENTS

#### SECTION—'A' REVIEWS

<b>Food and Civil Supplies Department</b>		
<i>R</i>	Public Distribution System including RPDS and TPDS	3.1 31-47
<b>Rural Development Department</b>		
<i>R</i>	Rural Employment Generation Programme	3.2 48-60
<b>Social Security and Welfare Department</b>		
<i>R</i>	Integrated Child Development Services Scheme	3.3 61-71
<b>School Education Department</b>		
<i>R</i>	Nutritional Support for Primary Education	3.4 72-81

	Reference to Paragraph (s)	Page(s)
<b>SECTION—'B' PARAGRAPHS</b>		
<b>Finance Department</b>		
Loss of Government money due to non-deposit of income tax by the Organising Agent.	3.5	82-83
Loss of Government money	3.6	83
<b>Home (Jail) Department</b>		
Unauthorised diversion & loss of CSS Programme funds.	3.7	84-85
<b>Industries and Commerce Department</b>		
Excess payment of Transport subsidy	3.8	85-86
Payment of Rs.16.77 lakh on fraudulent claim	3.9	86-87
<b>Labour and Employment Department</b>		
Locking up of Government money and loss of interest	3.10	87-88
<b>School Education Department</b>		
Unnecessary locking up of Government money	3.11	88-89
Excess payment of pay and allowances	3.12	89
Misappropriation of Government money	3.13	89-90
<b>Transport and Communication Department</b>		
Fictitious payment of Rs.10 lakh	3.14	91-92
<b>Soil and Water Conservation/Food and Civil Supplies/ Veterinary and Animal Husbandry Departments</b>		
Failure of Senior officials to enforce accountability and protect the interest of the Government.	3.15	92-93

**CHAPTER IV  
WORKS EXPENDITURE  
SECTION—'B' PARAGRAPHS**

<b>Public Health Engineering Department</b>		
Misuse of LIC loan & other irregularities	4.1	94-95
Undue financial aid to Suppliers	4.2	95-96
Irregular expenditure on clearance of fictitious past liabilities	4.3	96-97
Excess payment of Rs.5.17 lakh	4.4	97
<b>Power Department</b>		
Extra avoidable expenditure of Rs.32.80 lakh	4.5	98-99
<b>Works and Housing (Roads and Bridges) Department</b>		
Fraudulent refund of security deposits	4.6	100
Fictitious payment to contractor	4.7	100-101
Excess payment of Rs.6.31 lakh	4.8	101

Reference to  
Paragraph (s) Page(s)

**CHAPTER-V  
STORES AND STOCK  
SECTION—'A' REVIEW**

**Home Department (General Administration Branch)**

R Inventory Control and Material Management in Civil Administration Works Division	5.1	102-113
---	-----	---------

**SECTION—'B' PARAGRAPHS**

**Works And Housing/Public Health Engineering/Power Departments**

Closing of Stock registers	5.2	114
Physical verification of Stores	5.3	114
Reserve Stock limit	5.4	115 →
Tools & plant	5.5	115

**CHAPTER VI  
REVENUE RECEIPTS  
SECTION-'B' PARAGRAPHS**

Trend of revenue receipts	6.1	116
Analysis of revenue receipts	6.2	116-118
Variations between Budget estimates and actuals	6.3	119-120
Cost of collections	6.4	120
<b>Finance (Taxation) Department</b>		
Turnover escaping assessment	6.5	121 →
Loss of revenue due to non-imposition of tax on the closing stock—Rs.3.26 lakh	6.6	121-122 →
Interest of Rs.1.26 lakh remained unrealised	6.7	122 →

**CHAPTER VII**

**FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS**

Assistance to autonomous bodies & others	7.1	123
Delay in furnishing utilisation certificates	7.2	123-124
Delay in submission of accounts	7.3	124
Audit arrangements	7.4	124-125
<b>Social Security and Welfare Department</b>		
R Working on the State Social Welfare Advisory Board, Nagaland.	7.5	125-129

**CHAPTER VIII  
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES  
SECTION 'A' REVIEWS**

General review of Government companies	8.1	130-134
R(2) Disbursement of loan and recovery performance of Nagaland Industrial Development Corporation Ltd.	8.2	135-145

		Reference to	
		Paragraph (s)	Page(s)
<b>APPENDICES</b>			
I	Division of accounts and list of indices/ratios and basis for their calculation	1.1 & 1.11.2	149-150
II	Statement showing excess expenditure over budget provisions which requires regularisation under Article 205 of the constitution	2.3.1	151
III	Statement showing grant-wise Supplementary grants obtained proving unnecessary	2.3.4 (a)	152
IV	Details showing the supplementary grants obtained resulting in savings in each case exceeding Rs.10 lakh and above	2.3.4 (b)	153-154
V	Details showing inadequate Supplementary Grant Provision	2.3.4 (c)	155
VI	Statement showing persistent savings during 1996-97 to 1998-99	2.3.5	156
VII	Details showing significant cases of excess expenditure during 1998-99	2.3.6 (a)	157
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	2.3.6 (b)	158-160
IX	Statement showing the grant wise details where expenditure was incurred without budget provision	2.3.7	161
X	Details showing available savings not surrendered	2.3.8	162
XI	Details showing surrender in excess of savings	2.3.9	163
XII	Persistent non-reconciliation of Departmental expenditure	2.3.11	164
XIII	Details showing rush of expenditure during March 1999	2.4	165-168
XIV	Statement showing drawal of Abstract Contingent Bills by various DDOs	2.5	169-171
XV	Statement showing month-wise allocation, lifting and distribution of BPL food grains	3.1.5.3	172
XVI	Details of Fair Price Shops	3.1.5.4.1	173
XVII	Statement showing the details of expenditure against each category of non-priority and inadmissible works	3.2.7.6	174
XVIII	Statement showing the position of immunisation of children (0-12 months) and pregnant women during 1994-95 to 1998-99	3.3.5.4	175
XIX (A&B)	Details of targets for coverage of schools and children	3.4.1 & 3.4.5 (i)	176-177
XX (A&B)	Details of Blocks covered	3.4.1 & 3.4.5 (i)	178-179
XXI	Details of Co-ordination Committees constituted at State, District and Village level	3.4.2	180

		Reference to Paragraph (s)	Page(s)
XXII	Details of district wise allocations and lifting of food grains under NSPE	3.4.6 (a)	181
XXIII	Details of short lifting/non-lifting of rice from FCI	3.4.6 (b)	182
XXIV	Details showing delays in delivery of rice by carriage contractors	3.4.7 (c) (i)	183-184
XXV	Details of non-recovery of 412.15 quintals of rice from stockists/carriage contractors	3.4.7 (c) (ii)	185
XXVI	Details of 84.79 quintals of rice received by 32 schools	3.4.7 (d)	186
XXVII	Details of 3133.32 quintals of rice (value:Rs.32.90 lakh) diverted to open market	3.4.7 (e) (i)	187
XXVIII	Statement showing year-wise position of the outstanding IRs and Paras	3.15	188
XXIX	Statement showing the excess expenditure incurred over budget provisions during 1996-99	5.1.5	189
XXX	Statement showing liabilities reported from time to time, funds released by finance Department and payments made for outstanding supply bills	5.1.6.2	190
XXXI	Statement showing procurement of water supply materials by CAWD at rates higher than that of PHED leading to excess payment	5.1.6.5	191
XXXII	Statement showing the Division-wise breakup of surplus etc. stores, disposal value, amount deposited and stores lifted by firm 'Y'	5.1.8.1	192
XXXIII	Details of year-wise grants sanctioned, released and utilised during 1993-94 to 1998-99	7.5.2	193
XXXIV	Statement showing particulars of capital, loans/equity received out of budget, other loans outstanding as on 31 March 1999 in respect of Government companies	8.1.2	194
XXXV	Summarised financial results of Government companies for the latest year for which accounts were finalised	8.1.2, 8.1.5.1, 8.1.6, 8.1.7 & 8.1.8	195
XXXVI	Statement showing Financial position and working results for the five years ending 31 March 1999 and receipt of loan applications, sanctions and disbursements made during the five years ending 1998-99	8.2.5 & 8.2.6	196-197
XXXVII	Statement showing the overdue amount against abandoned/un-implemented projects, misutilisation of loan by promoters, inadequate post disbursement appraisals/lack of monitoring of project implementation which awaited recovery from the loanees	8.2.8	198-200
XXXVIII	Statement showing loss of Rs.3.70 crore on one time settlement	8.2.11	201

## 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 1999.

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 1998-99 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 1998-99 have also been included wherever necessary.



## OVERVIEW

### 1. An overview of the finances of the State Government

**Assets and liabilities:** Assets of the State Government increased by 13 *per cent* from Rs.1429.43 crore in 1997-98 to Rs.1617.71 crore in 1998-99, while the liabilities increased by 17 *per cent* from Rs.1226.65 crore to Rs.1437.95 crore during the year indicating overall deterioration in the financial condition of the Government.

**Revenue receipts:** Revenue receipts of the State Government increased from Rs.860.99 crore in 1997-98 to Rs.989.38 crore in 1998-99 registering an increase of 15 *per cent*. The increase was mainly on account of increase in the grants-in-aid from the Central Government (Rs.56.39 crore) and the State's share of Union Taxes (Rs.56.38 crore) in addition to the increase of Rs.16.63 crore under State Non-Tax Revenue, in relation to the year 1997-98. The total receipts from the Central Government (Rs.914.67 crore) during the year represented 92 *per cent* of the total revenue receipts and 90 *per cent* of the revenue expenditure (Rs.1210.40 crore). Tax revenue raised by the State, however, decreased by 3 *per cent* from Rs.31.57 crore in 1997-98 to Rs.30.56 crore in 1998-99.

**Arrears of revenue:** The arrears of revenue pending collection increased by 112 *per cent* during the year and by 487 *per cent* over a period of five years ending March 1999 indicating a slackening in the revenue efforts of the State Government.

**Revenue expenditure:** Revenue expenditure of the State grew by 2 *per cent* from Rs.988.18 crore in 1997-98 to Rs.1012.40 crore in 1998-99 and constituted 87 *per cent* of total expenditure in 1998-99. The rate of growth in non-plan component of revenue expenditure during the last 5 years was lower (60 *per cent*) than the plan expenditure (153 *per cent*).

**Capital expenditure:** Capital expenditure increased by 253 *per cent* from Rs.44.07 crore in 1994-95 to Rs.155.78 crore during 1998-99 and constituted 13 *per cent* of the total expenditure during the year. The capital expenditure was mainly on plan side and on Economic and Social Services.

During 1998-99, the State Government paid interest of Rs.134.83 crore on debt and other obligations. The interest burden had an increase of 20 *per cent* over that of previous year.

**Investments and returns:** The State Government invested Rs.5.11 crore during 1998-99. Of this, Rs.1.62 crore was invested in Government Companies, and Rs.3.49 crore in Co-operative Institutions. With these fresh investments, the total investment of the Government as of March 1999 stood

at Rs.46.70 crore. No dividend/interest was received by the Government on such investments.

**Fiscal deficit:** Fiscal deficit is defined as the excess of revenue and capital expenditure, (including net loans given) over the revenue receipts (including grants-in-aid received). During 1998-99, fiscal deficit was Rs.184.73 crore, which had increased by more than 12 times (1268 *per cent*) over the level of 1994-95.

**Public debt and other liabilities :** During the five years ending 1998-99, there was 157 *per cent* growth in internal debt, 42 *per cent* growth in loans and advances from Central Government and 103 *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 (48 *per cent*) from Rs.64.43 crore in 1994-95 to Rs.95.54 crore in 1998-99. Similarly Overdraft availed by Government had increased by 263 *per cent* over a period of 5 years ending March 1999. As of March 1999, Rs.26 crore on account of Ways and Means Advances and Rs.168.83 crore towards overdrafts was 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 was on a rising trend; (ii) there was negative BCR in all the five years during 1994-95 to 1998-99 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 the 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.1497.64 crore pertaining to the years from 1985-86 to 1998-99 was yet to be regularised.

**Overall savings/excess :** Against the total gross provision of Rs.1639.82 crore, the total gross expenditure during the year was Rs.1731.63 crore. The overall excess of Rs.91.81 crore was the net effect of savings of Rs.171.99 crore in 62 cases of grants and 4 appropriations, and excess of Rs.263.80 crore in 26 cases of grants and 2 appropriations.

**Supplementary grants :** Supplementary grants of Rs.31.55 crore obtained in 35 cases proved unnecessary in view of aggregate savings of Rs.73.02 crore.

In other 17 cases, supplementary provision of Rs.75.17 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.253.74 crore.

In 46 cases against additional requirement of Rs.19.23 crore, supplementary provisions of Rs.145.61 crore were obtained resulting in savings exceeding Rs.10 lakh in each case aggregating Rs.126.38 crore.

**Surrender of savings :** Against the total savings of Rs.171.99 crore available under 62 grants and 2 appropriations available during the year, savings aggregating Rs.80.15 crore under 21 cases of grants (savings exceeded Rs.1 crore in each case) were not surrendered; though as per the financial rules, the spending departments were required to surrender the amount of unutilised grant/appropriation or portion thereof to the Finance Department as and when any saving was anticipated. In 10 grants against the available savings of Rs.15.10 crore, amount surrendered was 17.03 crore indicating injudicious surrender of Rs.1.93 crore in excess of the available savings.

**Expenditure incurred without budget provision :** Expenditure of Rs.3.99 crore was incurred in 15 cases under 12 grants/appropriations, although no budget provision was available for this during the year.

**Reconciliation of departmental expenditure :** The Controlling Officers were required to reconcile the departmental figures of expenditure with those booked by the Senior Deputy Accountant General (Accounts and Entitlement) before closure of the accounts for the year. But such reconciliation in respect of expenditure of Rs.405 crore had not been carried out by 25 Controlling Officers. Five other Controlling Officers persistently failed to reconcile a total expenditure of Rs.367.70 crore during the last three years ending March 1999.

**Rush of expenditure :** The financial rules require that the Government expenditure should be evenly distributed throughout the year to avoid rush of expenditure at the fag end of the year. Contrary to this, under 67 grants/appropriations expenditure of Rs.450.89 crore was incurred in March 1999. This constituted 27.10 *per cent* of the total expenditure of these grants/appropriations during the year 1998-99.

**Abstract contingent bills :** 21 Drawing and Disbursing Officers of 11 Departments did not submit, as of December 1999, detailed countersigned contingent (DCC) bills for Rs.13.20 crore drawn in 86 abstract contingent (AC) bills during the period from March 1998 to March 1999. As per the Treasury Rules, the DCC bills were required to be submitted to the Accountant General duly countersigned by the Controlling Officer, within 2 months of the drawal of AC bills.

(Paragraph 2)

### 3. Audit Reviews

#### 3.1 Public Distribution System including Revamped Public Distribution System and Targeted Public distribution System

The Public Distribution System (PDS), a Centrally Sponsored Scheme, introduced in 1956 and restructured twice as Revamped Public Distribution System (June 1992) and Targeted Public Distribution System (May 1997) had the main objective of ensuring regular supply of essential commodities at reasonable prices, particularly to the weaker sections of the society. A review of the implementation of the scheme in the State during 1992-93 to 1998-99 revealed the following points:

There was an overall shortfall of 907.70 MTs over 22 months between actual requirement and distribution of food grains with an average monthly shortfall of 41.259 MTs. Thus either 4126 BPL families did not receive subsidised food grain every month or they get only 9.57kg ration per month against 10 kg required to be issued under the Scheme.

Though the responsibility of procurement and distribution of PDS commodities was shifted to stockists, Village Development Boards and Fair Price Shops with effect from June 1997, the Department maintained the usual budget provisions under procurement and supplies. This resulted in 57 per cent (Rs.36.76 crore) of the budget provision remaining unutilised during 1995-99, which revealed inefficient budgeting practices by the Department.

In the absence of proper accounts, veracity of distribution of 3,37,849 MTs of PDS commodities valued at Rs.220.60 crore by the FP Shops/stockists during 1995-99 to the beneficiaries could not be verified in audit. Thus, the possibility of diversion of these PDS commodities to open market could not be ruled out.

Against requirement of 605 FP Shops in the State, only 351 FP Shops were opened at the end of 1997-98 of which 323 FP Shops were functional as of March 1999. Consequently, an average of 39 per cent of the population of the State remained outside the purview of the scheme reasons for which was not intimated.

During 1995-99, the Department effected godown sale of 7429.13 MTs rice valued at Rs.4.37 crore to the non-ration card holders. However, this amounted to diversion of PDS food grains by depriving targeted beneficiaries from receiving their due share.

Physical verification of 3 godowns conducted between March 1995 and July 1997 by a Board constituted by the Department revealed shortage of 298.61 MTs fine/superfine rice valued at Rs.0.18 crore.

Of the transport subsidy of Rs.10.16 crore due from Government of India for the period 1988-97, the department's claims for Rs.5.66 crore had not been reimbursed by Government of India. Of this claims for Rs.4 crore were paid out of State exchequer. However, supporting bills for Rs.1 crore only were produced to Audit wherein expenditure of Rs.0.05 crore only could be substantiated thereby indicating doubtful payment of Rs.0.95 crore.

(Paragraph 3.1)

### 3.2 Rural Employment Generation Programme

The Rural Employment Generation Programme (REGP) comprises (a) Employment Assurance Scheme (EAS) and (b) Jawahar Rojgar Yojana (JRY) which includes the Million Wells Scheme (MWS). The Employment Assurance Scheme (EAS) was introduced with effect from 2 October 1993 to cater to the employment needs in certain identified blocks. Jawahar Rojgar Yojana (JRY) was introduced in April 1989 by merging two ongoing Schemes, viz., National Rural Employment Programme (NREP) and Rural Landless Employment Generation Programme (RLEGP). Audit scrutiny revealed that:

Employment Assurance Scheme funds amounting to Rs.2.25 crore were diverted to urban areas resulting in short generation of employment for 5.40 lakh mandays in rural areas taking 60 per cent of the expenditure as wage component.

An amount of Rs.1.03 crore was irregularly spent from JRY funds towards payment of honorarium to the Secretaries of Village Development Boards which could have been utilised to generate employment for 4.11 lakh mandays.

There was loss of interest of Rs.0.10 crore by not keeping EAS and JRY funds in savings bank accounts. The interest, if earned could have been utilised for generation of employment for 40,800 mandays.

Suspected misappropriation of EAS and JRY funds of Rs.3.49 crore due to short-accountal, non-accountal and non-production of cash books.

Figures on generation of employment during 1996-99 were fictitious, as these were not based on reports/returns of the implementing agencies.

Activities on water and soil conservation, agro-horticulture and afforestation, were adversely affected due to incurring expenditure to the extent of 18 to 21 per cent only against 40 per cent of allocation treating it as priority work. Bonafides of Rs.5.97 crore shown as spent are also suspect, in absence of supporting records.

Rupees 8.22 crore was diverted for creation of non-durable community assets (1255 km. of kutchra road); Rs.4.18 crore (15 per cent of total allocation) was

diverted for execution of non-priority works like construction of play grounds, Church buildings and residence for Headmaster.

*(Paragraph 3.2)*

### **3.3 Integrated Child Development Services**

The Integrated Child Development Services (ICDS) Scheme was launched in 1975-76 as a Centrally Sponsored Scheme and comprised of five sub-schemes viz., Supplementary Nutrition, Immunisation, Health Check-up and Referral Services, Nutrition and Health Education, and Non-formal Pre-School Education financed by Central Government (except Supplementary Nutrition which is funded by the State Government). Audit scrutiny revealed the following points:

An amount of Rs.1.46 crore received from Government of India (in 1996) for the implementation of the scheme was retained in Civil Deposit Account.

1023 Anganwadi Centres (AWC) were created in excess of norms. Consequently, Rs.1 crore was unauthorisedly spent every year on honorarium to AWC staff.

Records relating to health check-up and referral services had not been maintained in the Anganwadi Centres.

In respect of non-formal pre-school education, the number of children shown to have been covered was more than the number of children enrolled and the figures were unrealistic. Based on the departmental figures the percentage of drop-out ranged between 37 and 42.

There were no records to substantiate the visits, if any, made by the Child Development Project Officers to the Anganwadi Centres.

*(Paragraph 3.3)*

### **3.4 Nutritional support for Primary Education**

The 'Nutritional Support for Primary Education' (NSPE), a Central Plan Scheme popularly known as the "Mid day Meals Scheme" was launched on 15<sup>th</sup> August 1995 by the Department of Education (DoE), Ministry of Human Resources Development(HRD), Government of India, to provide free mid day meals to school going children in primary schools. Audit scrutiny revealed the following points:

No targets were fixed for phased coverage of the school children under the Scheme. The Departmental figures are unreliable, since enrollment of students had been shown to be static since 1996-97 and was not based on actual strength of the children during each year.

23360.40 quintals of rice worth Rs.2.46 crore was lifted and claimed to have been distributed during months when schools were not in session. Therefore, the lifting and its distribution appears to be suspicious.

There was short delivery of 4526.78 quintals of rice valued at Rs.0.48 crore to 32 primary schools and one Block by the carriage contractors during November 1995 to March 1999.

During 1996-99, 3737.10 quintals of inferior rice was delivered by carriage contractors in Kohima Block against lifting of fine rice from FCI godowns at Dimapur. By accepting inferior rice against superior rice, undue benefit of Rs.0.17 crore was extended to the contractors.

Rice worth Rs.1.17 crore was damaged due to prolonged storage in the godowns of handling agents which was disposed off for a value of Rs.0.55 crore resulting in loss of Rs.0.62 crore.

(Paragraph 3.4)

### **3.5 Inventory Control and Material Management in Civil Administration Works Division**

The Civil Administration Works Division was created in April 1980 under the Home department and deals with construction of residential/non-residential buildings for various departments of the Government. A review on the working of the Division revealed the following points:

During 1996-99, the Division expended Rs.1.51 crore on payment of wages to Work Charged staff without any budget provision and Rs.0.08 crore in excess of the LOC released for current works and clearance of past liabilities.

Between 1996 and 1999, Plan funds of Rs.9.35 crore were irregularly drawn by debiting the final head of accounts and kept out of Government account, to avoid lapse of budget grants and was irregularly spent in subsequent years on execution of works and procurement of materials. Due to irregular retention of money outside Government account, the State Government suffered a loss of Rs.1.44 crore on account of interest.

Due to indiscriminate and haphazard issue of supply orders by the Executive Engineer during 1985-96, Rs.35.57 crore was paid during 1990-99 towards clearing liability of previous years. Therefore, supply orders had been issued without provision of funds.

Unnecessary procurement of materials led to their idling for years together. Disposal of materials worth Rs.19.52 crore (reported as surplus/obsolete in 1992-93) commenced only from 1997-98. Test check of 3 stores showed further accumulation of idle stores worth Rs.6.51 crore.

Stores management, materials accounting, and stock taking was poor, and materials worth Rs.6.97 crore escaped inclusion in the Annual Returns, from 1990-98, resulting in loss of stores.

Though the liabilities on procurement of materials worth Rs.20.24 crore paid in 1991-92 were the subject of a CBI enquiry, the Division, with the approval of Government, irregularly arranged for disposal of materials worth Rs.19.52 crore at a meagre sale value of Rs.44.62 lakh, and thereby sustained loss of Rs.19.10 crore.

During a span of fourteen years (1983-84 to 1997-98), the Division spent Plan funds of Rs.48.48 crore on Plan works and Non-Plan funds of Rs.43.60 crore on repair and maintenance of buildings. While no record existed for assets created with the investment of Rs.48.48 crore, there were also no consolidated estimates, record of check measurements and abstract of repairs/replacement works done at a cost of Rs.43.60 crore.

*(Paragraph 5.1)*

### **3.6. Loan recovery performance of Nagaland Industrial Development Corporation Limited.**

The Corporation was incorporated in March 1970 with the main object to establish, assist and development of industries in the State.

The Corporation defaulted in repayment of IDBI/SIDBI dues amounting to Rs. 11.24 crore, consequently it could not avail of further refinance from IDBI (1991-92) and SIDBI (1992-93).

Defective appraisals by the Corporation in sanctioning of term loans, poor documentation, lapses in disbursement, ineffective recovery actions, abandonment of assisted units etc., led to non-recovery of Rs. 1.09 crore.

The Corporation suffered a loss of Rs.3.70 crore while settling dues of 11 defaulting units under a one time settlement scheme.

*(Paragraph 8.2)*

## **4. Other important points of interest**

### **A. Civil**

In respect of Lotteries conducted by the Director of State Lotteries, the Organising Agent deposited only the net amount of taxable prize money without the amount of income tax and Government had to clear the demand of Rs.28 lakh and sustained loss on this account.

*(Paragraph 3.5)*



Due to non-compliance of Government instruction regarding Police escort during transportation of Government money from the bank to office, an amount of Rs.3.50 lakh was robbed from the cashier and a staff member of the office of the Directorate of State Lotteries, Kohima. Neither the FIR had been filed with the police nor any departmental inquiry instituted.

*(Paragraph 3.6)*

The Inspector General of Prisons unauthorisedly diverted Rs.33.42 lakh out of the funds meant for the implementation of "Modernisation of Prison Administration" which included an advance payment of Rs.6 lakh to a supplier who neither delivered the materials nor refunded the money.

*(Paragraph 3.7)*

The Director of Industries made excess payment of transport subsidy of Rs.33.79 lakh to 51 industrial units due to application of incorrect rates and omission to restrict payment to concessional railway freight.

*(Paragraph 3.8)*

Contrary to the decision of the State Level Committee to disburse the payment through Nagaland Industrial Development Corporation, Director of Industries paid the transport subsidy directly to a closed industrial unit thereby incurred an avoidable loss of Rs.16.77 lakh on entertainment of fraudulent claims.

*(Paragraph 3.9)*

The Director of Employment and Craftsmen Training procured steel structures and building materials without any plan for construction which resulted in unnecessary locking up of Government funds of Rs.93.90 lakh which could have saved at least interest of Rs.36.53 lakh on market borrowings.

*(Paragraph 3.10)*

The Director of School Education procured steel furniture for schools without indents and kept them unutilised resulting in locking up of funds of Rs.18.63 lakh.

*(Paragraph 3.11)*

In respect of payment of Rs.1.35 crore made by the Director of School Education towards supply of books/furniture, there was no evidence for the supply of these articles and the possibility of missappropriation of the money could not be ruled out.

*(Paragraph 3.13)*

General Manager, Nagaland State Transport, Dimapur made an excess payment of Rs.10 lakh for tyre retreading to a contracting firm before issue of work orders. The firm had not retreaded any tyres so far nor refunded the money leading to loss of Rs.10 lakh to the Government.

*(Paragraph 3.14)*

The Executive Engineer, Public Health Engineer, Store (Working) Division, Dimapur diverted Rs.1.96 crore out of LIC loan obtained for water supply project and utilised it on unauthorised/unidentified works and for unnecessary procurement.

*(Paragraph 4.1)*

The Executive Engineer Public Health Engineering Division, Tuensang paid Rs.64.48 lakh as interest towards delayed payments in respect of supply of Galvanised iron pipes which resulted in extra expenditure to Government.

*(Paragraph 4.2)*

The Executive Engineer, Public Health Engineering Division, Tuensang spent Rs.44.85 lakh on clearance of fictitious past liabilities as the department had no evidence for such past liability.

*(Paragraph 4.3)*

Rejection of lowest tender in respect of supply of tubular pole on suspicious grounds by Government resulted in extra avoidable expenditure of Rs.32.80 lakh to Government.

*(Paragraph 4.5)*

Executive Engineer, Public Works Division, (Roads & Bridges) Mokokchung fraudulently paid Rs.95.13 lakh to 64 contractors/suppliers on account of refund of security deposits.

*(Paragraph 4.6)*

The Executive Engineer (Roads and Bridges), Dimapur made payment of Rs.24 lakh to a contractor for which there were no supporting records and thus the payment appeared fictitious.

*(Paragraph 4.7)*

There was an excess payment of Rs.6.31 lakh due to non-deduction of voids from the gross quantity of stone supplied in Public Works Division (Roads & Bridges), Dimapur.

*(Paragraph 4.8)*

Of the total expenditure of Rs.4.16 crore incurred by the SSWAB during 1993-99, expenditure of Rs.0.90 crore was met by diverting the funds from Welfare Extension Projects (WEP) which should have been restricted to Rs.0.71 crore. This resulted in irregular utilisation of WEP funds in excess by Rs.0.19 crore.

*(Paragraph 7.5.2)*

None of the 39 Societies had furnished the utilisation certificates in respect of the grants of Rs.21.43 lakh received by them during 1993-99.

*(Paragraph 7.5.4 (c))*

Veracity of the expenditure of Rs.18.24 lakh incurred by the Board during 1993-96 for purchase of milk and biscuits under Supplementary Nutrition Programme could not be established for want of any records in support of receipt and distribution of the materials.

*(Paragraph 7.1.4 (d) (i))*

## **B. Revenue**

Irregular deduction from the gross turnover of a firm resulted in short levy of sales tax of Rs.6.96 lakh.

*(Paragraph 6.5)*

Government suffered a loss of revenue to the tune of Rs.3.26 lakh due to non-imposition of sales tax on the closing stock.

*(Paragraph 6.5)*

## **C. Commercial**

There were six Government Companies and nine departmentally managed Government Commercial and quasi-commercial undertakings in the State as on 31 March 1999. The total investment in 5<sup>1</sup> Government Companies was Rs.49.87 crore (equity:Rs.18.19 crore; term loans:Rs.23.28 crore and share application money:Rs.8.40 crore).

*(Paragraph 8.1.1, 8.1.2 and 8.1.10)*

None of the Government Companies had finalised their accounts for the year 1998-99. The extent of arrears ranged from nine to 20 years. Proforma accounts of all the departmentally managed Government Commercial and quasi-commercial undertakings were in arrears ranging from 1 year to 27 years.

*(Paragraph 8.1.5.1 and 8.1.10)*

---

<sup>1</sup> Information in respect of one Company is not available.



# CHAPTER I

## AN OVERVIEW OF THE FINANCES OF THE STATE GOVERNMENT

### 1.1 Introduction

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

### 1.2 Financial position of the State

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 1999, compared with the corresponding position on 31 March 1998 is given in the table below:-

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF NAGALAND ON  
31 MARCH 1999.

(Rupees in crore)			
As on 31.03.1998	LIABILITIES		As on 31.03.1999
469.34	Internal Debt		560.66
307.60	Market loans bearing interest		377.49
0.11	Market loans not bearing interest		0.11
19.48	Loans from LIC		17.96
125.46	Loans from other institutions		139.10
16.80	Ways and Means Advances		26.00
105.34	Overdrafts from Reserve Bank of India		168.83
287.60	Loans and Advances from Central Government		319.69
	Pre-1984-85 loans		36.69
	Non-Plan Loans		63.86
	Loans for State Plan Schemes		203.63
	Loans for Central Plan Schemes		2.77
	Loans for Centrally Sponsored Plan Schemes		9.18
	Loans for Special Schemes		3.56
0.35	Contingency Fund		0.35
306.75	Small Savings, Provident Funds, etc.		338.07
39.16	Deposits		27.38
3.52	Reserve Funds		4.28
14.59	Remittance Balances		18.69
202.78	Surplus on Government Account-		179.76
	Accumulated surplus upto 31 March 1998		202.78
	Less deficit of current year		(-) 23.02
1,429.43			1,617.71
ASSETS			
1430.31	Gross Capital outlay on Fixed Assets-		1,586.10
	Investments in shares of Companies, Corporations, etc.		46.70
	Other capital outlay		1,539.40
41.34	Loans and Advances		47.26
	Other Development Loans		45.46
	Loans to Government servants etc.		1.80
1.76	Advances		1.86
58.50	Suspense and Miscellaneous Balances		52.01
(-) 102.48	Cash Balance		(-) 69.52
	Cash in Treasuries and Local Remittances		0.17
	Deposits with Reserve Bank		(-) 100.75 <sup>1</sup>
	Departmental Cash Balance including Permanent Advances		24.22
	Investment of earmarked funds		6.84
---	Cash Balance Investments		---
1,429.43			1,617.71

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 17 per cent, the assets grew by only 13 per cent during 1998-99, mainly as a result of deficit of Rs.23.02 crore on the

<sup>1</sup> Minus balance (as per accounts) represents excess cash outgo of the State Government over the resources from all sources with the Reserve Bank of India (RBI). This balance was arrived at after taking into account all monetary settlements as intimated by the RBI and other accounting circles.

Government account. This shows an overall deterioration in the financial condition of the Government.

### 1.3 Sources and applications of funds

1.3.1 The table below gives the position of sources and applications of funds during the current and the preceding year.

#### SOURCES AND APPLICATION OF FUNDS

(Rupees in crore)			
		Sources	
1997-98			1998-99
860.99	1.	Revenue receipts	989.38
4.45	2.	Recoveries of Loans and Advances	13.18
106.10	3.	Increase in Public debt other than overdraft.	123.42
51.35	4.	Net receipts from Public account	30.78
27.23		Increase in Small Savings	31.32
16.80		Decrease in Deposits and Advances	(-) 11.89
1.15		Increase in Reserve Funds	0.77
2.80		Net effect of Suspense and Miscellaneous transactions	6.48
8.97		Net effect of Remittance transactions	4.10
1.91	5.	Increase in closing cash balance	(-) 32.96
105.34	6.	Overdrafts from Reserve Bank of India (Net)	63.49
<b>1,130.14</b>		<b>Total</b>	<b>1,187.29</b>
<b>Application</b>			
988.18	1.	Revenue expenditure	1,012.40
8.27	2.	Lending for development and other purposes	19.11
133.69	3.	Capital expenditure	155.78
<b>1130.14</b>		<b>Total:-</b>	<b>1,187.29</b>

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 the lending for developmental purposes. It would be seen that the revenue receipts constitute the most significant source of funds for the State Government. While their relative share went up marginally from 76.18 *per cent* in 1997-98 to 83.33 *per cent* during 1998-99, the share of recoveries of loans and advances went up from 0.39 *per cent* to 1.11 *per cent*. The net receipts from the Public Account, however, declined significantly as their share went down from 4.54 *per cent* in 1997-98 to 2.59 *per cent* in 1998-99. This was mainly due to decrease of 71 *per cent* in deposits and advances. The share of receipts from the public debt went up marginally from 9.39 *per cent* to 10.40 *per cent*.

1.3.2 The funds were mainly applied for revenue expenditure, whose share not only went down from 87.44 *per cent* to 85.27 *per cent*, but also remained higher than the share of the revenue receipts (83.33 *per cent*) in the total receipts of the State Government. This led to the Revenue Deficit of Rs.23.02 crore. While the percentage of capital expenditure went up from 11.83 *per*

cent to 13.12 per cent, lending for development purposes also went up from 0.73 per cent to 1.61 per cent.

#### 1.4 Financial operations of the State Government

1.4.1 Exhibit I gives the details of the receipts and disbursements made by the State Government. The revenue expenditure (Rs.1,012.40 crore) during the year exceeded the revenue receipts (Rs.989.38 crore) resulting in a revenue deficit of Rs23.02 crore. The revenue receipts comprised Tax Revenue (Rs.30.56 crore), Non-tax Revenue (Rs.44.15 crore), State's share of Union taxes and duties (Rs.437.19 crore) and grants-in-aid from the Central Government (Rs.477.48 crore). The main sources of tax revenue were sales tax (53 per cent), State Excise (6 per cent), Taxes on vehicles (14 per cent) and stamps and registration fees (6 per cent). Non-tax revenue came mainly from interest receipts (3 per cent) and economic services (53 per cent).

1.4.2 The capital receipts comprised Rs13.18 crore from recoveries of loans and advances and Rs.417.02 crore from public debt. Against this, the expenditure was Rs.155.78 crore on capital outlay, Rs.19.11 crore on disbursement of loans and advances and Rs.293.60 crore on repayment of public debt. The receipts in the Public Account amounted to Rs.427 crore, against which the disbursements made were Rs.396.22 crore. The net effect of the transactions in the Consolidated Fund, Contingency Fund and Public Account was an increase of Rs.32.96 crore in the cash balance which brought down the negative balance of Rs.102.48 crore at the beginning of the year to Rs.69.52 crore at the year end.

1.4.3 The financial operations of the State Government pertaining to its receipts and expenditure are discussed in the following paragraphs, with reference to the information contained in table under paragraph 1.3.1 and the time series data for the five year's period from 1994-95 to 1998-99, presented in the table given below.



## TIME SERIES DATA ON STATE GOVERNMENT FINANCES

	(Rupees in crore)				
	1994-95	1995-96	1996-97	1997-98	1998-99
<b>Part A. Receipts</b>					
<b>I. Revenue Receipts</b>	619.18	733.79	855.13	860.99	989.38
<b>(a) Tax Revenue</b>	17.49 (3)	23.28 (3)	32.59 (4)	31.57 (4)	30.56 (3)
Sales Tax	9.93 (57)	12.32 (53)	16.15 (50)	16.52 (52)	16.10 (53)
State Excise	1.10 (6)	1.59 (7)	2.00 (6)	2.10 (7)	1.89 (6)
Taxes on vehicles	2.32 (13)	2.92 (13)	3.88 (12)	3.86 (12)	4.37 (14)
Stamps and Registration fees	0.19 (1)	1.74 (7)	5.76 (18)	3.66 (12)	1.94 (6)
Land Revenue	0.07 (*)	0.07 (*)	0.16 (*)	0.08 (*)	0.12 (*)
Other Taxes	3.88 (22)	4.64 (20)	4.64 (14)	5.35 (17)	6.14 (20)
<b>(b) Non Tax Revenue</b>	85.19 (14)	36.05 (5)	33.45 (4)	27.52 (3)	44.15 (5)
<b>(c) State's share in Union taxes</b>	195.73 (31)	186.10 (25)	274.75 (32)	380.81 (44)	437.19 (44)
<b>(d) Grants in aid from GOI</b>	320.77 (52)	488.36 (67)	514.34 (60)	421.09 (49)	477.48 (48)
<b>Part B. Expenditure</b>	628.69	935.89	981.92	1,121.86	1,168.18
<b>I. Revenue Expenditure</b>	584.62 (93)	834.48 (89)	847.31 (86)	988.18 (88)	1,012.40(87)
Plan	81.51 (14)	134.07 (16)	172.44 (20)	199.68 (20)	205.94 (20)
Non-Plan	503.11 (86)	700.41 (84)	674.87 (80)	788.50 (80)	806.46 (80)
General Services	213.41 (37)	251.48 (30)	262.70 (31)	305.34 (31)	325.58 (32)
Social Services	168.79 (29)	248.45 (30)	242.57 (29)	262.81 (27)	293.78 (29)
Economic Services	135.21 (23)	249.44 (30)	251.84 (30)	307.41 (31)	258.21 (26)
Interest Payments	67.21(11)	85.11 (10)	90.20 (11)	112.62 (11)	134.83 (13)
Arrears of Revenue (% Tax & non-Tax revenue receipts)	4.47 (4)	4.77 (8)	5.62 (9)	12.38 (21)	26.22 (35)
Financial assistance to local bodies etc.	2.61	8.61	22.50	23.99	18.30
Loans and advances given	8.63	9.20	14.36	8.27	19.11
<b>II. Capital Expenditure</b>	44.07 (7)	101.41 (11)	134.61 (14)	133.69 (12)	155.78 (13)
Plan	44.89 (102)	97.67 (96)	132.38 (98)	132.99 (99)	151.83 (97)
Non-Plan	(-) 0.82 (2)	3.74 (4)	2.23 (2)	0.70 (1)	3.95 (3)
General Services	3.17 (7)	11.94 (12)	13.13 (10)	9.88 (8)	10.63 (7)
Social Services	6.50 (15)	30.43 (30)	57.09 (42)	49.94 (37)	55.19 (35)
Economic Services	34.40 (78)	59.04 (58)	64.39 (48)	73.87 (55)	89.96 (58)
<b>Part C. Deficits</b>					
Revenue Deficit (-)/Surplus (+)	(+) 34.56	(-) 100.69	(+) 7.82	(-) 127.19	(-) 23.02
Fiscal Deficit	13.50	202.73	137.07	264.70	184.73
Primary Deficit (-)/Surplus (+)	(-) 53.71	117.62	46.87	152.08	49.90
<b>Part D. Other data</b>					
Ways and Means Advances (days)	64.43 (51)	13.24 (11)	13.00 (5)	108.03 (46)	95.54 (21)
Interest on WMA	0.21	0.05	0.03	0.42	0.77
GSDP	1355.62	1605.51	1914.04	NA	NA
Outstanding Debt (year end)	508.94	582.55	650.84	862.28	1,049.18
Outstanding guarantees (year end)	7.24	7.24	7.24	7.24	7.24
Guarantees given during the year	NIL	NIL	NIL	NIL	@

@

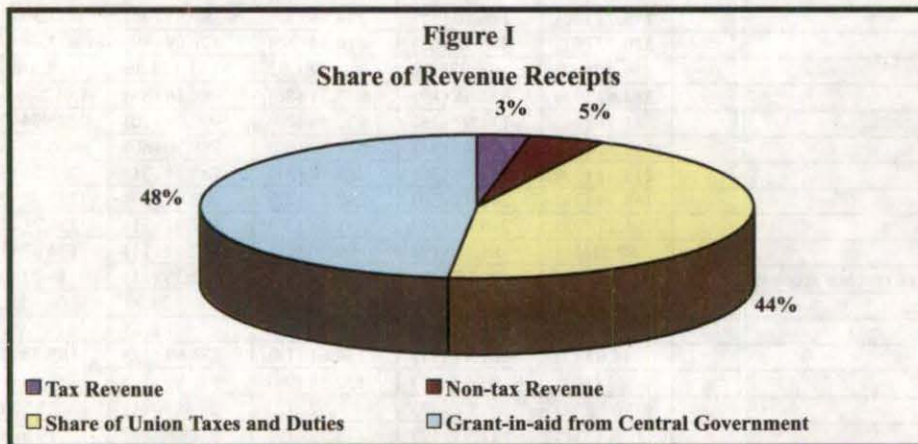
Information is awaited from the Government (March 2000).

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

D - Discuss

### 1.5 Revenue receipts

The revenue receipts consist mainly of tax and non-tax revenue and receipts from Government of India (GOI). Their relative shares are shown in figure I.



The revenue receipts grew at an average annual rate of 12.66 per cent during 1994-95 to 1998-99.

#### D 1.5.2 Tax revenue

Tax revenue constituted 3 per cent of the revenue receipts, and their share declined from 4 per cent during 1997-98. However, tax revenue declined at the rate of 3 per cent during 1997-98 and 1998-99 after recording a healthy growth rate of 33 to 40 per cent during 1995-96 to 1996-97. The table under paragraph 1.4.3 shows that the relative contribution of sales tax has come down from 57 per cent in 1994-95 to 53 per cent in 1998-99, while that of excise duty remained almost stagnant during the last 5 years (1994-99).

The contribution of other two constituents of the tax revenue viz., Stamps and Registration Fees and Land Revenue was insignificant at 1.48 per cent to 6.74 per cent, the share of Taxes on Vehicles remained constant at around 13 per cent.

#### D 1.5.3 Non-tax revenue

The non-tax revenue constituted 5 per cent of the revenue receipts of the Government during the year and their share in the revenue receipts declined from 14 per cent in 1994-95 to 5 per cent in 1998-99.

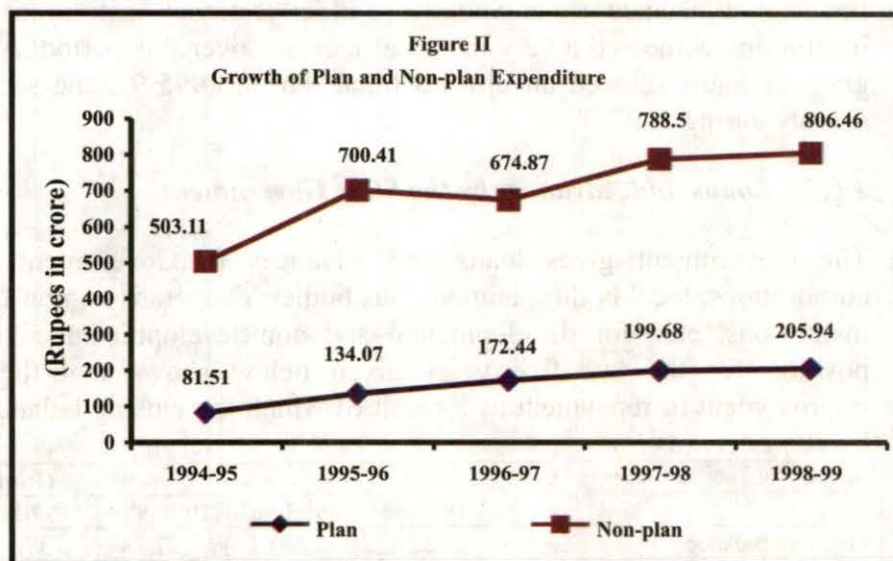
Non-tax Revenue mainly came from Power (39 per cent), Road Transport (6 per cent), Forestry and Wild Life (7 per cent) and Miscellaneous General Services (34 per cent). Share of interest receipts was insignificant at 3 per cent and was only 0.15 per cent of the total revenue receipts as compared to share of interest payments at 13.32 per cent in the total revenue expenditure of the State.

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

The State's share of Union taxes (excise duties and income and corporation taxes) increased by 15 per cent during the year, while the grants-in-aid from the Central Government increased by 13 per cent. However, as a percentage of revenue receipts they (both taken together) increased from 83 per cent in 1994-95 to 92 per cent during 1998-99; this was mainly due to increase (from 31 per cent to 44 per cent) in the State's share in Union taxes.

## 1.6 Revenue expenditure

**1.6.1** The revenue expenditure accounted for most (87 per cent) of the expenditure of the State Government and increased by 2 per cent during 1998-99. The increase was, however, both on the Plan and Non-Plan side. A comparison shows that the rate of growth in Plan component (153 per cent) of revenue expenditure far surpassed the growth rate of Non-Plan expenditure (60 per cent) during the last five years ending March 1999 as can be seen in figure II.



**1.6.2** Sector-wise analysis shows that while the expenditure on General Services increased by 53 per cent, from Rs.213.41 crore in 1994-95 to Rs.325.58 crore in 1998-99, the corresponding increases in expenditure on Social Services and Economic Services were only 74 and 91 per cent respectively. As a proportion of total expenditure, the share of General Services decreased from 37 per cent in 1994-95 to 32 per cent in 1998-99, whereas the share of Social Services remained static around 29 per cent but that of Economic Services increased from 23 per cent to 31 per cent in 1997-98 and came down to 26 per cent in 1998-99.

### 1.6.3 Interest payments

Interest payments increased steadily by 101 per cent from Rs.67.21 crore in 1994-95 to Rs134.83 crore in 1998-99. This is further discussed in the Section on Financial indicators.

### 1.6.4 Financial assistance to local bodies and other institutions

The quantum of assistance provided to different local bodies etc., during the period of five years ending 1998-99 was as follows:

		1994-95		1995-96		1996-97		1997-98		1998-99	
		Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans	Grants	Loans
<i>(Rupees in crore)</i>											
(A)	University and Educational Institutes	0.36	---	0.09	---	0.25	---	0.24	---	0.42	---
(B)	Municipal Corporations	---	---	---	---	---	---	---	---	---	---
(C)	Zila Parishad	---	---	---	---	---	---	---	---	---	---
(D)	Development Agencies	0.47	---	2.87	---	16.40	---	12.53	---	12.77	---
(E)	Hospitals and other Charitable Institutes	---	---	---	---	0.53	---	0.03	---	2.02	---
(F)	Other Institutes	1.78	2.26	5.65	6.37	5.32	7.27	11.19	2.59	3.09	2.74
<b>Total</b>		<b>2.61</b>	<b>2.26</b>	<b>8.61</b>	<b>6.37</b>	<b>22.50</b>	<b>7.27</b>	<b>23.99</b>	<b>2.59</b>	<b>18.30</b>	<b>2.74</b>
Percentage of growth over previous year		(-) 93	(-) 60	230	182	161	14	7	(-) 64	(-) 24	6
Assistance as percentage of Revenue expenditure		0.4	0.39	1	0.76	3	0.86	2	0.26	2	0.27

The assistance to the local bodies declined sharply during 1998-99. The financial assistance to universities and educational institutions and other institutions witnessed a very marginal increase over this period. Although the grant of loans showed an upward trend during 1995-97, the same declined sharply during 1997-99.

### 1.6.5 Loans and Advances by the State Government

The Government gives loans and advances to Government companies, corporations, local bodies, autonomous bodies, cooperatives, non-Government institutions, etc., for developmental and non-developmental activities. The position for the last five years given below shows that there was no improvement in repayment as a result of which the closing balance increased by 78 per cent.

	<i>(Rupees in crore)</i>				
	1994-95	1995-96	1996-97	1997-98	1998-99
Opening balance	22.62	26.61	27.24	37.52	41.34
Amount advanced during the year	8.63	9.20	14.36	8.27	19.10
Amount repaid during the year	4.64	8.57	4.08	4.45	13.18
Closing balance	26.61	27.24	37.52	41.34	47.26
Net addition	3.99	0.63	10.28	3.82	5.92
Interest received	0.22	0.58	0.19	0.49	0.54

In respect of loans the detailed accounts of which are maintained by the departmental officers information about the arrears in recovery (principal as well as interest) of loans as on 31 March 1999 was not received from the departmental authorities and the controlling officers who were required to furnish these to the Sr. Deputy Accountant General (Accounts and

Entitlements) by June every year. In spite of persistent pursuance, the information was awaited (March 2000) from the Finance Department of the Government.

## 1.7 Capital expenditure

1.7.1 Capital expenditure leads to asset creation. In addition, financial assets arise from moneys invested in institutions or undertakings outside Government i.e., Public Sector Undertakings (PSUs), corporations, etc., and loans and advances. During 1998-99, the capital expenditure has grown by 17 per cent as a result of which its share in total expenditure has grown from 7 per cent in 1994-95 to 13 per cent in 1998-99. The table under paragraph 1.4.3 shows that most of the capital expenditure has been on economic and social services and on the Plan side.

## 1.8 Quality of expenditure

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

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

1.8.3 The following table lists out the trend in these indicators:

	1994-95	1995-96	1996-97	1997-98	1998-99
1. Plan expenditure as a percentage of:-					
Revenue expenditure	14	16	20	20	20
Capital expenditure	102	96	98	99	97
2. Capital expenditure (per cent)	7	11	14	12	13
3. Expenditure on General Services (per cent)					
Revenue	37	30	31	31	32
Capital	7	12	10	8	7
4. Amount of wastage and diversion of funds detected during test audit (Rupees in lakh)	23.10	515.52	75.00	64.97	1899.42

## Civil Report of 1999.

It would be seen that the share of Plan expenditure on revenue side has been increasing from 1994-95 to 1996-97 and remained static thereafter while the capital side has been decreasing since 1994-95. The share of capital expenditure, however, has been going up. The expenditure on General Services, at the same time, has been on increase since 1995-96 on the revenue side though it had a marginal decline on the capital side.

### 1.9 Financial management

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 the 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.

#### 1.9.1 Investments and returns

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:

(Rupees in crore)				
	Sector	Number of concerns	Amount invested	
			As on 31.3.1999	During 1998-99
(1)	Statutory Corporations	1	0.04	---
(2)	Government Companies	5	25.52	1.62
(3)	Joint Stock Companies	2	6.91	---
(4)	Cooperative Institutions	@	14.23	3.49
Total:-			46.70	5.11

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

(Rupees in crore)				
Year	Investment at the beginning of the year	Return	Total interest liability	Rate of interest on Government borrowing (%)
1994-95	30.63	NIL	3.83	12.50 (April 1994)
1995-96	30.75	NIL	4.27	14.00 (May 1995)
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	41.51	NIL	5.13	12.15 (April 1998) 12.50 (October 1998)
Total:-			22.33	

@ Information awaited from Government (March 2000).

\* Rs.2,000 received as dividend.

Thus, while the Government was raising high cost borrowings from the market, it had been increasing the investment in the above institutions by borrowing from the open market year after year without getting any return therefrom. During the last five years alone, interest liability on the investments made out of borrowed funds at the prevailing market borrowing rates works out to Rs.22.33 crore which represents 48 *per cent* of the total investments of Rs.46.70 crore made as on March 1999.

As on 31 March 1999, 5 of the Government companies in which Government had invested Rs.46.70 crore, were running under loss and the accumulated loss was Rs.45.85 crore upto March 1998.

### *1.9.2 Arrears of revenue*

The arrears of revenue pending collection increased by 112 *per cent* during the year. The outstanding arrears registered a secular increase during the preceding five year (table under paragraph 1.4.3) and their percentage increased from 4 *per cent* of the revenue raised during 1994-95 to 35 *per cent* during 1998-99. Of the arrears of Rs.26.22 crore as of March 1999, Rs.4.47 crore (17 *per cent*) were pending for more than five years, and pertained mainly to Sales Tax (Rs.3.74 crore) and Central Sales Tax (Rs.0.71 crore) and Professional Tax (Rs.0.02 crore). The overall deterioration in the position of arrears of revenue showed a slackening of the revenue efforts of the State Government.

### *1.9.3 Ways and Means Advances and Overdrafts*

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 in Government. During the year 1998-99, Government obtained Rs.95.54 crore as Ways and Means Advances on 21 days in addition to the outstanding balance of Rs.16.80 crore from the preceding year. Against this, only Rs.86.34 crore was repaid leaving an outstanding balance of Rs.26.00 crore on 31 March 1999.

The Ways and Means Advances obtained had increased from Rs.64.43 crore in 1994-95 to Rs.95.54 crore in 1998-99 indicating an increase of 48 *per cent*. Similarly, overdraft availed by the Government during 1998-99 was Rs.306.95 crore. Of this, Rs.243.46 crore was repaid with interest of Rs.0.72 crore leaving an outstanding balance of Rs.168.83 crore (includes outstanding opening balance of Rs.105.34 crore) at the end of the year. The overdrafts obtained (gross) had increased from Rs.84.53 crore in 1994-95 to Rs.306.95 crore in 1998-99 constituting an increase of 263 *per cent*.

The Government is increasingly depending on overdrafts/ways and means advances for meeting its financial requirements and is consequently paying interest at considerably higher rates.

#### 1.9.4 Deficit

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

1.9.4.2 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:

(Rupees in crore)				
CONSOLIDATED FUND				
RECEIPT	Amount	DISBURSEMENT		Amount
Revenue	989.38	<b>Revenue deficit: 23.02</b>	Revenue	1012.40
Misc. capital receipts	---		Capital	155.78
Recovery of loans & advances	13.18		Loans & advances disbursement	19.11
<b>Sub-total:</b>	<b>1002.56</b>	<b>Gross fiscal deficit: 184.73</b>	<b>Sub-total:</b>	<b>1187.29</b>
Public debt	417.02		Public debt repayment	293.60
Overdrafts from RBI	306.95		Overdrafts	243.46
<b>Total:</b>	<b>1726.53</b>	<b>A: Surplus in CF: 2.18</b>	<b>Total:</b>	<b>1724.35</b>
PUBLIC ACCOUNT				
Small savings, PF etc.	70.27		Small savings, PF etc.	38.95
Deposits & advances	24.75		Deposits & advances	36.64
Reserve funds	1.88		Reserve funds	1.11
Suspense & Misc.	76.25		Suspense & Misc.	69.77
Remittances	253.85		Remittances	249.75
<b>Total: Public Account</b>	<b>427.00</b>	<b>B: Surplus in by Public Account: 30.78</b>		<b>396.22</b>
<b>Increase in cash balance : (A+B):: 32.96</b>				

The above table shows that gross fiscal deficit of Rs.184.73 crore was partly financed by net proceeds of Public Debt (Rs.123.42 crore) and partly from Overdrafts from the Reserve Bank of India (Rs.63.49 crore). The surplus of Rs.2.18 crore in consolidated funds and Rs.30.78 crore in the Public Account led to increase in cash balance by Rs.32.96 crore during 1998-99 as compared to the preceding year.

Table under paragraph 1.4.3 shows that the State had revenue surplus during 1994-95 and 1996-97 but became a revenue deficit State during 1995-96, 1997-98 and 1998-99. Fiscal deficit had increased by more than 12 times over the period of five years ending March 1999 and was highest during the year 1997-98 (Rs.264.70 crore).



**1.9.4.3 Application of the borrowed funds (Fiscal Deficit)**

The fiscal deficit represents total net borrowings of the Government. These borrowings are applied for meeting the Revenue Deficit (RD), for making the 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:-

					(Rupees in lakh)
Ratio of	1994-95	1995-96	1996-97	1997-98	1998-99
RD/FD	(-) 2.56	0.50	(-) 0.06	0.48	0.13
CE/FD	3.26	0.50	0.98	0.51	0.84
Net loans/FD	0.30	Negligible	0.08	0.01	0.03
<b>Total</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>

It would be seen that while more and more of the borrowed funds have been applied for meeting the revenue expenditure. Therefore, if the revenue expenditure is not controlled, capital formation is bound to suffer.

**1.9.5 Guarantees given by the State Government**

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 table of paragraph 1.4.3, the maximum amount of loans (principal only) guaranteed as of March 1999 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 (March 2000).

**1.10 Public debt**

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

(Rupees in crore)						
Year	Internal debt	Loans and advances from Central Government	Total public debt	Other liabilities <sup>2</sup>	Total liabilities	Ratio of debt to GSDP
1994-95	283.60	225.33	508.93	182.11	691.04	0.51
1995-96	342.00	240.54	582.54	268.38	850.92	0.53
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	#
1998-99	729.49	319.69	1,049.18	369.73	1418.91	#

During the five year period, the total liabilities of the Government had grown by 105 per cent. This was on account of 157 per cent growth in internal debt, 42 per cent growth in loans and advances from Central Government and 103 per cent growth in other liabilities. During 1998-99, Government borrowed Rs.80.73 crore in the open market at interest rates of 12.15 and 12.50 per cent per annum.

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

(Rupees in crore)					
	1994-95	1995-96	1996-97	1997-98	1998-99
Internal Debt (excluding Ways and Means Advances and Overdrafts from RBI)					
Receipt	39.94	61.45	63.54	83.84	104.65
Repayment-principal	9.77	3.06	19.37	17.47	22.53
Interest	34.36	38.79	45.01	59.12	64.30
Sub-total:-	44.13	41.85	64.38	76.59	86.83
Net funds available (per cent)	(-) 4.19	19.60	(-) 0.84	7.25	17.82
	(-10)	(32)	(-1)	(9)	(17)
Loans and advances from GOI					
Receipt during the year	36.86	26.29	35.75	36.59	46.83
Repayment-principal	17.14	11.07	11.62	13.66	14.73
Interest	20.96	24.62	27.11	30.77	45.65
Sub-total:-	38.10	35.69	38.73	44.43	60.38
Net funds available (per cent)	(-) 1.24	(-)	(-) 2.98	(-) 7.84	(-)13.55
	(-3)	9.40	(-8)	(-21)	(-29)
		(-36)			
Other liabilities					
Receipt during the year	106.41	135.69	99.33	96.76	91.23
Repayment-Principal	47.75	49.42	63.59	51.44	70.93
Interest	11.89	21.69	18.08	22.73	24.89
Sub-total:-	59.64	71.11	81.67	74.17	95.82
Net funds available (per cent)	46.77	64.58	17.66	22.59	(-)4.59
	(44)	(48)	(18)	(23)	(-5)

It would be seen that very little of the borrowings are available for investment and other expenditure after meeting the repayment obligations. Considering that the outstanding debt has been increasing year after year, the net availability of funds through public borrowings is going to reduce further.

<sup>2</sup> Other liabilities include small savings, provident funds, reserve funds and deposits, etc.  
# Information regarding Gross State Domestic Product (GSDP) is not available.

## 1.11 Indicators of the financial performance

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

*(i) Sustainability*

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

*(ii) Flexibility*

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

*(iii) Vulnerability*

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

*(iv) Transparency*

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

*1.11.2* Information available in finance Accounts can be used to flesh out Sustainability, Flexibility, and Vulnerability that can be expressed in terms of certain indices/ratios worked out from the Finance Accounts. The list of such indices/ratios is given in *Appendix—I*. Exhibit II indicates the behaviour of these indices/ratios over the period from 1994-95 to 1998-99. The implications of these indices/ratios on the state of the financial health of the State Government are discussed in the following paragraphs.

*1.11.3 The behaviour of the indices/ratios is discussed below*

*(i) Balance from current revenues (BCR)*

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

*(ii) Interest ratio*

The higher the ratio the lesser the ability of the Government to service any fresh debt and meet its revenue expenditure from its revenue receipts. In the case of Nagaland the ratio has moved in a narrow range of 0.11 to 0.14. It has gone down to 0.10 in 1996-97 and again went up to 0.14 during 1998-99. A rising interest ratio has adverse implications on sustainability since it indicates a rising interest burden.

*(iii) Capital outlay vs capital receipts*

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

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

Tax receipts consist of State taxes and State's share of Central taxes. The latter can also be viewed as central taxes paid by people living in the State. Tax receipts suggest sustainability. But the ratio of tax receipts to GSDP would imply that the Government can tax more, and hence its flexibility. A high ratio may not only point to the limits of this source of finance but also its inflexibility. Time series analysis shows that in case of Nagaland this ratio was 0.17 during 1994-95 and 0.16 in 1996-97. Similarly, the ratio of State tax receipts and GSDP was constant during 1995-96 and 1996-97. 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 1997-98 and 1998-99 was not made available by the Government. Hence no analysis could be made for these years.

*(v) Return on Investment (ROI)*

The ROI is the ratio of the earnings to the capital employed. A high ROI suggests sustainability. The table presents the return on Government's investments in statutory corporations, Government companies, joint stock companies and 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 based to finance their loss, rather than generate revenue.

*(vi) Capital repayments vs Capital borrowings*

This ratio would indicate the extent to which the capital borrowings are available for investment, after repayment of capital. The lower the ratio, the higher would be the availability of capital for investment. In the case of Nagaland, this ratio has been moving in the narrow range from 0.16 to 0.64 during 1994-99. This suggests that the availability of Capital for investment was less.

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

The GSDP is the total internal resource base of the State Government which can be used to service debt. An increasing ratio of Debt vs GSDP would signify a reduction in the Government's ability to meet its debt obligations and therefore increasing risk for the lender. In the case of Nagaland, this ratio had moved in the range between 0.49 to 0.51 during 1994-95 to 1996-97. The GSDP data for 1997-98 and 1998-99 was not made available by the State Government. Hence, the ratio has not been worked out.

*(viii) Revenue deficit vs Fiscal deficit*

The revenue deficit is the excess of revenue expenditure over revenue receipts and represents the revenue expenditure financed by borrowings etc. Evidently, the higher the revenue deficit, the more vulnerable is the State. Since fiscal deficit represents the aggregate of all the borrowings, the revenue deficit as a percentage of fiscal deficit would indicate the extent to which the borrowings of the Government are being used to finance non-productive revenue expenditure. Thus higher the ratio the worse off the state because that would indicate that the debt burden is increasing without adding to the repayment capacity of the State. During 1995-96, 50 per cent of the borrowings were applied to revenue expenditure as compared to 2.56 per cent in 1994-95. However, this has come down to 13 per cent in 1998-99 indicating a favourable trend.

*(ix) Primary deficit vs Fiscal deficit*

Primary deficit is the fiscal deficit minus interest payments. This means that the less the value of the ratio the less the availability of funds for capital investment. In case of Government of Nagaland, this ratio moved from 3.98 in 1994-95 to 0.27 during 1998-99, indicating that the quantum of borrowing increased at a faster rate relative to interest payment resulting in more

*Civil Report of 1999.*

availability of borrowed funds. However, the borrowed funds have been increasingly utilised to meet capital deficit, interest payment and less for capital projects etc indicating vulnerability of the Government.

**(x) Guarantees vs Revenue receipts**

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

**(xi) Assets vs Liabilities**

This ratio indicates the solvency of the Government. A ratio of more than 1 would indicate that the State Government is solvent (assets are more than the liabilities) while a ratio of less than 1 would be a contra indicator. In the case of Nagaland this ratio though shows a positive trend but declined sharply from 1.61 in 1994-95 to 1.13 in 1998-99 indicating that the liabilities have grown at a faster rate than the assets and a contra indicator to solvency.

**(xii) Budget**

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

Preparation	Month of submission	Month of approval
Vote on Account	March 1998	March 1998
Budget	July 1998	July 1998
Supplementary	March 1998	March 1998

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

**(xiii) Accounts**

There are 84 Divisions in the State, responsible for maintaining and rendering the accounts to the Accountant General (A&E), Nagaland in respect of Public Works Department (43 Divisions), Public Health Engineering Department (10 Divisions), Power Department (16 Divisions) and Forest Department (15 Divisions). All the 84 Divisions had delayed submission of their monthly accounts. The delay ranged between 5 and 375 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 closing of these accounts also got delayed.

1.11.4 Conclusion

State Government had a negative BCR during all the five years ending March 1999 suggesting that Government had been depending heavily on borrowings for meeting its plan and non-plan expenditure. Interest ratio of the Government went upto 0.14 during 1998-99 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 1.61 in 1994-95 to 1.13 in 1998-99 indicates adversely on the solvency of the Government.

The matter had been reported to Government in November 1999; reply had not been received (March 2000).

**EXHIBIT I**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE**  
**YEAR 1998-99**

		(Rupees in crore)						
RECEIPTS			DISBURSEMENTS					
1997-98		1998-99	1997-98		Non-Plan	Plan	Total	1998-99
SECTION A: REVENUE								
860.99	<b>I. Revenue Receipts</b>		989.38	988.18	<b>I. Revenue Expenditure</b>			1012.40
31.57	Tax Revenue	30.56		417.96	General Services	449.83	10.58	460.41
27.52	Non-tax Revenue	44.15		262.81	Social Services	224.87	68.91	293.78
380.81	State's share of Union Taxes	437.19		124.89	Education, sports, Arts and culture	118.83	17.00	135.83
76.12	Non-plan grants	79.63		57.31	Health and Family Welfare	43.29	14.65	57.94
304.05	Grant of State Plan Scheme	341.90		46.21	Water Supply, Sanitation, Housing and Urban Development	35.35	13.65	49.00
4.39	Grant for Central Plan Scheme	14.66		3.83	Information and Broadcasting	4.28	2.06	6.34
35.43	Grants for Centrally Sponsored Plan Schemes	38.23		2.52	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	6.18	3.87	10.05
1.10	Grant for Special Plan Scheme (NEC)	3.06		2.96	Labour and Labour Welfare	1.94	1.40	3.34
				22.22	Social Welfare and Nutrition	10.50	16.18	26.68
				2.87	Others	4.50	0.10	4.60
				307.41	<b>Economic Services</b>	<b>131.76</b>	<b>126.45</b>	<b>258.21</b>
				73.97	Agriculture and Allied Activities	41.48	41.38	82.86
				38.29	Rural Development	2.95	27.56	30.51
				6.21	Special Areas Programme	1.16	9.59	10.75
				10.14	Irrigation and Flood Control	3.42	2.43	5.85
				50.25	Energy	33.57	0.43	34.00
				36.83	Industry and Minerals	13.21	9.63	22.84
				33.94	Transport	25.28	0.69	25.97
				0.20	Science, Technology and Environment	0.08	0.15	0.23
				57.58	General Economic Services	10.61	34.59	45.20
127.19	<b>II. Revenue Deficit carried over to Section-B</b>		23.02		<b>II. Revenue Surplus carried over to Section-B</b>			---
988.18	<b>Total: Section A-Revenue</b>		1012.40		<b>Total: Section A-Revenue</b>	806.46	205.94	1012.40



		(Rupees in crore)						
RECEIPTS			DISBURSEMENTS					
1997-98		1998-99	1997-98		Non-Plan	Plan	Total	1998-99
	<b>SECTION-B</b>							
(-) 100.57	III. Opening cash balance including Permanent Advances and Cash Balance Investment	(-) 102.48	Nil	III. Opening Overdraft from RBI				105.34
4.45	IV. Recoveries of Loans and Advances	13.18	113.69	IV. Capital Outlay				155.78
0.49	From Government Servants	0.35	9.88	General Services	---	10.63	10.63	
3.96	From Others	12.83	49.94	Social Services	---	55.19	55.19	
			2.54	Education, Sports, Art and Culture	---	5.43	5.43	
			6.42	Health and Family Welfare	---	11.45	11.45	
			40.94	Water Supply, Sanitation, Housing and Urban Development	---	36.85	36.85	
			0.02	Information and Broadcasting	---	0.05	0.05	
			0.01	Others	---	---	---	
			73.87	Economic Services	3.95	86.01	89.96	
			5.54	Agriculture and Allied Activities	3.95	2.88	6.83	
			0.75	Rural Development	---	---	---	
			0.33	Special Areas Programme	---	7.65	7.65	
			---	Irrigation and Flood Control	---	---	---	
			37.67	Energy	---	42.75	42.75	
			6.83	Industry and Minerals	---	8.04	8.04	
			22.75	Transport	---	24.63	24.63	
			---	General Economic Services	---	0.06	0.06	
			8.27	V. Loans and Advance disbursed				19.11
				To Government Servants			1.13	
				To Others			17.98	
	V. Revenue Surplus brought down		127.19	VI. Revenue Deficit brought down				23.02

Civil Report of 1999.

(Rupees in crore)						
Receipts			Disbursements			
1997-98		1998-99	1997-98		1998-99	
<b>228.46</b>	<b>VI. Public Debt receipts</b>		<b>417.02</b>	<b>122.36</b>	<b>VII. Repayment of Public Debt-</b>	<b>293.60</b>
83.84	Internal debt other than Ways and Means Advances and Overdrafts	104.65		17.47	Internal debt other than Ways and Means Advances and Overdrafts	22.53
108.03	Ways and Means Advances excluding overdrafts	95.54		91.23	Ways and Means Advances excluding overdrafts	86.34
36.59	Loans and Advances from Central Government	216.83		13.66	Repayment of Loans and Advances to Central Government	184.73
---	VII. Appropriation to Contingency Fund	---		---	VIII. Appropriation to Contingency Fund	---
---	VIII. Amount transferred to Contingency Fund	---		---	IX. Expenditure from Contingency Fund	---
<b>343.25</b>	<b>IX. Public Account receipts-</b>		<b>427.00</b>	<b>291.90</b>	<b>X. Public Account disbursements-</b>	<b>396.22</b>
63.44	Small Savings And Provident Funds	70.27		36.21	Small Savings and Provident Funds	38.95
1.80	Reserve funds	1.88		0.65	Reserve Funds	1.11
15.29	Suspense and Miscellaneous	76.25		18.09	Suspense and Miscellaneous	69.77
226.03	Remittance	253.85		217.06	Remittances	249.75
36.39	Deposits and Advances	24.75		19.89	Deposits and Advances	36.64
105.34	X. Closing Overdraft from Reserve bank of India		<b>168.83</b>	<b>(-) 102.48</b>	<b>XI. Cash Balance at end-</b>	<b>(-) 69.52</b>
					Cash in Treasuries and Local Remittances	0.17
					Deposits with Reserve Bank	(-) 100.75
					Departmental Cash balance including Permanent Advances	24.22
					Cash Balance Investment	---
					Investment in earmarked funds	6.84
<b>580.93</b>	<b>Total:-</b>		<b>923.55</b>	<b>580.93</b>	<b>Total:-</b>	<b>923.55</b>

## Exhibit – II Financial Indicators for Government of Nagaland

	1994-95	1995-96	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)	(6)
<b>SUSTAINABILITY</b>					
BCR (Rupees in crore)	(-)114.22	(-) 219.88	(-) 135.67	(-) 272.47	(-) 210.89
Primary Deficit (PD) (Rupees in crore)	(-) 53.71	117.62	46.87	152.08	49.90
Interest Ratio	0.11	0.11	0.10	0.13	0.14
Capital outlay/Capital receipts	0.43	0.64	1.34	1.19	1.16
Total tax receipts/GSDP	0.17	0.13	0.16	NA	NA
State Tax Receipts/GSDP	0.02	0.03	0.03	NA	NA
Return on Investment ratio	NIL	NIL	NIL	NIL	NIL
<b>FLEXIBILITY</b>					
BCR (Rupees In crore)	(-) 114.22	(-) 219.88	(-) 135.67	(-) 272.47	(-) 210.89
Capital repayments/Capital borrowings	0.35	0.16	0.31	0.26	0.64
State Tax receipts/GSDP	0.02	0.03	0.03	NA	NA
Debt/GSDP	0.49	0.51	0.49	NA	NA
<b>VULNERABILITY</b>					
Revenue Surplus (+)/Revenue Deficit(-) (Rupees in crore)	(+) 34.56	(-) 100.69	(+) 7.82	(-) 127.19	(-) 23.02
Fiscal Deficit (FD) (Rupees In crore)	13.50	202.73	137.07	264.70	184.73
Primary Deficit (PD) (Rupees In crore)	(-) 53.71	117.62	46.87	152.08	49.90
PD/FD	3.98	0.58	0.34	0.57	0.27
RD/FD	(-) 2.56	0.50	(-) 0.06	0.48	0.13
Outstanding Guarantees/revenue receipts	0.01	0.01	0.01	0.01	0.01
Assets/Liabilities	1.61	1.38	1.34	1.17	1.13

**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.

*Civil Report of 1999.*

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 1982 was, therefore, treated as cumulative surplus for drawing up the first statement of financial position for 1982-83 which took the place of balance sheet. The current figure as on 31 March 1999 was Rs.179.76 crore after accounting for the revenue deficit of Rs.23.02 crore during 1998-99.
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 decreased from Rs.58.50 crore as on 31 March 1998 to Rs.52.01 crore as on 31 March 1999.
7. The closing cash balance as reported by the Reserve Bank of India was Rs.226.13 crore (debit) against the general cash balance of Rs.100.75 crore (debit) shown in the accounts. The difference of Rs.125.38 crore (debit) as on 31 March 1999 was under reconciliation (March 2000).

## CHAPTER II

### APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

#### 2. Introduction

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

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

The objective of appropriation audit is to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and 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.

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

**Summary of Appropriation Accounts 1998-99**  
**Appropriation Account : 1998-99**  
**Total number of Grants : 76**  
**Total Provision and Actual Expenditure**

Provision	Amount	Expenditure	
		Amount	
<i>(Rupees in crore)</i>			
Original	1411.38		
Supplementary	228.44		
<b>Total Gross Provision</b>	<b>1639.82</b>	<b>Total gross expenditure</b>	<b>1731.63</b>
Deduct estimated recoveries in reduction of expenditure	20.75	Deduct actual recoveries in reduction of expenditure	7.27
<b>Total net Provision</b>	<b>1619.07</b>	<b>Total net expenditure</b>	<b>1724.36</b>

**Voted and Charged Provision and expenditure**

	Provision		Expenditure	
	<i>Rupees in crore</i>			
	<i>Voted</i>	<i>Charged</i>	<i>Voted</i>	<i>Charged</i>
Revenue	935.97	140.34	881.00	138.66
Capital	252.12	311.39	174.91	537.06
<b>Total Gross</b>	<b>1188.09</b>	<b>451.73</b>	<b>1055.91</b>	<b>675.72</b>
Deduct recoveries in reduction of expenditure	20.75	---	7.27	---
<b>Total : Net</b>	<b>1167.34</b>	<b>451.73</b>	<b>1048.64</b>	<b>675.72</b>

2.2 The summarised position of actual expenditure, excess and savings during 1998-99 against grants/appropriation was as follows:-

	Nature of expenditure	Original grant/appropriation	Supplementary grant/appropriation	Total	Actual Expenditure	Saving (-) Excess (+)
Voted	I Revenue	851.66	84.31	935.97	881.00	(-) 54.97
	II Capital	161.55	75.33	236.88	158.54	(-) 78.34
	III Loans and Advances	13.98	1.26	15.24	16.37	(+) 1.13
	<b>Total Voted</b>	<b>1027.19</b>	<b>160.90</b>	<b>1188.09</b>	<b>1055.91</b>	<b>(-) 132.18</b>
Charged	IV Revenue	126.23	14.11	140.34	138.66	(-) 1.68
	V Capital	---	---	---	---	---
	VI Public Debt.	257.96	53.43	311.39	537.06	(+) 225.67
<b>Total Charged</b>	<b>384.19</b>	<b>67.54</b>	<b>451.73</b>	<b>675.72</b>	<b>(+) 223.99</b>	
	Appropriation to contingency Fund (if any)	Nil	Nil	Nil	Nil	Nil
<b>Grant Total</b>		<b>1411.38</b>	<b>228.44</b>	<b>1639.82</b>	<b>1731.63</b>	<b>(+) 91.81</b>

The overall excess of Rs.91.81 crore was the net result of saving of Rs.171.99 crore in 62 cases of grants and 4 cases of appropriations and excess of Rs.263.80 crore in 26 cases of grants and 2 cases of appropriations.

### 2.3 Result of Appropriation Audit

#### 2.3.1 Saving or excess over provisions

The excess of Rs.31.18 crore under Revenue Section and Rs.232.62 crore under Capital Section as detailed in Appendix-II requires regularisation under Article 205 of the Constitution.

#### 2.3.2 Excess over grants in previous years not regularised

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.1041.91 crore reported during 1988-89, 1990-91 to 1997-98 had not been regularised. The Public Accounts Committee in their 60<sup>th</sup> Report presented to the House on 24 July 1998 and 63<sup>rd</sup> Report on 10 December 1998 had recommended regularisation of excess expenditure over budget grants for the year 1988-89 and 1990-91 respectively. No action had been taken by the Government (Finance Department) for regularisation of the excess as of March 2000. Details of Reports, Number of Grants/Appropriations and amount involved therein requiring regularisation are given below:-

Serial No.	Year of Audit Report	Total number of Grants/Appropriations	Grant Number	Amount involved (Rupees in crore)
1	1988-89	27	3,6,15,19,23,27,28,34,39,40,41,42,47,48 53,55,56,63,65,70,71,72,24,36,46,49,54	19.60
2	1990-91	36	1,2,4,9,11,12,14,18,21,22,28,30,32,34, 35,39,40,44,46,48,49,50,51,52,53,54,55, 56,57,58,61,62,65,68,69,71	72.43
3	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
4	1992-93	08	18,22,37,44,66,64,57,73	371.02
5	1993-94	19	3,7,12,34,37,38,44,48,50,67,68,69,29, 31,35,43,53,62,72	32.86
6	1994-95	17	13,14,16,27,28,37,46,48,62,64,67,68,01, 10,31,57,73	76.66
7	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
8	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
9	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
Total:-				1041.91

2.3.3 Supplementary provision made during the year constituted 16 per cent of the original provision as against 15 per cent in the previous year.

**2.3.4 Unnecessary/excessive/insufficient supplementary grants**

(a) Supplementary provision of Rs.31.55 crore made in 35 cases of grants/appropriations during the year proved unnecessary in view of aggregate saving of Rs.73.02 crore as detailed in Appendix—III.

(b) In 46 cases of grants/appropriations against additional requirement of Rs.19.23 crore, supplementary grants and appropriation of Rs.145.61 crore were obtained resulting in saving in each case exceeding Rs.10 lakh aggregating Rs.126.38 crore. Details of these cases are given in Appendix-IV.

(c) In 17 cases of grants/appropriations supplementary provisions of Rs.75.17 crore proved insufficient by more than Rs.10 lakh in each case, leaving an aggregate uncovered excess expenditure of Rs.253.74 crore as per details given in Appendix—V.

**2.3.5 Persistent savings**

In 18 cases of grants there are persistent savings in excess of Rs.10 lakh in each case and 10 *per cent* or more of the provision. Details are given in Appendix—VI.

**2.3.6 Significant excess/savings**

(a) In 10 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 10 grants the expenditure exceeded the approved provision by 521 *per cent* and 808 *per cent*.

(b) In 42 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. In 2 of the above cases (Sl.No.24 and 33) the entire provision totalling Rs.1.18 crore was not utilised.

**2.3.7 Expenditure without provision**

As envisaged in the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds therefor. It was, however, noticed that expenditure of Rs.3.99 crore was incurred in 15 cases as detailed in Appendix—IX without the provision having been made in the original estimate/supplementary demands and no reappropriation orders were issued.



### 2.3.8 Anticipated saving not surrendered

According to rules the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. In 21 cases of grants, the amount of available savings of Rs.1 crore and above in each grants not surrendered aggregated Rs.80.15 crore. Details are given in Appendix—X.

### 2.3.9 Surrender in excess of savings.

In 10 grants, the amount surrendered was in excess of actual savings indicating inadequate budgetary control. As against the total amount of actual saving of Rs.15.10 crore, the amount surrendered was Rs.17.03 crore resulting in excess surrender of Rs.1.93 crore. Details are given in Appendix—XI.

### 2.3.10 Trend of Recoveries and Credits

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

During 1998-99, the actual recoveries (Rs.7.27 crore) were less than the estimated recoveries (Rs.20.75 crore) by Rs.13.48 crore. This was the net result of less recoveries of Rs.13.84 crore in 9 grants and excess recovery of Rs.0.36 crore in one grant. Details are given in Appendix to the Appropriation Account.

### 2.3.11 Unreconciled Expenditure

Financial rules require that the Departmental controlling officers should reconcile periodically the departmental figures of expenditure with those booked by the Sr. Deputy Accountant General (A&E). In respect of 25 controlling officers, expenditure of Rs.405 crore pertaining to 1998-99 remained unreconciled till April 1999.

The extent of non-reconciliation of expenditure by the controlling officers, however, decreased from 79 per cent to 23 per cent of the total expenditure in the last three accounting year (1996-97 to 1998-99) as shown below:-

Year of account	No. of controlling officers	No. of controlling officer who did not reconcile	Percentage of non-reconciled expenditure to total expenditure	Expenditure involved (Rupees in crore)
1996-97	75	45	79	836.55
1997-98	76	47	67	947.07
1998-99	76	25	23	405.00

*Civil Report of 1999.*

Out of the above controlling officers in respect of 5 grants mentioned in Appendix-XII persistently failed to reconcile a total expenditure Rs.367.70 crore (Rs.118.54 in 1996-97, Rs.130.54 core in 1997-98 and Rs.118.62 crore in 1998-99) year after year from 1996-97 to 1998-99.

**2.4 *Rush of expenditure***

The Financial Rules require that Government expenditure be evenly phased out throughout the year as far as practicable. Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. Notwithstanding this, expenditure was found to be substantial in the month of March. The details are given in Appendix-XIII.

**2.5 *Abstract Contingent Bills***

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.

Information collected (January 2000) from the Sr.Deputy Accountant General (A&E) revealed that 21 DDOs of 11 Departments had drawn Rs.13.20 crore on AC bills during the period from March 1998 to March 1999 which were lying outstanding as of December 1999. Details are shown in Appendix-XIV.

Thus, non-observance of the provision of rules by the DDOs resulted in non-regularisation of Rs.13.20 crore drawn in AC bills due to non-submission of DCC bills.

The matter was reported to the Government in December 1999; their reply had not been received (March 2000).

CHAPTER III  
CIVIL DEPARTMENTS

SECTION A  
FOOD AND CIVIL SUPPLIES DEPARTMENT

3.1 Public Distribution System including Revamped Public Distribution System and Targeted Public Distribution System in Nagaland

*Highlights*

*Public Distribution System aims to provide food security to economically weaker sections of the society at reasonable prices. Due to lack of an adequate system of identification of beneficiaries, the basic objective of benefitting the poor and vulnerable persons could not be achieved satisfactorily. Instances of deviations from GOI norms in allotment, lifting and distribution of food grains, irregular classification of beneficiaries were noticed by Audit. Despite having a full fledged infrastructure, the FCSD transferred the responsibility to middlemen/stockists appointed by the Government leading to idling of manpower/machinery. In the absence of proper mechanism for monitoring the working of stockists in particular and the Scheme in general, the extent and genuineness of the benefits accrued to the targeted beneficiaries could not be established.*

Though the responsibility of procurement and distribution of PDS<sup>1</sup> commodities was shifted to stockists, Village Development Boards and Fair Price Shops with effect from June 1997, the Department maintained the usual budget provisions under procurement and supplies. This resulted in 57 per cent (Rs.36.76 crore) of the budget provision remaining unutilised during 1995-99, which revealed inefficient budgeting practices by the Department.

(Paragraph 3.1.4 (i))

There was an overall shortfall of 907.70 MTs over 22 months between actual requirement and distribution of food grains with an average monthly shortfall of 41.259 MTs. Thus, either 4126 BPL families did not receive subsidised food grains every month or they got only 9.57 kgs ration per month against 10 kgs required to be issued under the Scheme.

(Paragraph:3.1.5.3)

In the absence of proper accounts, veracity of distribution of 3,37,846 MTs of PDS commodities valued at Rs.220.60 crore<sup>2</sup> by the FP

<sup>1</sup> Public Distribution System.

<sup>2</sup> Rice of 216,632 MTs = Rs.144.32 crore

Shops/stockists during 1995-99 to the beneficiaries could not be verified in audit. Thus, the possibility of diversion of these PDS commodities to open market could not be ruled out.

(Paragraph 3.1.5.4(a-iv) and (b to d))

Against requirement of 605 FP Shops in the State, only 351 FP Shops were opened at the end of 1997-98 of which only 323 FP Shops functioned as of March 1999. Consequently, an average of 39 per cent of the population of the State remained outside the purview of the scheme reasons for which was not intimated.

(Paragraph 3.1.5.4.1)

During 1995-99, the Department effected godown sale of 7429.13 MTs rice valued at Rs.4.37 crore to the non-ration card holders. However, this amounted to diversion of PDS food grains by depriving targeted beneficiaries from receiving their due share.

(Paragraph 3.1.5.5)

Physical verification of 3 godowns conducted between March 1995 and July 1997 by a Board constituted by the Department revealed shortage of 29.86 MTs fine/superfine rice valued at Rs.0.18 crore.

(Paragraph 3.1.5.6)

Of the transport subsidy of Rs.10.16 crore due from Government of India for the period 1988-97, the department's claims for Rs.5.66 crore had not been reimbursed by Government of India. Of this claims for Rs.4 crore were paid out of State exchequer. However, supporting bills for Rs.1 crore only were produced to Audit wherein expenditure of Rs.0.05 crore only could be substantiated thereby indicating doubtful payment of Rs.0.95 crore.

(Paragraph 3.1.7 (ii))

### 3.1.1 Introduction

Area of the State:	16,579 sq. Km.
Population:	14,73,962 <sup>3</sup>
Districts:	8
Blocks:	52
<i>Scheduled Caste/Scheduled Tribe population:</i>	
	Scheduled Caste: Nil
	Scheduled Tribe: 88 per cent

<i>Agriculture production of main cereals (average)</i>	1992-99
Rice:	176.67 MTs

---

Wheat	88,297 MTs	=	Rs. 31.08 crore
Sugar	25,355 MTs	=	Rs. 24.78 crore
Edible Oil	7,562 MTs	=	Rs. 20.42 crore
Total	3,37,846 MTs	=	Rs. 220.60 crore

<sup>3</sup> Data source: ORG-MARG Survey Report -(Please refer to paragraph 3.1.3 of this Report) - (Urban:22 per cent, Rural:78 per cent). As per 1991 Census the population was 12.10 lakh (Urban:17.21 per cent, Rural:82.79 per cent)

	Wheat:	0.77 MT
	Coarse Cereals:	39.63 MTs
Food—deficit/surplus State:	Food deficit State	

*P.D.S*

Number of Fair Price Shops:	351
Estimated total number of Ration Cards:	0.35 lakh
Number of households:	2.94 lakh
Ration Cards issued	Not available

In order to eliminate leakages and malpractices that had crept into the system, Government of India decided in 1992 to revamp the PDS so that its benefits may reach to those sections of the people who need them most. The Revamped Public Distribution System (RPDS) was started in June 1992 for tribal, arid, hilly, drought prone and remotely located areas. The issue price of food grains under the RPDS was kept lower by Rs.50 per quintal than the price fixed for normal PDS. The retail price of food grains under RPDS was not to exceed the central issue price (CIP) by more than 25 paise per kg. Under the RPDS food grains at the rate of 5 kg per head subject to a maximum of 20 kg per family per month was to be distributed.

As the Evaluation Study made by the Planning Commission in 1995 found the RPDS deficient in terms of proliferation of bogus ration cards, inadequate storage arrangements, ineffective functioning of Vigilance Committees and failure to issue ration cards to all eligible households and to serve the people below poverty line (BPL), Government introduced (June 1997) the scheme of Targeted Public Distribution System (TPDS). Under this scheme, the States were to identify families living below poverty line who would be issued special ration cards and supplied 10 kg food grains per family per month at a price less than CIP. Population above poverty line would continue to get the food grains at normal CIP. Besides, subsidised food grains were also to be issued to all beneficiaries under various central/state sponsored schemes like Employment Assurance Scheme, Jawahar Rozgar yojana and Mid-Day-Meal Scheme.

*3.1.2 Organisational set up*

The Schemes are operated under the overall control of the Department of FCS. The implementing agency is the Food and Civil Supplies Directorate (FCSD) at Dimapur, with Assistant Directors of Supply (ADS) and Superintendents of Supply (SS) at the district and sub-divisional levels respectively. GOI allocates food grains to the State based on the projected requirements submitted by the State Government. The Director of FCS, FP Shop owners, WCCS, the Village Development Boards (VDBs) and the appointed stockists, are responsible for the actual lifting of commodities from the godowns of

Food Corporation of India (FCI) and distribution to the consumers on the basis of GOI allocation.

### 3.1.3 Audit coverage

The performance of PDS and RPDS for the period 1992-93 to 1994-95 was reviewed in 1995-96 and commented upon in paragraph 3.18 of the Report of the Comptroller and Auditor General of India for the year 1994-95. Implementation of RPDS till 31 May 1997 and TPDS upto 1998-99, i.e., beyond the period covered by earlier Reports was reviewed in audit (March to June 1999), covering 4<sup>4</sup>, out of 8 districts involving a population of 6.21<sup>5</sup> lakh (51.32 per cent of the total targetted group of 12.10<sup>6</sup> lakh as per 1991 census by test check of records of the Department of FCS, FCSD, Dimapur, 3 ADS (Kohima, Wokha and Mon) and SS, Dimapur. In addition, the ORG-MARG, on behalf of the CAG, carried out a survey of the beneficiaries in the State relating to the programme.

The services of the ORG-MARG were commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-MARG carried out survey over a sample covering 1 town and 12 villages in the State. Significant findings of the survey on matters discussed in the Report have been included in this review at appropriate places.

### 3.1.4 Financial outlay and expenditure

Budget provisions and expenditure incurred during 1992-93 to 1998-99 are given in the table below:-

Sl. No.	Name of the Programme	1992-93 to 1994-95			1995-96 to 1998-99 <sup>7</sup>		
		Budget Provision	Expenditure/ Recoveries	Excess (+) Savings (-)	Budget Provision	Expenditure/ Recoveries	Excess (+) Savings (-)
(Rupees in lakh)							
1.	Administration	720.01	623.18	(-) 96.83	1517.79	1561.89	(+) 44.10
2.	Procurement and supplies	9574.54	6309.59	(-) 3264.95	6407.13	2731.54	(-) 3675.59
3.	Procurement of Mobile Van (CSS)	48.00	NIL	(-) 48.00	NIL	NIL	NIL
4.	Construction of godowns	75.08	66.81	(-) 8.27	155.43	74.92	(-) 80.51
5.	Budget total: (1 to 4)	10417.63	6999.58	(-) 3418.05	8080.35	4368.35	(-) 3712.00
<b>RECOVERIES</b>							
6.	Sale proceeds of rice and other commodities	7096.64	5809.27	(-) 1287.37	11304.40	2037.19	(-) 9267.21
7.	Subsidy from FCI for transportation	171.42	NIL	(-) 171.42	2759.64	NIL	(-) 2759.64
8.	Total recovery: (6+7)	7268.06	5809.27	(-) 1458.79	14064.04	2037.19	(-) 12026.85
9.	Net:-(5-8)	3149.57	1190.31	(-) 4876.84	(-) 5983.69	2331.16	(-) 15738.85

(i) There was a saving of Rs.3264.95 lakh (34 per cent) during 1992-95 and Rs.3675.59 lakh (57 per cent) during 1995-99 with reference to the budget provision for procurement and distribution of food grains.

Failure on the part of the controlling officers to surrender the savings resulted in the amounts remaining unutilised and the Finance Department was consequently unable to reallocate such savings to other departments. These could have been utilised.

<sup>4</sup> Kohima, Dimapur, Wokha and Mon.

<sup>5</sup> Kohima: 2.21 lakh; Dimapur: 1.67 lakh; Wokha: 0.83 lakh and Mon: 1.50 lakh.

<sup>6</sup> Kohima: 2.21 lakh; Dimapur: 1.67 lakh; Phek: 1.02 lakh; Wokha: 0.83 lakh; Zunheboto: 0.96 lakh; Mokochung: 1.58 lakh; Tuensang: 2.33 lakh and Mon: 1.50 lakh.

<sup>7</sup> No budget provision for procurement made during 1998-99.

The Government stated (November 1999) that during 1995-97 (upto May 1997), the lion's share of the allotted quota of APL food grains was lifted by the stockists at their own cost, since the Department was not provided with funds by the Finance Department due to acute financial crunch. With the changed policy adopted from June 1997 for implementation of TPDS, the entire quota of PDS commodities was lifted by the FPS, VDBs and the stockists.

The reply is not tenable as there was adequate provision during 1995-99 and if the department was aware of the savings, these should have been taken care of to reduce the provisions suitably after June 1997.

Administrative cost increased by 117 per cent during 1995-98 despite decline in activities as compared to 1992-95.

(ii) During 1995-99, the cost of administration increased by 117 per cent as compared to the period 1992-95, despite sharp decline in activities relating to the procurement of commodities departmentally due to transfer of part or whole of the procurement and distribution work to the Government authorised stockists, the FPS, the VDBs and WCCS.

The Government while accepting the fact stated (November 1999) that, it was not possible to retrench the regular employees. Moreover, due to payment of arrears on account of Revision of Pay Rules 1993, the cost of administration had gone up. The contention of the Government is not acceptable as the surplus staff could have been purposefully utilised on some other work.

(iii) There was mismatch between sale proceeds and procurement cost during 1992-95 and 1995-99, as the sale proceeds fell short of procurement cost by Rs.500.32 lakh and Rs.694.35<sup>8</sup> lakh respectively, indicating that the amount remained unrealised from the FPS and other agencies to whom food grains were allotted by the FCSD. The Government (FCSD) stated (November 1999) that the information is under process of collection from the field offices.

(iv) A provision of Rs.2759.64 lakh was kept in the budget for the year 1995-99 towards subsidy receivable from FCI on the cost of transportation of food grains, but no amount was credited against this. The Government stated (November 1999) that provisions were kept in the budget anticipating receipt of Hill Transport Subsidy (HTS) from GOI against their claims of Rs.563.66 lakh pertaining to 1988-92 pending with the Government of India. As this amount was not received from GOI, no credit was afforded, and also subsequent claims of HTS from 1992-93 to 31 May 1997 have not been preferred. However, the Directorate could not furnish the details of commodities lifted by departmental trucks, and amount spent thereon.

Against provision of Rs.27.69 crore for transport subsidy, no claims have been preferred by the department for the period 1992-93 to May 1997.

### 3.1.5 Implementation

#### 3.1.5.1 Identification of beneficiaries/target group

In case of TPDS, identification of beneficiaries was to be made by conducting surveys adopting methodology of expert group and involving Gram Panchayats/Sabhas to ensure that only persons belonging to really poor and vulnerable sections of the society are selected. (The income of the BPL family

<sup>8</sup> Rs.(2,731.54 - 2,037.19) lakh = Rs.694.35 lakh.

was to be less than Rs.15,000 *per annum*). Pending identification of BPL families in the State at micro level, provisional estimates arrived at by the Planning Commission during 1993-94 were to be adopted.

Audit scrutiny revealed that no such surveys were conducted by the department. However, the total population of 12.10 lakh in the State (as per the 1991 census) was targetted to be covered under PDS. Though the expert group had identified the BPL population at 37.92 *per cent*, which was revised to 40.86 *per cent* by GOI in August 1997, the State had taken the BPL population at 4.60 lakh only (96000 families). Thus, 2.94 *per cent* of the BPL population (35,721 persons) was deprived of receiving food grains at specifically subsidised rates under the scheme.

BPL population was taken at 37.92 per cent of the total population of the State against the percentage of 40.86 updated by GOI in August 1997.

The Government while admitting the facts stated (November 1999) that as the Scheme was taken up at short notice, the number of BPL families was restricted to surveys conducted by DRDA. As the survey report of DRDA was not made available to Audit, the claim of the department for existence/coverage of 96000 BPL families could not be verified. The ORG-MARG survey Report also revealed that the sample population did not find any households conforming to the BPL criteria.

### 3.1.5.2 Issue of Ration Cards

The Government introduced (June 1997) the scheme of TPDS under which the States were to issue special Ration Cards to identified beneficiaries belonging to BPL families who would be issued 10 Kg of food grains per month per family at specifically subsidised rates (less than CIP). It was, however, reported that benefit of the scheme was extended to all the 4.60 lakh BPL population estimated by the expert group. Coverage of 7.37 lakh average population (both BPL and APL) under the scheme during 1995-99 was not convincing in the absence of information on issue of APL Ration Cards and BPL Special Ration Cards. Information available with the FCSD showed that none of the 3 lakh APL Ration Cards printed in December 1998 have been issued to districts. Of 1 lakh each of BPL Special Ration Cards printed in May-June 1997 and November 1998, only 96,100 and 31,353 Ration Cards respectively were issued to districts during the respective years. This, however, does not confirm their actual issue to the house holds.

The ORG-MARG survey Report indicated that only 12 *per cent* of all households own ration cards and a marginal 9 *per cent* owning ration cards do not buy from ration shops. There is hardly any purchase of PDS commodities and that the open market is the principal point of purchase.

### 3.1.5.3 Assessment of requirement of food grains

As per GOI norms, 10 Kg of food grains per family per month is to be issued to each household living below poverty line. Besides, State Government fixed the scale of food grains at 12 kg per adult and 6 kg per minor per month to persons belonging to APL families.



Applying these norms, the State worked out its static requirement of 960 MTs of BPL food grains (combined rice and wheat) per month. The allotments made by the GOI were between 890 MTs (Rice: 710 MTs and Wheat: 180 MTs) and 960 MTs (Rice: 770 MTs and Wheat: 190 MTs) per month as shown below:-

Year	Commodity	Requirement	Allotment made by the GOI	Quantity lifted by the		Quantity distributed by the		Shortfall in distribution
				FCSD	Stockists	FCSD	Stockists	
1997-98 (6/97 to 3/98)	Rice	9,600	7,460	7,460.00	---	7,309.50	--	150.50
	Wheat		1,860	1,498.00	360	1,488.00	--	370.00
	Sub-total:-		9,320	8,958.00	360	8,797.50	--	520.50
1998-99	Rice	11,520	9,240	9,200.80	---	9,200.80	--	--
	Wheat		2,280	2,214.00	---	2,214.00	--	--
	Sub-total:-		11,520	11,414.80	---	11,414.80	--	--
<b>Total:-</b>		<b>21,120</b>	<b>20,840</b>	<b>20,372.80</b>	<b>360</b>	<b>20,212.30</b>		<b>520.50</b>
				<b>20,732.80</b>		<b>20,212.30</b>		<b>520.50</b>

During June 1997 to March 1999, 907.70 MTs of BPL food grains was short distributed due to short allocation/short lifting/non-distribution of the lifted quantity depriving 4126 BPL families of the benefits of the Scheme.

During June 1997 to March 1999, there was short allotment (by GOI) of 280 MTs, coupled with further short lifting of 107.20 MTs. There was again a further short distribution of 520.50 MTs (FCSD:160.50 MT, Stockist:360 MTs) against the quantity lifted. Thus, there was an overall shortfall of 907.70 MTs over 22 months between actual requirement and distribution, with an average shortfall of 41.259 MTs per month. This indicated that, either 4126<sup>9</sup> BPL families were not receiving subsidised food grains every month, or there was short distribution of food grains, with each BPL family receiving only 9.57<sup>10</sup> Kgs. per month. Further, in June and July 1997, 360 MTs of wheat valued at Rs.9 lakh (at the rate of Rs.250 per quintal) was lifted by the stockists, for which no accounts of distribution were available with the FCSD. Thus, in the absence of any evidence of distribution of wheat by the stockists to the targeted beneficiaries, the possibility of its diversion to the open market cannot be ruled out.

The requirement of rice as based on the norms indicated above, allotment made by the GOI and lifting of rice by the State under APL during 1995-99 was as under:-

Name of Scheme	Year	Population		Quantity required	Allotment by GOI (MTs)	Lifted by State	Excess (+)/Short (-)	
		Adult	Minor				Allotment	Lifting
PDS/RPDS PDS/TPDS	1995-96	4,42,119	3,16,977	86,487	72,500	72,614	(-) 13,987	(-) 13,873
	1996-97	4,45,595	3,15,630	86,890	81,200	79,882	(-) 5,690	(-) 7,008
	1997-98	4,46,095	3,16,030	86,991	1,01,500	90,756	(+) 14,509	(+) 3,765
	1998-99	4,46,095	3,16,030	86,991	1,15,560	1,14,937	(+) 28,569	(+) 27,946
<b>Total</b>				<b>3,47,359</b>	<b>3,70,760</b>	<b>3,58,189</b>	<b>(+) 23,401</b>	<b>(+) 10,830</b>

The details on allotment and lifting of PDS commodities are given in Appendix—XV. Thus, during 1995-99, against the requirement of 3,47,359 MTs on the scales prescribed and adopted by the State under PDS/RPDS, the GOI allotted 3,70,760 MTs of rice and the State Government lifted 3,58,189 MTs of rice. Therefore, there was an excess allotment of 23,401<sup>11</sup> MTs against

<sup>9</sup> 907.70 MTs ÷ 22 = 41.259 MTs = 41259 Kgs ÷ 10 = 4125.90 = Say 4126.

<sup>10</sup> 20212.30 ÷ 22 = 918.74 MT x 1000 = 918740 Kg. ÷ 96000 (per month) = 9.57 Kg. (per family).

<sup>11</sup> GOI allotment 3,70,760 MTs  
Less requirement 3,47,359 MTs  
Excess allotment 23,401 MTs

Against requirement of 3.47 lakh MTs of rice during 1995-99, GOI allotted 3.71 lakh MTs and State Government lifted 3.58 lakh MTs of rice i.e., 0.24 lakh MT and 0.11 lakh MT respectively in excess of requirements.

which the State lifted excess rice of 10,830<sup>12</sup> MTs (CIP value:Rs.2,355.39 lakh).

The excess allotment (43,078 MTs) and lifting (31,711 MTs) was during 1997-99 only. The criteria on which such excess allotment was made and details of their utilisation were neither available on records, nor furnished to Audit.

The Government stated (November 1999) that though Nagaland is a food grain deficit State, average consumption habit of the people is higher than National average. Further, the assessment of requirement based on the population coverage has been understated, as the population coverage shown under ration cards is much less than the actual population, due to normal growth of population during 1991 to 1999. Moreover, the insurgency prone State has to meet the additional demands for a larger section of Para Military Forces, Border Security Forces and Nagaland Armed Police (NAP) etc., from its state quota. In view of this and also due to additional demands during festive seasons, the GOI often entertains the requests of the State Government for additional allotment.

The reply is not acceptable as these factors cannot be applicable to the years 1995-96 and 1996-97. Moreover, the fact remains that subsidised food was meant for specific category of persons and this diversion deprived the targeted beneficiaries of the benefits in violation of the objectives of the Scheme.

#### 3.1.5.4 Distribution of food grains

The FCSD had a total storage capacity of 10.550 MTs spread over 71 Central Purchase Organisation Centres (CPO) at various locations in the State. The Directorate dealt with only the procurement and distribution of rice partially through the departmental network and partially through stockists. The other commodities are directly controlled by the Government, and procured through Government appointed stockists.

#### (a) Rice

Targets and achievement of distribution of rice under under RPDS and TPDS as furnished by the department were as under-

Scheme	Year	Population targeted	Population covered	Total number of households	Total number of households covered	Percentage of shortfall in coverage of	
						Population	Household
				(In lakh)			
RPDS	1995-96	12.10	7.59	2.17	1.05	37.27	51.61
RPDS	1996-97	12.10	7.61	2.17	0.85	37.11	60.83
RPDS & TPDS	1997-98	12.10	7.62	2.17	1.05	37.02	51.61
RPDS & TPDS	1998-99	12.10	6.66	2.17	0.79	44.96	63.59
	Total:-	48.40	29.48	8.68	3.74	39.09	56.91

No proof of distribution of 216632 MTs of rice (value:Rs.144.32 crore) lifted by stockists during 1995-99.

Targeted population was kept at a static figure of 12.10 lakh despite the State having a registered decennial growth rate of 50.08 per cent.

(i) The above figures are unrealistic because, the target population and number of households have been shown as static, despite the fact that the State had registered decennial growth rate of 56.08 per cent (as per 1991 census). Further, the targeted households have been shown at 2.17 lakh throughout the period from 1995-96 to 1998-99, eventhough a Central Expert Group had estimated these at 2.33 lakh in 1993-94.

<sup>12</sup>	Lifted	3,58,189 MTs
	Less requirement	3,47,359 MTs
	Excess lifted	10,830 MTs

(ii) Even against the total 8.68 lakh households targeted to be covered during 1995-99, a total of 3.74 lakh households were actually covered reflecting an overall shortfall of 56.91 *per cent* affecting 39.09 *per cent* of the targeted population. The reasons for shortfalls in coverage despite availability of sufficient food grains were not available on record nor intimated.

Excess issue of rice during 1997-99 ranged between 7 to 1 *per cent* over the entitlements.

(iii) At the average ratio of adults and minors at 2:1.5 per family, 33 Kgs. of rice would be required for distribution to each APL household per month. Verification of the records of the Directorate revealed that against the monthly requirement of 33 Kgs. of rice per family, only 12.5 Kgs. and 13.13 Kgs. of rice was distributed during 1995-96 and 1996-97, registering a shortfall of 61.87 *per cent* and 60.21 *per cent* respectively. However, during 1997-98 and 1998-99 there was an excess issue of rice at 7.12 *per cent* and 71.39 *per cent* over the entitlement. Thus, while APL persons were issued extra food grains, the BPL persons were deprived of their prescribed scale of food grains as mentioned in paragraph 3.1.5.3.

The Government stated (November 1999) that shortfall in distribution of food grains during 1995-97 was because of short lifting of rice during these years due to financial constraints. The Government attributed the excess issue in 1997-99 to additional allotment from GOI, which was distributed to the Para Military forces and BSF (300 to 400 MTs). The short distribution of subsidised food grains frustrated the primary objectives of TPDS and the excess distribution of food grains to the non-entitled category deprived the targeted beneficiaries to that extent.

(iv) It was, further noticed that, while the FCSD maintained records of distribution of 1,41,557 MTs of rice lifted by it, the mode of distribution of 2,16,632 MTs of rice (valued at Rs.144,31.60 lakh) lifted by the stockists (constituting 58.43 *per cent* of total quantity lifted) during 1995-99 was not available on records. This was due to non-monitoring of the lifting and distribution of food grains by the stockists, by enforcing monthly and periodical reports/returns from the district/sub-divisional administrative authorities, the State vigilance Committee (formed in May 1997) and FPs, VDBs, and stockists. Besides, the FCSD did also not set up an Inspectorate to oversee the activities of the stockists, and to ensure that the subsidised food grains lifted by the stockists from the FCI godowns do actually reach the targeted beneficiaries.

Thus, it could also not be ensured in audit that, the benefit of the subsidised rice aggregating 2.16 lakh MTs (value:Rs.14431.60 lakh) lifted by the appointed stockists had actually reached the targeted beneficiaries, and was not diverted to open market.

The Government while admitting (November 1999) that the PDS in the State might not be implemented as efficiently as in other States, also contended that, under the new State policy, the Government was able to curb price spiralling of commodities, unrest and frustration among the common people and especially the youths, in the insurgency affected State. Thus, due to inflow of food grains in the State through the stockists at no cost of the Government, the

Department was at least able to keep price parity of food grains with all other States. The reply is not tenable as there is no evidence to support that food grains were actually distributed to the targeted beneficiaries. Further, according to Government's own reply, the adequate inflow of food grains through the stockists had sobering influence on the price stability of these commodities and, therefore, the possibility of these highly subsidised food grains reaching the open market through back door cannot be ruled out.

(b) *Wheat*

Stockists diverted 88297 MTs of subsidised wheat valuing Rs.31.08 crore to open market

According to the norms fixed by the Government for per capita issue of wheat at 2 Kgs. per person (adult/minor) per month, the annual average requirement of wheat for 12.10 lakh population stood at 29,040 MTs. At this rate, the requirement of wheat for the years 1995-96 to 1998-99 worked out to 1,16,160 MTs, against which, GOI allotted, and the State lifted, 89,500 MTs of wheat during these years. Of this, only 1,203 MTs (1.34 per cent) was lifted by the Directorate and balance 88,297 MTs (98.66 per cent) worth Rs.3108.05 lakh (at the rate of Rs.352 per quintal) was lifted by the stockists. Of the total lifted quantity, the Directorate could not substantiate the distribution of wheat/atta to any of the FP shops in 4 districts (ADS) test-checked (Kohima, Dimapur, Wokha and Mon) except at Dimapur where 3,925 quintals of wheat (value:Rs.13.82<sup>13</sup> lakh) was received and distributed by the Directorate through FP Shops during 1997-99. Thus, non-submission of accounts of distribution by the stockists to the Government/ Department, indicated diversion and sale of the entire State quota of 88,297 MTs wheat (subsidised value: Rs.31.08 crore) in the open market in which case the stockists reaped an undue benefit.

The Government stated (November 1999) that due to acute financial crisis, they had to entirely depend on the stockists with enough financial capability to lift the State quota and arrange for conversion of wheat into atta, since wheat as such cannot be consumed by the public. As most of the records relating to distribution are in CBI custody, a perusal of the records with the CBI, confirmed non-distribution of atta to the beneficiaries and therefore the reply of the Department is not accepted.

(c) *Sugar*

According to the norms fixed by the Government for issue of levy sugar at 1 Kg. per head (adult/minor) per month, the annual average requirement of sugar for the 12.10 lakh target population stood at 14,520 MTs. At this rate, the requirement of sugar for 1995-96 to 1998-99 works out to 58,080 MTs. Against this, GOI allotted 27,081 MTs, and the State lifted 27,165 MTs of sugar (CIP value: Rs.2655.15 lakh) during these years through stockists. Reasons for excess lifting were not intimated.

<sup>13</sup> 3925 quintals x Rs.352 = Rs.13.82 lakh.

Out of 27165 MTs of sugar lifted by the Department during 1995-99, distribution of 25355 MTs of sugar (value:Rs.24.78 crore) could not be substantiated by the Department.

Test-check of records of 4 districts revealed that, only 1,810 MTs out of 27,165 MTs of sugar received was distributed by ADS, Wokha (960 MTs) and the Superintendent of Supply, Dimapur (850 MTs) during 1995-99. Further, out of the total quantity lifted by the stockists during 1997-98 and 1998-99, 84 MTs of levy sugar (valued at Rs.8.82<sup>14</sup> lakh) was lifted in excess of the allocation made by the GOI. The accounts/reports of receipts and distribution of the balance 25,355 MTs of sugar (value:Rs.2478.24 lakh) to the FP Shops were not made available to Audit. In the absence of such records, the veracity of distribution of sugar aggregating 0.25 lakh MTs to the beneficiaries could not be ascertained in audit.

The Government stated (November 1999) that levy sugar is distributed by the appointed stockists through the FP shops and is monitored by the administrative head of districts/sub-divisions and circles. Besides, allocations are also made to NAP Battalions, Home Guards, BSF and Para Military forces in Nagaland, the records of which are maintained by the Government. A perusal of the records which are in the custody of CBI revealed that sugar was not distributed to the consumers. Hence, the claim that sugar was distributed to targeted beneficiaries is not acceptable.

(d) *Edible oils*

Scrutiny of records revealed that 7,562 MTs of edible oil (palmolein oil) valued at Rs.20.42<sup>15</sup> crore was lifted by the Department through appointed stockists from the State Trading Corporation, Guwahati, during the years 1995-96 to 1998-99. No records and accounts in respect of month-wise allocation of edible oils made by the GOI, as well as their distribution by the stockists were furnished to Audit. Thus, due to non-production of records, it could not be ensured that the edible oils procured under the scheme had actually reached the targeted beneficiaries through the FP Shops.

Records of four districts test-checked also did not show receipt, accounting and distribution of edible oils through FP Shops.

In the absence of a control and monitoring mechanism, it was possible that the stockists sold the entire PDS/TPDS quota valued at Rs.20.42 crore in the open market, thereby earning an undue benefit.

The Government stated (November 1999) that as the entire process of lifting, packaging and distribution of Palmolein oil is a costly and delicate affair, the State Government, reeling under financial constraints, had to entirely depend on the stockists for lifting the State quota from STC<sup>16</sup>, Guwahati at their own cost. Quantities are released by stockists to FPS for public sale based on applications and recommendations made by Public leaders and elected members, records of which are maintained at the Government level. This reply only covers the lifting and distribution of Palmolein oil in bulk but is silent about its distribution through FPS, indicating that the benefit of subsidised oil

No accounts of distribution of 7562 MTs of Palmolein oil (value:Rs.20.42 crore) produced to Audit indicating its diversion to the open market.

<sup>14</sup> 84 MTs x Rs.10,500 = Rs.8.82 lakh.

<sup>15</sup> 7,562 MTs x Rs.27,000 = Rs.2,041.74 lakh.

<sup>16</sup> State Trading Corporation.

has not reached the targeted beneficiaries. Also there is no evidence that the Government has any such records in its possession.

#### **3.1.5.4.1 Fair Price Shops**

According to the norms laid down by GOI, one FP Shop was to be opened for every 2,000 population in hill areas. The number of FP Shops required as per norms for the targeted population of 12.10 lakh, and number of FP Shops opened and functioning during 1995-96 to 1998-99 is given in *Appendix-XVI*.

It is evident from *Appendix-XVI* that, an average of 39 *per cent* of the total population of the State remained outside the purview of PDS/TPDS. The reasons for shortfall could neither be explained, nor were on records. The Government stated (November 1999) that unless the people come forward for issue of ration cards, the same cannot be enforced by the Department. This reply cannot be accepted, since, it is the responsibility of the Government to educate the people on the availability of subsidised food grains under the schemes and ensure that proper ration cards are issued to the eligible beneficiaries.

Further, a sample check of the statistical reports received from the districts for 1997-98, showed that, against norms of 2000 population per FPS, the FPSs in Zunheboto, served on an average, 1229 persons (implying excess number of FPS), while the number of beneficiaries served by the FPS in the remaining 7 districts ranged from 2052 in Phek to 2781 in Mon (implying extra burden on the FPS there).

The Government stated (November 1999) that a person intending to open a FP shop is required to mobilise between 1.50 lakh to 2 lakh towards security deposit and working capital, for lifting the monthly quota of food grains. As the FCI normally takes 2 to 3 months to supply food grains after deposit of money, the shop owners suffered financial constraints during the intervening period. These constraints resulted in deviation from the norms.

The ORG-MARG survey also revealed that very few ration shops are there in the State.

Because of the irregularities in the opening of FP Shops, irrational distribution and short distribution of rice, surpluses remained with the Department (regarding which no details exist), which were evidently either pilfered or diverted to the open market.

#### **3.1.5.4.2 Mobile Fair Price Shops**

It was mentioned in Para 3.18.2 of the Report of the Comptroller and Auditor General of India, Government of Nagaland for the year 1994-95, that, the Department, with the assistance from GOI (50 *per cent* subsidy + 50 *per cent* loan), procured vans for operating Mobile Fair Price Shops during 1988-89 under the PDS scheme. During 1992-93 the Department also received Rs.24 lakh (Grant assistance: Rs.12 lakh and Loan: Rs.12 lakh) under the RPDS for

purchase of Mobile Vans to operate Mobile FP Shops, though no vehicle was purchased. Mode of utilisation of this amount was not intimated.

It was noticed from records of the FCSD that the Mobile FP Shops became inoperative after 1992-93. There was nothing on records to show that the Department had taken any initiative to activate the Mobile FP Shops for distribution of commodities in far flung, remote and inaccessible areas. With the reorientation of RPDS into TPDS in June 1997, the work relating to distribution of essential commodities had been transferred to the stockists and to the FP Shops (including VDBS/WCCS).

Thus, the Mobile FP Shops procured in 1988-89 became idle after 1992-93.

The Government stated (November 1999) that due to financial constraints, the Department was unable to bear the huge expenditure on repair/upkeep of the vehicles as well as for procurement of commodities for operation of Mobile FP shops. Moreover, as the vehicles were beyond economic repair, these were grounded for condemnation.

### *3.1.5.5 Diversion of food grains*

Test-check of records of the Director FCSD, Dimapur, ADS, Kohima and the Superintendent of Supply, Dimapur revealed that between 1995-96 and 1998-99, 74,291.29 quintals of Super fine (SF) and fine rice worth Rs.437.34 lakh were sold to the public directly from the departmental godowns instead of through the FPS located all over the State.

This deprived the targeted beneficiaries from receiving their due share at subsidised prices. The huge shortfalls in monthly average issue of rice per household as noticed during the years 1995-96 and 1996-97 were mainly attributable to this irregular diversion.

The Government stated (November 1999) that the quantities were issued from the Directorate godown under certain compelling and unavoidable circumstances, on prepayment basis but shown against FP shops for distribution to the public/staff/village councils and Panchayat communities. But the Government had not elaborated on the nature of constraints. As regards issues made by the ADS, Kohima and SIS, Niuland, the matter is under correspondence with the respective officers.

The ORG-MARG survey also observed that almost the entire demand for the essential commodities is met by the open market.

### *3.1.5.6 Shortage of PDS food grains*

Physical verification of stores in respect of CPO centre, Niuland, ADS, Kohima and ADS, Wokha conducted on 31 March 1995, 31 July 1997 and 31 May 1997 respectively disclosed shortage of 2986.11 qtls. of fine/super fine rice valued at Rs.18.20 lakh. However, the Department had not investigated the above cases to fix responsibility and recover the cost of shortages. On this

Super fine/fine rice worth Rs.4.37 crore (Quantity:742.91MTs) was sold during 1995-99 direct at the departmental godowns instead of through FPS.

Physical verification of stores disclosed shortage of 298.61 MTs rice valued at Rs.18.20 lakh.

being pointed out by Audit, government initiated action against the defaulters only in November 1999. Further progress in this regard was awaited.

### 3.1.6 Infrastructure facilities

#### 3.1.6.1 Storage facilities

Rupees 1.55 crore provided for construction of godowns only Rs.74.92 lakh were spent and balance Rs.80.51 lakh diverted for other works.

(i) The Department constructed 81 godowns having storage capacity of 10550 MTs. Besides, 17 godowns (storage capacity:5900 MTs) were taken on hire on a monthly rent of Rs.45,261. Despite this, GOI provided Rs.60 lakh (Grant:Rs.30 lakh and Loan:Rs.30 lakh) in 1996-97 for construction of additional 17 godowns of 850 MTs capacity. The amount was not released by the State Government due to change in policy of implementation of TPDS and land dispute and construction of godowns was abandoned. The purpose for which the amount was utilised by the Government was not intimated.

(ii) Against provision of Rs.155.43 lakh for construction of godowns during 1995-99, Rs.74.92 lakh only was spent. But details of godowns constructed were not made available. However, it was noticed that only Rs.5.89 lakh were utilised for construction of godowns and funds of Rs.90.90 lakh were diverted for other purposes like construction of office and miscellaneous repair works.

(iii) During 1995-99, the Department had lifted on an average 1672.09 MT to 4808 MT of food grains per month. Hence there was no requirement of storage capacity in excess of 5000 MT. Thus godown capacity in excess of 5000 MT was either idle or misutilised. Genuineness of expenditure of Rs.17.65 lakh incurred for hiring the godowns for the period from 1995-96 to 1998-99 could not be established in audit.

The Government stated (November 1999) that, most of the godowns had been constructed long ago, and had become dilapidated and unusable. Therefore, construction of new godowns was taken up and also 17 godowns hired. As the new policy of implementation of TPDS was at an experimental stage, the hired godowns were retained beyond June 1997, but were vacated by March 1998.

The above reply is not convincing as 16 of the 17 godowns were vacated only after August 1998.



### 3.1.7 Carriage of food grains

In addition to 54 trucks owned by the Department, 12 more trucks were procured in June 1997 at a cost of Rs.47.06 lakh although the work related to carriage of food grains was entrusted to the stockists/carriage contractors.

(i) The Department was maintaining a fleet of 54 trucks for carriage of food grains under the scheme. In June 1997, 12 more trucks were purchased at a cost of Rs.47.06 lakh. Despite this, the FCSD engaged private contractors for carriage of food grains during the period from 1988-89<sup>17</sup> to 1997-98 (May 1997) However, details of the terms and conditions settled with the carriage contractors and the volume of expenditure incurred towards carriage charges were not made available.

(ii) Cost of transportation of food grains in the hilly and remote areas is reimbursed by GOI through FCI as Hill Transport Subsidy. Against total liabilities of Rs.10.16 crore relating to the period from 1988-89 to May 1997, the Department preferred claims of Rs.5.66 crore only with the FCI. No claims were preferred for the years 1992-93 onwards due to non-entertainment of claims by FCI/GOI. However, the Department had paid Rs.4 crore to the carriage contractors out of its own resources, against which bills in support of Rs.1 crore only were produced to Audit. It was seen that claims of Rs.4.55 lakh only could be substantiated and genuineness of payment of Rs.95.44 lakh could not be established in audit.

The Government stated (November 1999) that, with a view to resist the strong resentment of the carriage contractors, the Department had to draw and disburse Rs.4 crore from the State resources with the approval and sanction of the Government. The reply is not acceptable in the absence of any evidence in support of carriage/payment.

Expenditure of Rs.33.87 lakh incurred on salary of idle drivers/handy men deployed against off-road vehicles.

(iii) With the engagement of stockists for lifting and carriage of food grains under the scheme, the activities of the Department and consequently the utilisation of trucks were minimised partially since April 1992 and mainly after June 1997. Yet, the Department procured 12 more trucks and increased the fleet strength to 66 trucks. However, utilisation of these trucks on an average was for 28 days in a year. The Department had paid Rs.33.87 lakh towards salaries during 1997 to March 1999 in respect of 23 idle drivers/handy men deployed against off-road vehicles.

Government admitted (November 1999) that 31 out of 66 vehicles remained off-road and the staff employed against them could not be retrenched nor deployed elsewhere.

### 3.1.8 Vigilance Committees

Virtually no vigilance committee was constituted as envisaged under the Scheme.

Vigilance Committees had been set up (June 1997) in the State at FP Shop/Village/Town area and district level to review the working of the PDS (including TPDS) system. Examination of records revealed that no reports or returns on the functioning of scheme had ever been furnished to the Directorate/Department by any of the Vigilance Committees. No efforts were

<sup>17</sup> Exact year from which engagement of carriage contractors commenced could not be confirmed.

also made from the FCSD to obtain feedback from such committees. This indicated that the Vigilance Committees were virtually defunct.

### 3.1.9 Man power management

Wasteful expenditure of Rs.50.83 lakh on salary of idle staff during June 1997 to March 1999.

In view of change in policy of the Government regarding lifting, carriage and distribution of food grains under the scheme with effect from June 1997, all the infrastructure of FCSD like godowns, vehicles and manpower was rendered surplus, hence idle.

Test check of records of Directorate and 4 ADS revealed that 43 Store Keepers, 17 Salesmen and 5 Scalemen-cum-Chowkidars had drawn salary/wages of Rs.50.83 lakh during June 1997 to March 1999 without performing any work. The Department had not explored any possibility of gainfully utilising the services of the above staff.

Government admitted (November 1999) that proposals made in this regard in November 1997 could not mature due to financial implications. The reply is not convincing as the idle staff is proving a recurring liability to the State exchequer.

### 3.1.10 Monitoring and evaluation

None of the implementing agencies involved in lifting and distribution of food grains had ever submitted any reports/returns to the FCSD or the Government. The Government stated (September 1999) that they have not yet evolved a system for submission of monthly reports/returns by the stockists/FP Shops and the VDBs etc.

Thus, in the absence of above reports and returns, it could not be ensured in audit that the scheme was effectively implemented in the State. This indicated that the desired benefits under the schemes to a large extent had not accrued to the targeted beneficiaries. The Government has, however, instructed (August 1999) all the field offices to furnish monthly reports and returns after this was pointed out by Audit.

Ever since the implementation of the scheme, the Department had not carried out any evaluation either by themselves or through any implementing agency like the Directorate of Evaluation.

### 3.1.11 Recommendations

In view of the short comings noticed in the implementation of the Scheme, the State Government may review the whole system in terms of benefits of subsidised food grains and other PDS commodities accruing to the people of the State.

-- Government should develop effective mechanism for monitoring the implementation of the Scheme.

-- Remedial action be taken to plug the loopholes leading to diversion of food commodities into the open market.

-- Deployment possibilities of surplus man power in s department/work should be explored.

-- Survey to identify the BPL families be conducted and issuing ration cards to the beneficiaries geared up.

## RURAL DEVELOPMENT DEPARTMENT

### 3.2 Rural Employment Generation Programme

#### Highlights

The Rural Employment Generation Programme (REGP) comprises (a) Employment Assurance Scheme (EAS) and (b) Jawahar Rojgar Yojana (JRY) which includes the Million Wells Scheme (MWS). The Employment Assurance Scheme (EAS) was introduced with effect from 2 October 1993 to cater to the employment needs in certain identified blocks. Jawahar Rojgar Yojana (JRY) was introduced in April 1989 by merging two ongoing Schemes, viz., National Rural Employment Programme (NREP) and Rural Landless Employment Generation Programme (RLEGP). Audit scrutiny revealed that the EAS and JRY schemes in Nagaland were implemented without adhering to the guidelines and without proper monitoring and evaluation. There were cases of diversion of funds and non-recording of transactions etc. Vital records, like Shelf of Project (SOP), Register of Job Seekers, List of employment seekers, Muster Rolls (MRs), Measurement Books (MBs) etc. were either not maintained or produced to audit. It could not be ensured that the benefits of the schemes had reached the targeted group.

Employment Assurance Scheme funds amounting to Rs.2.25 crore was diverted to urban areas resulting in short generation of 5.40 lakh mandays in rural areas taking 60 per cent of the expenditure as wage component.

(Paragraph 3.2.4.4 (a))

An amount of Rs.1.03 crore was irregularly spent from JRY funds towards payment of honorarium to the Secretaries of Village Development Boards which could have been utilised to generate employment for 4.11 lakh mandays.

(Paragraph 3.2.4.4 (d))

There was loss of interest of Rs.0.10 crore by not keeping EAS and JRY funds in savings bank accounts. The interest, if earned could have been utilised for generation of employment for 40,800 mandays.

(Paragraph 3.2.4.5)

Suspected misappropriation of EAS and JRY funds of Rs.3.49 crore due to short-accountal, non-accountal and non-production of cash books.

(Paragraph 3.2.4.6)

Figures on generation of employment during 1996-99 were fictitious, as these were not based on reports/returns of the implementing agencies.

(Paragraph 3.2.6.2 (a))

Activities on water and soil conservation, agro-horticulture and afforestation, were adversely affected due to incurring expenditure to the extent of 18 to 21 *per cent* against 40 *per cent* of allocation treating it as priority work. Bonafides of Rs.5.97 crore shown as spent are also suspect, due to absence of records.

(Paragraph 3.2.7.1 (a))

Rupees 8.22 crore was diverted on creation of non-durable community assets (1255 km. of kutchha road); Rs.4.18 crore (15 *per cent* of total allocation) was diverted to non-priority works.

(Paragraphs 3.2.7.3, 3.2.7.6)

### 3.2.1 Introduction

The Rural Employment Generation Programme (REGP) comprises (a) Employment Assurance Scheme (EAS) and (b) Jawahar Rojgar Yojana (JRY) which includes the Million Wells Scheme (MWS).

Jawahar Rojgar Yojana (JRY) was introduced in April 1989 by merging two ongoing Schemes, viz., National Rural Employment Programme (NREP) and Rural Landless Employment Generation Programme (RLEGP). The Indira Awas Yojana (IAY) and Million Wells Schemes (MWS) which initially formed part of the JRY were subsequently delinked from JRY and implemented as independent Schemes from 1 January 1996.

In Nagaland, JRY is implemented by the Village Development Board (VDB) of each village constituted under the VDB Model Rules, 1980. The Deputy Commissioner (DC)/Additional Deputy Commissioner (ADC) of each district/sub-division is the Chairman of the VDB. The entire State has been declared a tribal area under the ITDP, and therefore, funds for JRY are allocated to each village on the basis of households, irrespective of the category of population. Beneficiaries are selected on the basis of open monthly meetings of the VDB.

The Employment Assurance Scheme (EAS) was introduced with effect from 2 October 1993 to cater to the employment needs in certain identified blocks. The EAS Scheme aimed at providing gainful employment in the nature of unskilled manual work for 100 days during the lean agricultural season to all willing able-bodied adults in rural areas; and creation of economic infrastructure and community assets. In Nagaland, the Scheme operates in all

### *Civil Report of 1999*

the 52<sup>18</sup> Rural Development Blocks in the State covered by the Integrated Tribal Development Programme (ITDP).

Both the EAS and JRY are Centrally sponsored Schemes, with cost shared between the Centre and the State in the ratio of 80:20.

#### **3.2.2 Organisational setup**

The Director of Rural Development (RD) is the nodal authority responsible for distribution of State's share of funds to the District Rural Development Agencies (DRDA), and for monitoring and coordinating the EAS. At the District level, the DCs, being Ex-officio Chairmen of the DRDAs are the Implementing Authority (IA). In addition, four ADCs (Dimapur, Peren, Kiphire and Longleng) have been declared as IAs by the State Government. At the block level, the Block Development Officers (BDOs) are the implementing agencies of the scheme.

The overall implementation of the JRY was with the Director RD till May 1995, and with DRDAs thereafter. At the District level/sub-divisional level, the DC/ADC are responsible for co-ordination, review, supervision, and monitoring of the programme. At the village level, the VDBs are responsible for planning and execution of the Programme.

#### **3.2.3 Audit coverage**

The performance of the JRY (upto 1993-94), and EAS (upto 1995-96), was commented in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for 1993-94 and 1995-96.

Implementation of the REGP upto 1998-99, beyond the period covered by earlier Reports, was reviewed by Audit between April to July 1999 by test check of records of three districts, three DRDAs and fifteen blocks out of 7 Districts, 7 DRDAs and 52 blocks respectively. Important points noticed in audit are mentioned in succeeding paragraphs.

The services of the ORG-MARG were commissioned by the Comptroller and Auditor General of India with a view to obtaining the beneficiary perception of the programme and related matters. The ORG-MARG carried out survey over a sample covering 2 Districts, 8 Blocks and 79 villages in the State. Significant findings of the survey on matters discussed in the Report have been included in this review at appropriate places.

#### **3.2.4 Financial outlay and expenditure**

**3.2.4.1** Year-wise details of release of Central and State funds, and expenditure incurred are given below:-

---

<sup>18</sup> Till April 1995 there were 28 blocks in the State. In May 1995, blocks were re-organised and 24 more blocks were created.

Year	Unspent balance as on 1 April	Bank interest and Other receipts	Fund released		Total release (4+5)	Total available fund (2,3 & 6)	Expenditure	Unspent balance as on 31 <sup>st</sup> March
			Central	State				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>EAS<sup>19</sup></b>								
(Rupees in lakh)								
1996-97	218.18	12.68	2216.00	1001.41	3217.41	3448.27	3159.41	288.86
1997-98	288.86	26.85	3390.00	819.99	4209.99	4525.70	4516.95	8.75
1998-99	8.75	8.67	2100.00	820.00	2920.00	2937.42	2483.46	453.96
<b>Total:-</b>	<b>515.79</b>	<b>48.20</b>	<b>7706.00</b>	<b>2641.40</b>	<b>10347.40</b>	<b>10911.39</b>	<b>10159.82</b>	<b>751.57</b>
<b>JRY</b>								
1994-95	---	---	507.16	---	507.16	507.16	507.16	---
1995-96	---	---	202.49	238.00	440.49	440.49	384.77	55.72
1996-97	55.60	37.89	366.49	148.89	515.38	608.87	545.47	63.40
1997-98	63.30	24.56	341.95	140.00	481.95	569.81	432.61	137.20
1998-99	137.20	7.47	744.33	175.00	919.33	1064.00	977.57	86.43
<b>Total:-</b>	<b>256.10</b>	<b>69.92</b>	<b>2162.42</b>	<b>701.89</b>	<b>2864.31</b>	<b>3190.33</b>	<b>2847.58</b>	<b>342.75</b>
<b>MWS</b>								
1995-96	---	---	57.33	---	57.33	57.33	49.70	7.63
1996-97	7.63	7.10	50.90	14.33	65.23	79.96	79.14	0.82
1997-98	0.82	0.41	78.07	---	78.07	79.30	72.89	6.27
1998-99	6.27	2.48	83.49	30.00	113.49	122.24	98.95	23.29
<b>Total:-</b>	<b>14.72</b>	<b>9.99</b>	<b>269.79</b>	<b>44.33</b>	<b>314.12</b>	<b>338.83</b>	<b>300.68</b>	<b>38.01</b>

The unspent balance of funds ranged between Rs.0.82 lakh to Rs.453.96 lakh during 1995-96 to 1998-99 which included more than Rs.1 crore in two years under EAS and one year under JRY Scheme.

#### 3.2.4.2 Delay in release of funds

The scheme envisaged release of State's share to the DRDAs within a fortnight of the release of the Central share. It was however seen that, despite receipt of the Central Government share well in advance, the State's share was released after delays ranging from 2 to 7 months. Reasons for delay were neither on record, nor intimated to Audit. This resulted in delay in providing employment to the beneficiaries.

#### 3.2.4.3 Excess/less expenditure

(a) According to the JRY manual, 10 per cent of the resources allocated to the State are earmarked for IAY, and 30 per cent for MWS. It was, however, seen from the Annual Reports for 1994-95 furnished to the GOI that, against the available resource of Rs.507.16 lakh, expenditure incurred under IAY and MWS was Rs.141.41 and Rs.138.60 lakh respectively, against the admissible amount of Rs.50.72 lakh and Rs.152.15 lakh. The reason for excess expenditure of Rs.90.69 lakh on IAY, and less expenditure of Rs.13.55 lakh on MWS was neither on record, nor could be stated.

(b) According to GOI instructions of November 1995, 2 per cent of allocated funds, subject to a minimum of 1 lakh and a maximum of Rs.2 lakh per block per annum, was admissible as administrative costs.

Despite receipt of Central share of the scheme funds in time from GOI, State's share was released to DRDAs after delays ranging from 2 to 7 months.

Excess expenditure of Rs.90.69 lakh under IAY and less expenditure of Rs.13.55 lakh under MWS incurred in contravention of the prescribed norms for which no reasons intimated.

Excess expenditure of Rs.92.58 lakh on administrative cost deprived benefits of employment for 2.22 lakh mandays.

<sup>19</sup> Bank interest of Rs.29.82 lakh (Rs.17.39 lakh for EAS, Rs.11.46 lakh for JRY and Rs.0.97 for MWS). Other receipts of Rs.98.29 lakh (Rs.30.81 lakh for EAS, Rs.58.46 lakh for JRY and Rs.9.02 lakh for MWS), originally diverted to other schemes and subsequently recouped to the scheme. Rs.1132.33 lakh (Rs.751.57 lakh under EAS, Rs.342.75 lakh under JRY and Rs.38.01 lakh under MWS) remained unspent in the concerned Bank account till March 1999.

During 1996-97 to 1998-99, against the permissible limit of Rs.206.95 lakh, Rs.299.53 lakh was spent on administrative costs under EAS, resulting in excess expenditure of Rs.92.58 lakh (45 per cent). This has deprived the targeted beneficiaries of the benefits of gainful employment for 2.22 lakh mandays.

#### 3.2.4.4 Diversion of funds

According to guidelines, diversion of funds to activities not connected with the main objective of the schemes was not permissible. Instances of indiscriminate diversion of scheme funds from one component to another or from one district to another as noticed during test check are detailed below:-

(a) Rupees 225 lakh from EAS funds meant for rural areas was wrongly diverted during 1996-99 for urban areas. Taking 60 per cent of expenditure as wage component, this resulted in short generation of 5.40 lakh mandays in rural areas.

(b) During 1994-95, GOI sanctioned Rs.92.40 lakh to be equitably shared by all 7<sup>th</sup> districts, for mass farm forestry through jhum cultivation under "Innovative Scheme under JRY". Against the sanctioned amount of Rs.13.20 lakh per district, the department spent Rs.50.95 lakh in Mokokchung district (286 per cent excess) and Rs.16.93 lakh (28 per cent excess) in Kohima district and the balance was spent in Wokha, Zunheboto, Mon and Tuensang districts. Thus the benefit of employment was not provided as per the assessed needs and there was total absence of employment generation in one district under this activity.

(c) In 1998-99, the Project Director, DRDA, Zunheboto invested JRY funds of Rs.17.38 lakh in a fixed deposit, and utilised the interest receipts of Rs.0.81 lakh for meeting expenses for assessing BPL families under the IRDP. Such diversion of interest amount earned from JRY funds to IRDP was irregular since this should have been utilised as additional resources for the JRY itself to generate at least 3240 mandays.

(d) The JRY manual does not provide for payment of salary/honorarium to VDB Secretaries. Test check of records, however, revealed that, during 1997-98 and 1998-99, Rs.102.72 lakh (Kohima: Rs.81.12 lakh, Zunheboto: Rs.12 lakh and Phek: Rs.9.60 lakh) was paid as honorarium to the VDB Secretaries (@ Rs.1,000 per VDB Secretary per month) of three districts. The payment of honorarium to VDB Secretaries was outside the scope of the scheme, and was a clear misuse of programme funds which could have been utilised to generate employment for 4.11 lakh mandays.

Scheme funds were not allocated to districts in an equitable manner.

Interest of Rs.3.59 lakh earned on investment of scheme funds in fixed deposits was irregularly diverted for purchase of vehicle and assessing BPL families generating employment for 14360 days.

Irregular payment of honorarium of Rs.1.03 crore to VDB Secretaries in three Blocks during 1997-99.



### 3.2.4.5 Loss of bank interest

Potential interest of Rs.16.20 lakh was lost due to keeping of scheme funds in current account/DAC instead of Saving Bank Account.

(i) As per guidelines, EAS funds are to be kept in a separate Savings Bank (SB) account and the interest so earned should be used as additional resources for EAS. It was, however, noticed that EAS funds for the years 1996-99 were kept in non-interest bearing accounts, resulting in potential loss of interest of Rs.10.20 lakh.

The interest if earned could have been utilised for generation of employment for 40,800 mandays.

### 3.2.4.6 Non-recording/non-production of documents relating to transactions

In the following cases, the transactions were either not recorded in the cash book or documents in support of transaction not produced to Audit.

(i) EAS funds amounting to Rs.61.65 lakh<sup>21</sup> were not accounted for in the cash book by 5 BDOs. Similarly, Rs.16.47 lakh<sup>22</sup> pertaining to JRY funds were not recorded by 5 BDOs.

In respect of Rs.349.16 lakh, neither was the transaction recorded in the cash book nor documents in support produced to audit.

(ii) The Project Director, DRDA, Zunheboto stated (June 1999) that an amount of Rs.86.38 lakh withdrawn from JRY funds by him in March 1999 from Savings Bank Account was remitted to the Chairman of the concerned VDB. But the supporting documents for transfer of funds were not produced to Audit. Similarly, there was no evidence for the transfer of money of Rs.1.90 lakh in 1996-97 by the SDO, Chipobozou under EAS.

(iii) Cash Book and supporting documents relating to transactions for the amount of Rs.182.76 lakh received under EAS/JRY during 1995-96 to 1997-98 by 4 BDOs<sup>23</sup> were not produced to Audit.

Thus, in respect of the amount of Rs.349.16 lakh mentioned in above cases, possible misappropriation of funds cannot be ruled out.

### 3.2.5 Planning

#### (a) Registration of workers, and identification of target group

Under the scheme, persons between the age group of 18 to 60 years were eligible to register themselves with the respective VDBs. Every family so registered was to be issued a family card.

Details of registered job seekers not maintained by BDOs/DRDAs

None of the DRDAs and BDOs test checked could furnish details of the registered job seekers in their jurisdiction. It was, therefore, evident the scheme was implemented without identification of target group of beneficiaries. Thus, the primary parameter for the implementation was not

<sup>21</sup> BDOs (Jalukie:Rs.2 lakh; Dhansaripar:Rs.1.10 lakh; Kuhoboto: Rs.2 lakh; Zunheboto: Rs.14.11 lakh and Akuluto:Rs.42.44 lakh).

<sup>22</sup> BDOs (Dhansaripar:Rs.0.10 lakh; Phek:Rs.1.85 lakh; Chipobozou:Rs.2.42 lakh; Zunheboto:Rs.11.50 lakh and Kuhoboto Rs.0.60 lakh)

<sup>23</sup> Jalukie:Rs.12 lakh; Tseminyu:Rs.3.99 lakh; Phek:Rs.5.94 lakh and Pfutsero: Rs.160.83 lakh.

followed. The ORG-MARG survey observed that under EAS, less than 2 per cent were registered and none of them was issued family card which indicated that payments are made to non registered workers.

**(b) Annual Action Plan**

According to the JRY manual, DRDAs and VDBs are required to prepare an Annual Action Plan, for all the works to be taken up under the Yojana. It was seen, however, that the VDBs on the basis of allocation of funds to them had selected and executed the works without preparing any action plan or approval of the competent authority.

**(c) Non-preparation of Shelf of Projects (SOP)**

As per the guidelines, Implementing Agencies should inform the Chairmen, DRDA of their block-wise plans for various works proposed to be undertaken in the district, in the current and succeeding years. In turn, the DRDAs would prepare a Shelf of Project (SOP) of productive works under normal Plan/Non-Plan budget and new works to be taken up under EAS, in each block area. However, test check revealed that no such SOP was prepared. The PD, DRDA, Kohima stated (April 1999) that, SOP was not prepared as the quantum of funds that would be available was not known. This reply is not tenable, since uncertainty on the quantum of fund allocation does not obviate the requirement for adequate planning through SOPs.

Non preparation of Shelf of Projects led to diversion of scheme funds to non-scheme works.

Non-preparation of SOPs resulted in unauthorised and unproductive works, like, construction of fishery ponds, play grounds, ring wells and public wells, construction of church building, repair of guest house, Village Headman's office and furniture for guest house involving a total expenditure of Rs.448.94 lakh. Instead of labour intensive works, material intensive works like construction of ring wells, culverts, RCC bridges, and council halls were undertaken at a cost of Rs.156.93 lakh. In the absence of information on location of work, quantity/units constructed/executed, the authenticity of actual execution of these works could not be verified in audit.

The ORG-MARG survey also revealed that nearly one fifth of the JRY and nearly one fourth of EAS beneficiaries reportedly had not attended Gram Sabhas to discuss the Projects to be executed under the Scheme.

**3.2.6 Generation of employment**

**3.2.6.1 Execution of works beyond identified lean season**

The main objective under EAS was to provide assured employment for 100 days in a year during the lean agricultural season (October to April). Four blocks, however, spent Rs.40.91<sup>24</sup> lakh on various works beyond the identified lean season. Thus, the identification of the lean agricultural season was rendered purposeless, and benefit to the target group in terms of generation of 163640 mandays was denied.

Expenditure of Rs.40.91 lakh incurred beyond identified lean season.

<sup>24</sup> Peren: Rs.4.05 lakh, Kuhoboto: Rs.14.70 lakh, Zunheboto: Rs.15.19 lakh and Phek:Rs.6.97 lakh.

### 3.2.6.2 Unrealistic/fictitious targets and achievements

(a) According to the guidelines for EAS, the targets for employment generation were to be fixed on the basis of estimated employment likely to be generated through the execution of approved works, keeping in view the allocation of funds. Sixty per cent of the available funds should constitute the wage component and at least 30 per cent of the employment opportunities are to be reserved for women. The following table gives the position of funds available, targets and achievements of generation of employment. It would be seen that, the targets fixed by the Department had no relationship to the funds allotted, and were therefore, unrealistic. These were fixed lower than those which should have been fixed as per allotment of funds possibly with a view to claim higher achievement. Further, the employment of women was not as per the norm of 30 per cent.

Year	Funds available (Rupees in lakh)	Generation of employment (Mandays in lakh)			
		Realistic target proportionate funds	Target fixed by Department	Achievement	Women employed (percentage with respect to targets)
1996-97	3448.27	82.76	60.00	72.65	22.49
1997-98	45225.70	108.62	70.08	104.54	18.38
1998-99	2937.42	70.08	98.00	60.87	8.20
<b>Total:-</b>	<b>51611.39</b>	<b>261.46</b>	<b>228.08</b>	<b>238.06</b>	<b>49.07</b>

Test check of records of 15 Blocks revealed that, the figures on employment generation reported by the Department were not based on any feed back from the Blocks. This resulted in unrealistic and fictitious reporting of generation of employment for both men and women. The ORG-MARG sample survey also observed that the coverage of women beneficiaries was much less than the stipulated 30 per cent ( JRY: 7 per cent, EAS: 6 per cent ).

(b) Targets and achievement of employment generation under JRY during 1994-95 to 1997-98 as reported by the Director RD, to the GOI were as follows:-

Year	Target	Achievement	Total expenditure	Expenditure on wages as per Department and percentage	Expenditure to be incurred with reference to total expenditure i.e. 60%	Mandays to be generated	Excess (+) Less (-) with reference to Col.(3) and (7)
	(Mandays in lakh)		(Rupees in lakh)			(Mandays in lakh)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1994-95	8.47	8.47	507.16	207.38 (40.89)	304.30	12.17	(-) 3.70
1995-96	9.63	8.76	384.77	247.52 (64.33)	230.86	9.23	(-) 0.47
1996-97	9.63	9.63	545.47	291.34 (53.41)	327.28	13.09	(-) 3.46
1997-98	10.86	10.70	432.61	229.90 (53.14)	259.57	10.38	(+) 0.32
1998-99	18.00	23.73	977.57	574.07 (58.72)	586.54	23.46	(+) 0.27
<b>Total</b>	<b>56.59</b>	<b>61.29</b>	<b>2847.58</b>	<b>1550.21 (54.44)</b>	<b>1708.55</b>	<b>68.33</b>	<b>(-) 7.04</b>

It would be seen that while during 1994-95 and 1996-97 to 1998-99 the expenditure on wages was below the prescribed percentage of 60, the same was more than this during 1995-96. This resulted in less generation of 7.04 lakh mandays during the period 1994-99.

**3.2.6.3 Less employment generation due to excess expenditure on non-wage component**

From the Annual reports/returns submitted by the Department to GOI for 1996-97 and 1997-98, it was noticed that Rs.197.52 lakh was spent in excess on non-wage component, as shown below:-

Year	Expenditure as per report	Expenditure incurred on		Expenditure to be incurred as per norms		Excess (+) less (-) on non-wage component
				Wage 60% & non wage 40% of total expenditure		
(Rupees in lakh)						
		Wage	Non-wage	Wage	Non-wage	
1996-97	3,159.39	1,816.26	1,343.13	1,895.63	1,263.76	(+) 79.37
1997-98	4,516.95	2,592.02	1,924.93	2,710.17	1,806.78	(+) 118.15
1998-99	2,483.46	1,512.08	971.38	1,490.08	993.38	(-) 22

**Excess expenditure of Rs.197.62 lakh on non-wage component led to loss of generation of employment for 7.90 lakh mandays.**

Excess expenditure of Rs.197.52 lakh during 1996-97 and 1997-98 on material component, resulted in less generation of 7.90 lakh mandays. This was due to erratic selection of works like construction of ring wells, culverts, RCC bridges, community and school buildings etc., requiring a higher material component.

**3.2.6.4 Non-maintenance of muster rolls**

Muster rolls are basic records to confirm generation of employment—the main objective of the Scheme. It is seen however that while some of the Blocks under EAS did maintain muster rolls in a partial manner, muster rolls were not maintained under the JRY Scheme. The figures of wage component shown in the half yearly and annual reports submitted to GOI and GON by the RD Directorate in respect of JRY for the period from April 1994 to March 1999 involving a total expenditure of Rs.2847.58 lakh were, therefore, fictitious as these were not susceptible to verification.

**3.2.6.5 Delay in payment of wages**

**Wages paid late by 1 to 12 months**

Payment of wages to labourers were usually delayed for 1 to 12 months. Three of the BDOs (Peren, Kuhoboto and Niuland), attributed (June 1999) the delay to late receipt of funds. In any case, such delays defeated the main objective of the Scheme: to supplement the earnings of the rural people during the lean agricultural season. This defeated the objective of immediate relief to the beneficiaries. The ORG-MARG survey also revealed that majority of the beneficiaries under both the Schemes were paid their daily wages at the end of the Project.

**3.2.6.6 Appointment of labourers outside the target group**

**Scheme funds of Rs.11.30 lakh expended on 1759 persons not covered by BPL list.**

Under EAS guidelines, employment was to be provided to two adult members of each BPL family. Test check of record, however, revealed that the BDOs of Zunheboto and Akuluto had disbursed Rs.11.03 lakh as wages to 1,759 labourers who were not included in the BPL list identified by the DRDA. This deprived the targeted beneficiaries of the benefit of the scheme.

### 3.2.7 Execution of works

#### 3.2.7.1 Afforestation and Agro-Horticulture

(a) Forty *per cent* of EAS funds were to be spent on water and soil conservation works such as afforestation, agro-horticulture, silviculture, land protection works and vegetative barriers under water shed development. Test check of records of three districts revealed that, only 21 *per cent* of the total funds were spent on this priority sector as detailed below:-

District	Fund allocation	Land development	Afforestation/ Agro-horticulture	Total	Percentage of funds spent against allocation
(In lakh of rupees)					
Kohima	2,074.80	21.80	361.88	383.68	18
Zunheboto	451.64	17.81	98.58	116.39	26
Phek	340.46	2.11	94.25	96.36	28
<b>Total:-</b>	<b>2,866.90</b>	<b>41.72</b>	<b>554.71</b>	<b>596.43</b>	<b>21</b>

Expenditure for Rs.5.96 crore incurred on plantation work not substantiated by relevant records indicating the number and variety of plantations done and the survival rate etc.

None of the Blocks had maintained any records relating to area of plantation, basis of plant species selection, and number of trees actually planted and their survival rate etc. Sources for procurement of seedlings/plants were neither on record, nor intimated to Audit. Plantation journals, containing details of operations, expenditure on maintenance and survival percentage etc. had also not been maintained.

Thus, the bonafides of expenditure of Rs.596.43 lakh could not be verified in audit.

(b) According to the JRY manual, social forestry and agro-horticulture works could be taken up on Government land and degraded forest land, provided that suitable community lands are not available, and that the entire produce from such land is made available for community use under general or specific orders of the State Government.

Expenditure of Rs.39.89 lakh on plantations done in Government land did not create social assets.

As per the Annual Reports for 1997-98 and 1998-99 furnished to the GOI, Rs.39.87 lakh was spent on social forestry in 798 hectares of Government land. The Department, however, could not produce any proof of Government sanction, or the source of procurement of saplings or, the plantation journal indicating the details of work undertaken. Thus, the creation of assets by incurring expenditure of Rs.39.87 lakh on plantations carried out on Government land was doubtful.

#### 3.2.7.2 Minor irrigation works

The guidelines stipulated that 20 *per cent* of EAS funds should be utilised for minor irrigation works such as village tanks, canals, etc. Between 1996-97 to 1998-99, total expenditure on these works in the test checked blocks was as under:

District	No. of works	Fund allocation	Total expenditure	Percentage of total allocation of funds
		(In lakh of rupees)		
Kohima	256	2,074.80	142.63	7
Zunheboto (2 blocks)	20	451.64	10.24	2
Phek (2 blocks)	49	340.46	26.47	8
<b>Total:</b>	<b>325</b>	<b>2866.90</b>	<b>179.34</b>	<b>6</b>

There is no evidence that survey and feasibility reports, approved technical estimates, MBs and completion certificates existed. There are no records on the nature and quantum of assets created, and extent of their utilisation. Therefore, Audit could not verify whether the works were actually executed or not, and to what extent irrigation potential created, and employment generated. As such the authenticity of expenditure of Rs.179.34 lakh was doubtful.

### 3.2.7.3 Unfruitful expenditure on construction of rural link roads

During 1996-97 to 1998-99, expenditure on construction of roads in three test checked districts was as under:-

District	Total allocation of funds	Total expenditure on link roads	Length of roads constructed (In KM)	Percentage of expenditure to total allocation of funds
	(Rupees in lakh)			
Kohima	2,074.80	583.86	1,001.70	28
Zunheboto (2 blocks)	451.64	147.01	150.30	33
Phek (2 blocks)	340.46	90.97	103.16	27
<b>Total:-</b>	<b>2,866.90</b>	<b>821.84</b>	<b>1,255.16</b>	<b>28.66</b>

Expenditure of Rs.8.22 crore on 'Kutchra' roads did not create durable assets.

The entire expenditure was on purely 'kutchra' roads involving only earth cutting and jungle clearance. Such roads cannot be termed durable assets as required under the scheme, unless side drains and minimum top soiling has been done. Besides, the coverage of huge length (1255 Kms.) in hardly 3 out of 7 districts indicate that the works were carried out repeatedly on the same length of road. Therefore, the expenditure of Rs.821.84 lakh incurred on these works cannot be treated as having met the desired objective of creating durable assets and their authenticity appears doubtful.

### 3.2.7.4 Construction of Anganwadi buildings

Neither the Directorate, nor the DRDAs could furnish any information on the total number of Anganwadi buildings constructed in the State under EAS during 1996-97 to 1998-99, and under JRY during 1994-95 to 1998-99.

Test check of records in three districts (15 Blocks) revealed that, 43 Anganwadi buildings had been constructed at a cost of Rs.21.83 lakh under EAS (36: Rs.20.25 lakh) and JRY (7: Rs.1.58 lakh).

Unproductive expenditure of Rs.21.83 lakh on construction of Anganwadi Buildings.

None of these buildings had been handed over to the Social Welfare Department as of July 1999 to enable the Department to run the Centres under the ICDS programme. There is nothing on record to show that Anganwadi buildings were being utilised, rendering the expenditure of Rs.21.83 lakh unproductive.

### 3.2.7.5 Expenditure on irregular works

The primary objective of the MWS is to provide open irrigation wells free of cost to all categories of poor, small and marginal farmers. If construction of open wells is not feasible due to geological factors, the funds allotted under MWS could be utilised for other schemes of minor irrigation like, irrigation tanks, water harvesting structures, and development of land belonging to small and marginal farmers. The amount cannot be diverted for any other purpose.

Records of test checked districts revealed that, from 1995-96 to 1998-99, against the available fund of Rs.151.56 lakh, expenditure incurred was Rs.130.71 lakh (Kohima: Rs.71.82 lakh, Zunheboto: Rs.30.02 lakh and Phek: Rs.28.87 lakh). Of this, Rs.24.42<sup>25</sup> lakh was spent for other works such as ring well, public well, water tank and social forestry, which are not covered by the scheme. Scrutiny further revealed that construction of ring wells and public wells constituted 80-85 *per cent* of the non-wage component against the norms of 40 *per cent*. Thus, the expenditure on such works was not only irregular to the extent of 0.98 lakh mandays but also deprived the benefit of employment to the targeted beneficiaries.

### 3.2.7.6 Non-priority works

The important criteria for selection of works under the scheme was that the work must be labour intensive. Employment of workers should result in creation of durable community assets for sustainable development. It was, however noticed that, during 1996-97 to 1998-99, Rs.417.50 lakh (15 *per cent* of total allocation of Rs.2,866.90 lakh) was spent on non-priority and inadmissible works like play grounds, Church buildings, Head Master's residence etc., by the 15 Blocks in the three districts test checked. More details of such works, and expenditure made under each category of work, are given in *Appendix-XVII*.

### 3.2.8 Register of assets created

Under the scheme, every VDB was required to maintain a register of assets created. Test check of records of the Director RD, DRDAs (Kohima, Zunheboto and Phek) and some Blocks revealed that, none of the VDBs maintained the register of assets created. Besides, records showing handing over of assets by the VDBs to the concerned Department for maintenance could not be produced to Audit. No maintenance expenditure was also incurred by the VDBs. In the absence of Asset Register, the correctness of assets created at a cost of Rs.482.77 lakh could not be ensured.

### 3.2.9 Other points of interest

During 1995-96, Director, RD procured 10 fax machines and equipment worth Rs.8.05 lakh (Fax machine: Rs.6.68 lakh, UPS Rs.0.96 lakh, telephone answering device: Rs.0.10 lakh, Sales Tax: Rs.0.31 lakh) one each for 7 DRDAs and one each for Minister, Secretary and RD Directorate under the

In absence of any inventory of assets created, existence of assets created could not be ascertained.

<sup>25</sup> Ring well/public well: Rs.21.64 lakh, Water tank: Rs.2.58 lakh, Social forestry: Rs.0.20 lakh

JRY Scheme. Necessary tender documents, comparative statement, as well as basis for acceptance of rate, could not be produced to Audit. Further, it was found that none of the machines supplied to the test checked DRDAs, and RD Directorate could be put to use, as these were not connected by separate telephone lines. Besides, the Department could not provide any information in respect of the remaining DRDAs. Thus, the expenditure was wasteful and unauthorised.

### 3.2.10 Monitoring and evaluation

The Scheme envisaged formation of Committees at State, District, Block and Village levels to ensure effective implementation of the Rural Employment Generation Programme. The Committees were required to monitor the works executed, evaluate them, and also advise the implementing agencies on remedial measures.

No meetings held by District/Blocks level Committees nor any inspection of works by any officer of the Department.

Though Committees at State, District, Block levels were constituted in December 1993, none of the Committees met even once during the period covered by audit. There is no evidence that the DC (Ex-officio Chairman of DRDA), Project Director, DRDA, or any other senior officer from State to Block level had ever conducted any tour to inspect/supervise the implementation of the works under the scheme. Besides, no schedule of inspection prescribing the minimum number of field visits for each supervisory level officer from State to Block level, was ever drawn up during the period under report. No vigilance squad was also constituted.

Reports/returns furnished to GOI were not based on any feed-back from implementing offices.

The reports, returns, and other information submitted by the State Government to the GOI were not based on any feed back from the BDOs. Therefore, the figures/information furnished by the State Government to the GOI were not based on actual performance at Block/VDB level and were thus hypothetical. For example, during 1994-95, the State Government had not released the State matching share under JRY, whereas utilisation certificate for Rs.140 lakh towards release of State share was furnished. Again, during 1998-99, a cheque for Rs.123 lakh issued by Director, RD in favour of DRDA, Kohima was dishonoured by the bank on the ground that sufficient funds were not available in the account, revealing lack of control, and monitoring, by the Department. The State Government had not conducted any evaluation study on the impact of the scheme on the target group.

The matter was reported to the Government and the Department in September 1999; replies have not been received (March 2000)

### 3.2.11 Recommendations

(i) The funds to the Implementing Agencies should be released in time and due care should be taken to avoid of diversion of funds from one scheme to another or from one component to another. It is also necessary to monitor the works executed, evaluate them and also to advise the implementing agencies on remedial measures.

(ii) Vital records like Shelf of Projects, Muster Rolls, MBs, Register of Job Seekers etc., should also be maintained properly.



## SOCIAL SECURITY AND WELFARE DEPARTMENT

## 3.3 Integrated Child Development Services Scheme

*Highlights*

*The Integrated Child Development Services (ICDS) Scheme was launched in 1975-76 as a Centrally Sponsored Scheme and comprised of five sub-schemes viz., Supplementary Nutrition, Immunisation, Health Check-up and Referral Services, Nutrition and Health Education, and Non-formal Pre-School Education financed by Central Government (except Supplementary Nutrition which is funded by the State Government). Audit scrutiny revealed that the total number of beneficiaries under the various components of the scheme has not been substantiated by records. Nor has the Department conducted any monitoring and evaluation to ascertain the achievement of the scheme. Consequently, the figures furnished by the Department to Government of India are unreliable. Vouchers relating expenditure (Rs.3.67 crore) not routed through treasury, avoidable expenditure (Rs.3.23 crore) on purchase of Supplementary Nutrition Programme (SNP) materials, unnecessary procurement of Integrated Child Development Service (ICDS) materials and locking up of funds of Rs.1.55 crore.*

An amount of Rs.1.46 crore received from Government of India (in 1996) for the implementation of the scheme was retained in civil Deposit account.

(Paragraph 3.3.4 (i))

1023 Anganwadi Centres were created in excess of norms. Consequently, Rs.1 crore was unauthorisedly spent every year on honorarium to AWC staff.

(Paragraph 3.3.5.1)

Records relating to health check-up and referral services have not been maintained in the Anganwadi centres.

(Paragraph 3.3.5.5)

In respect of non-formal pre-school education, the number of children shown to have been covered was more than the number of children enrolled and the figures were unrealistic. Based on the departmental figures the percentage of dropout ranged between 37 and 42.

(Paragraph 3.3.5.7)

There were no records to verify the visits of Child Development Project officers to the Anganwadi centres.

(Paragraph 3.3.11)

### **3.3.1 Introduction**

Integrated Child Development Services , a Centrally Sponsored Scheme was launched in the State in 1975-76, and aimed at providing a package of services in an integrated manner to pre-school children, expectant and nursing mothers and women with a view to improving the nutritional and health status of children in the age group of 0-6 years and enhancing the capability of the mother for looking after the normal health and nutritional needs of the child through proper nutrition as well as health education. The package of services provided in the scheme, inter-alia, comprised of supplementary nutrition, Immunisation, Health check-up and referral services. Nutrition and Health Education, Non-formal pre-school education.

The focal point is the Anganwadi, which is served by a honorary worker selected from within the local community by a committee at project level. The immunisation, health check-up and referral services are to be delivered at the anganwadi through the network of health services at the Primary Health Centres (PHCs).

### **3.3.2 Organisational set-up**

At State level, the Secretary to the Government of Nagaland, Social Security and Welfare Department, Kohima, assisted by the officer-on-special duty (ICDS) is overall incharge of the ICDS Scheme. The Director of Social Security and Welfare, Nagaland, Kohima, assisted by 52 Child Development Project Officers is responsible for implementing the Scheme in the State through 2687 Anganwadi (AW) Centres.

### **3.3.3 Audit coverage**

Two Projects in Urban areas (Dimapur and Kohima), one in the Rural Areas (Dimapur) and five in the Tribal inhabited areas (Dimapur, Kohima, Jalukie, Peren, Mon) of the State were selected for audit. The review covers the period from 1994-95 to 1998-99.

### **3.3.4 Financial position**

The Central assistance received and actual expenditure incurred on the scheme during 1994-95 to 1998-99 is shown below:-

(Rupees in lakh)

Expenditure figures  
not reconciled.

Year	As per Government of India sanctions	Expenditure	
		As per Detailed Appropriation Accounts	As per Department
1994-95	467.62	254.28	235.65
1995-96	559.76	308.73	643.79
1996-97	730.19	426.67	402.00
1997-98	535.32	898.84	899.00
1998-99	1300.00	1377.09	1354.00
Total:-	3592.89	3265.61	3534.44

The funds earmarked in the State's budget for Supplementary Nutrition are as detailed below:-

(Rupees in lakh)

Year	Budget Provision		Actual Expenditure			
	Plan	Non-Plan	As per Detailed Appropriation Account		As per Department	
			Plan	Non-plan	Plan	Non-Plan
1994-95	154.00	450.00	---	9.63	---	9.63
1995-96	154.00	669.00	---	728.72	154.00	657.67
1996-97	174.00	669.00	5.93	859.58	153.99	692.68
1997-98	183.00	449.00	182.99	467.86	182.99	452.68
1998-99	183.00	452.67	183.00	459.12	183.00	417.00
Total:-	848.00	2689.67	371.92	2524.91	673.98	2229.66

The huge variation between the departmental figures and appropriation accounts was due to non-reconciliation of accounts by the Department since 1995-96. In the absence of reconciliation of expenditure, the correctness of actual expenditure could not be ensured.

(i) *Unnecessary retention of funds*

Amount provided for  
ICDS was retained in  
Deposit account.

A draft for Rs.1.46 crore was received from the Government of India, in July 1996 towards the first installment of Grants-in-aid for 1996-97 for the continued implementation of ICDS schemes in Nagaland. The amount was deposited into the Treasury as Civil Deposit on 31 July 1996 and is still lying unutilised. Retention of the funds in Civil Deposit affected the availability of the funds for implementation of the scheme. The Government reply is still awaited (March 2000).

(ii) *Blockage of Plan money*

The Director of Social Security and Welfare procured (between December 1993 and March 1999), exercise books (5.73 lakh) and soap cakes (4.26 lakh) without requisition from the CDPOs and the centres. Against this procurement, the total issue during the period was 0.86 lakh (@ Rs.5.50 each plus 8 per cent tax) in case of exercise books and 0.64 lakh (@ Rs.7.75 each plus 8 per cent tax) in case of soap cakes. Thus a huge stock balance remained to be utilised which resulted in locking up of funds to the extent of Rs.59.23 lakh.

The Department accepted (30 September 1999) the audit observation. However, the Government's reply is still awaited (March 2000).

*(iii) Vouchers not made available and transactions not routed through treasury*

In March 1996, Government of India remitted Rs.3.67 crore to the Director SS&W through two bank drafts, with a direction to credit these amounts to the Government of Nagaland. The Directorate, however, did not credit the amounts, but instead straightaway encashed the drafts and made payment (22 April 1996 onwards) for the entire amount on various items. The cash book does not give any details of Bill No. and date against which payment was made, and no such record was produced to Audit.

It is thus evident that in order to bypass routing of the transaction through the treasury, the Directorate deliberately kept the expenditure out of Government Accounts.

The Department stated (30 September 1999) that the vouchers were made available to Audit. This however, is incorrect, as no vouchers were available (being non-treasury transaction) to ascertain the nature of transaction and its propriety. The Government's reply is still awaited (March 2000).

*3.3.5 Scheme implementation*

*3.3.5.1 Excess creation of Anganwadi Centres*

Excess expenditure due to creation of Anganwadis not according to norms.

(a) According to the Scheme, one Anganwadi Centre (AW) is to be created for every 1000 population in the urban and rural areas, and for 700 population in the tribal areas. The total population in Nagaland was 12,09,546 with tribal population of 10,60,822 (1991 Census). On this basis, 149 centres in urban and rural areas and 1515 Centres in tribal areas should have been created instead of 2687 centres. The excess creation of 1023 centres violating the population criterion resulted in excess expenditure of approximately Rs.1 crore per annum on honorarium alone.

Further, audit scrutiny revealed that in anganwadis, basic facilities such as weighing scales and proper storage facilities for SNP and ICDS materials were not provided in at least 10 projects out of 52 and the centres respectively.

Locking up of funds.

In addition, it was noticed that the Director, SS&W purchased 3101 bundles of CGI Sheets valued at Rs.70.98 lakh for construction of AW sheds during 1997-98. It is seen however, that the Department had 11,750 bundles in stock on the date of procurement and the same could have been utilised for the said construction. In the absence of detailed estimates, despatch and receipt of the CGI Sheets by the various CDPOs, non-availability of Utilisation Certificates and physical verification report, the execution of work could not be verified in audit. Further, 11,750 bundles of CGI Sheets existed in stock, and there was no need for further procurement of this material.

The Department in reply (30 September 1999) claimed that the opening balance of 11,750 bundles appearing in the stock register was actually 11,750 sheets. However, this reply is not acceptable, since no supporting evidence could be made available. Thus, the procurement of the material for Rs.70.98 lakh resulted in locking up of funds.

### 3.3.5.2 Targets and achievements: Beneficiaries identified and covered

The beneficiaries identified and covered under the scheme as per Departmental figures were as under:-

Year	Pregnant and nursing mothers		Children less than one year old		Children between one to three years		Children between three to six years	
	Identified	Covered	Identified	Covered	Identified	Covered	Identified	Covered
1994-95	82978	80610	35108	32232	72919	70464	127850	126699
1995-96	82992	80610	35825	32232	73109	70464	128910	126699
1996-97	83120	80610	35905	32232	73870	70464	129100	126699
1997-98	83717	80610	36230	32232	73965	70464	129500	126699
1998-99	83879	80610	36713	32232	73997	70464	129887	126699

The Department had unrealistic figures of coverage of beneficiaries.

The data furnished by the Department on coverage under various categories showed a static figure year after year during the period 1994-95 to 1998-99 which was unrealistic. Therefore, it is evident that the figures are ad-hoc and indicate that the Department had no information on the actual coverage.

### 3.3.5.3 Supplementary Nutrition

#### (a) Coverage

The scheme provides for distribution of food for 300 days in a year to identified beneficiaries drawn from all children below six year and pregnant women and nursing mothers belonging to the poorer sections of society (including Scheduled Castes and Scheduled Tribes). The success of the scheme therefore depends on correct identification of beneficiaries through survey, and periodic updating of data. Audit findings, however, revealed that periodic surveys were not conducted. Further, the department had no information in respect of SC/ST category, monthly income etc. The Register of Services provided did not reflect the number of days for which supplementary nutrition was provided. As such it was not possible to ascertain whether supplementary nutrition was actually provided.

Test check revealed the following:-

#### (b) Extra avoidable expenditure on procurement of SNP materials

The Director, Social Security and Welfare, Nagaland, Kohima procured the following SNP materials as below:-

Year	Quantity of Bakeman's biscuits procured (Kg.)	Rate paid (Rs.)	Amount paid (inclusive of taxes) (Rs.)
1996-97	4,92,222.60	52 per Kg. plus 4% CST and 8% NST	2,86,67,040
1997-98	4,36,984.65	-do-	2,54,49,987
1998-99	3,96,591.00	55 per Kg. plus 4% CST and 8% NST	2,44,30,004
<b>Total:-</b>	<b>13,25,798.25</b>		<b>7,85,47,031</b>

Sample of Bakemen's Glucose biscuit supplied to CDPO, Dimapur revealed that the Maximum Retail Price (MRP) of one big packet (750 gms.) of Bakeman's biscuits was Rs.30 (inclusive of all taxes). Since the biscuits were purchased in bulk, the Department could have procured at wholesale prices, which cannot be estimated by Audit. However, even at retail prices the total value of 13.26 lakh kg. comes to Rs.530.32 lakh. Therefore, the Department had incurred extra expenditure of Rs.2.55 crore (Rs. 7.85 crore—Rs. 5.30 crore) on purchase of biscuits.

In addition to Bakeman's Glucose Biscuits, the Department had also procured Britannia (85,852 kgs.) biscuits in 1997-98 and Western (1,98,820 kgs.) biscuits in 1998-99 at a total cost of Rs.1.75 crore. Had the Department procured Bakeman's Glucose Biscuits at MRP in place of Britannia and Western brands during 1997-98 and 1998-99, the Department would have spent only Rs.1.14 crore.

Thus the Department unnecessarily spent Rs.3.16 crore which, otherwise, could have been utilised for more coverage of identified children.

In addition, the protein and calorie content of this was not ascertained to verify whether the feeding was according to the norms prescribed for the nutrient and calorific value under the scheme.

*(c) Avoidable expenditure on purchase of milk powder*

During 1996-97, milk powder of Gold Milk and Nova Brand was procured for Rs.130 per Kg., while Atulya Brand was procured for Rs.129 per Kg., as under:-

Period of procurement	Particulars	Rate (Rs.)	Amount paid (inclusive of taxes) (Rs.)
11.07.96 to 29.03.97	Gold and Nova Brands 3,57,140 Kg.	130 per Kg.	5,19,99,581
--do--	Atulya Brand 23582 Kg.	129 per Kg.	34,07,126

According to the analysis report of food samples sent by the Asstt. Technical Adviser to the Government of India, Ministry of Human Resource Development, Quality Control Laboratory, Food and Nutrition Board, Calcutta, on 11 November 1996, the Atulya Brand of Milk Powder has richer protein content than the other two brands. In 1998-99, the rates were revised to Rs.136 per Kg. for Gold and Nova, and Rs.135 per Kg. for Atulya (plus 4 per cent CST and 8 per cent NST). Had the Department procured the Atulya

Brand in place of Gold and Nova, then, not only more nutritious milk could have been supplied but expenditure to the extent of Rs.6.81<sup>26</sup> lakh could have been saved and utilised to cover more children.

### 3.3.5.4 Immunisation

Under the scheme, all infants were to be immunised against DPT, Polio, BCG, Measels, DT and Tetanus and pregnant women were to be immunised against tetanus. The position of immunisation as claimed by the Health Department is given in *Appendix—XVIII*.

No targets were fixed for the coverage of beneficiaries under immunisation component.

Test check of records revealed that the Centres neither maintained any records for immunisation nor fixed any targets for the coverage. In the absence of records for immunisation as also the yearly target it could not be ascertained whether the benefit shown to have been provided to the beneficiaries were actually provided and whether these were provided to all the beneficiaries.

### 3.3.5.5 Health check-up and referral services

The most important aspect of health check-up is the recording on growth charts the progressive weight of children to detect malnourishment and undernourishment. However, Audit scrutiny showed that these charts were not used by the centres.

Records of health check and referral services not maintained.

Further, the Anganwadi centres did not maintain any records for health check-up and referral services. Referral cards were not issued to the Projects. Though the identified number of pregnant and nursing mothers in 1998-99 was 0.84 lakh, of which 0.80 lakh were stated to be covered. Moreover, the monthly progress report indicate that in 1998-99, 0.96 lakh pregnant and nursing mothers were covered. Thus the figures reported were unreliable.

It was also noticed that though 1,16,500 child cards and 30,000 Referral cards were available in stock, 14,00,000 child cards and 4,00,000 Antenatal cards valued at Rs.26.10 lakh (@ Rs.1.45 per card) were procured in December 1997. Of these, only 70,500 Antenatal cards were issued. Thus, there was unnecessary procurement of cards of value Rs.25.08 lakh resulting in locking up of funds.

The Department in reply (30 September 1999) accepted the audit observation.

The funds locked up in the above cases could have been utilised to achieve the coverage of more targetted beneficiaries.

26

Year	Procurement of Gold and Nova	Difference of rate	Value being extra payment
1996-97	357140 kg.	Rs.1.00 per kg. plus 4% CST plus 8% NST	Rs.3,99,997
1997-98	158762.65 kg.	--do--	Rs.1,77,814.17
1998-99	91911 kg	--do--	Rs.1,02,940.32
Total:-			Rs.6,80,751.49

### 3.3.5.6 Nutrition and Health Education (NHED)

Nutrition and Health Education (NHED) was to be imparted to all women in the age group of 15 to 45 years with priority to nursing and expectant mothers through publicity, special camps, home visits by Anganwadi workers, short courses, demonstration of cooking/feeding and utilisation of programmes of Ministries of Health and Family Welfare and Agriculture.

Projectors supplied remained unutilised.

Though eight slide projectors were issued to the Projects, no slides/films were procured during the period, and the Projectors remained unutilised.

The AW Centres did not maintain any records of field visits relating to NHED. From the MPRs for the period 1994-95 to 1998-99 it was seen that in many of the projects, organisation of NHED activities was dismally low (1.33 per cent) as also participation of women (0.07 per cent).

Therefore, the NHED activities have not been effective in providing nutrition and health education to the beneficiaries.

### 3.3.5.7 Fictitious data on non-formal pre-school education

Coverage of beneficiaries under non-formal education was unrealistic.

All children in the age group of 3 to 6 years were to be imparted non-formal pre-school education through Anganwadi centres. As per norms for this programme, there should be 40 children per Anganwadi. However, figures in the MPRs showed enrolment of children much above this criteria. In 26 projects, the enrolment in non-formal pre-school classes was more than the total number of children (3 to 6 years) identified/covered in the Project area. Again in 3 cases, the number of children shown as having attended the non-formal pre-school was higher than the number of children enrolled under the scheme. For instance, in Wokha, against 1692 children identified, the enrolment was shown as 6937 in June 1996, and against 2632 children enrolled in Chozuba, 13397 children were shown as having attended in September 1996. Therefore, the figures were fictitious and cannot be relied upon.

The year-wise enrollment of children and their attendance in the non-formal Pre-School Scheme alongwith number of total children admitted in the formal school during 1994-95 to 1998-99 is shown below:-

Year	No. of AW Centres	Children identified under Pre-School category	As per information furnished by department		Total children admitted in pre primary school (as per Directorate of Economics and Statistics)	Drop outs (Pre-school who did not attend pre-primary)	Percentage of drop outs
			Enrolled	Attended			
1994-95	1,500	60,000	1,27,850	1,26,699	73,362	53,337	42.10
1995-96	1,500	60,000	1,28,910	1,26,699	73,894	52,805	41.68
1996-97	1,500	60,000	1,29,100	1,26,699	76,472	53,227	42.01
1997-98	2,687	1,07,480	1,29,500	1,26,699	77,112	49,587	39.14
1998-99	2,687	1,07,480	1,29,887	1,26,699	79,228	47,471	37.47

It would be seen from the above table that there was a substantial increase in the number of identified children in the year 1997-98. But, however, it was seen that no survey was conducted to substantiate the additional increase of



47,480 children during 1997-98. It is, therefore, clear that the figures of identified children were adhoc, and created mainly to justify the increase in the number of Anganwadi Centres. As per the Departmental figures, the number of children enrolled was more than the total number of children (3 to 6 years) identified. The figure of attendance was shown as being unchanged from 1994-95 to 1998-99 which was clearly unreliable. Based on the Departmental figures on attendance, the percentage of drop outs ranged between 37 to 42 *per cent* which is very high.

### 3.3.6 Supply of vitamin 'A' solution

Vitamin 'A' solution not administered to beneficiaries.

Under the National Prophylaxis Programme for prevention of blindness caused by vitamin 'A' deficiency, 1,00,000 International Units (IU) of vitamin 'A' solution were to be administered to infants below nine months of age under ICDS, and children in the age group of 1 to 5 years were to receive 2,00,000 IU of vitamin 'A' solution every six months with priority to children under three years of age. However, no vitamin 'A' solution was administered in Nagaland under the scheme defeating the objective of prevention of blindness caused by vitamin 'A' deficiency among children.

The Department accepted (30 September 1999) the audit observation.

### 3.3.7 Provision of hand pumps and sanitary blocks

The Rural Development Department (RDD) of the State Government was to provide hand-pumps and sanitary blocks for supply of safe drinking water in each Anganwadi centre. However, examination of records revealed that neither the RDD nor the SS&W Department had provided hand-pumps and sanitary blocks to the AW centres.

The Department in reply (30 September 1999) stated that they would take up the matter with the RDD. The Government's reply is still awaited (March 2000).

### 3.3.8 Medicine kits

Medicine Kits received from Government of India and distributed to the Projects during the period covered by review were as under:-

Year	Number of Medicine Kits received by Directorate	Total number of projects	Projects where Medicine Kits were not received	Percentage of shortfall (non-issue) with reference to total projects
1994-95	1578	26	4	15.38
1995-96	2188	26	10	38.46
1996-97	1750	28	8	28.57
1997-98	2177	52	31	59.62
1998-99	NIL	52	51	98.08

Shortfall in supply of medicine kits.

The shortfall in providing medicine kits ranged between 15 and 98 *per cent*. Besides, 26 medicine kits in all were shown as damaged, and 132 kits as

unaccounted. This has deprived the benefit of first aid services to the needy in certain anganwadi centres.

### 3.3.9 Training of ICDS functionaries

Training of staff not assessed.

The programme depends on the effective training of the 5,374 Anganwadi Workers and helpers. However, it was seen that the sole training centre imparts training to only 200 workers per year. Therefore, the annual training of worker is negligible as it covers only 3.7 per cent of the available workers per year.

The total number of Anganwadi trainees from 1992-93 to 1998-99 as per Directorate and AWTC were as under:-

Year	As per Directorate		As per AWTC	
	Target	Trained	Target	Trained
1992-93	80	62	200	102
1993-94	Nil	41	200	149
1994-95	Nil	Nil	100	37
1995-96	50	13	50	42
1996-97	61	50	250	130
1996-97 (Helper)	--	--	--	18
1997-98	19	19	50	19
1998-99	143	143	150	195
Total:	353	328	1000	692

Since there is a wide disparity between the figure of the Directorate and AWTC, the data cannot be relied upon and the Department needs to assess the actual number of persons remaining to be trained and provide the necessary training for execution of the scheme in an effective manner.

### 3.3.10 Manpower management

Excess expenditure of Rs.5.96 lakh on staff.

Against sanction of one post each, of UDA, LDA, Peon, Driver and personal Peon for the Directorate Cell, two UDAs, two LDAs, three Peons, three Drivers and Personal Peon (2 to 3) were in position between April 1992 to March 1999. This resulted in unauthorised excess expenditure of Rs.5.96 lakh.

Though no vehicle was attached to the CDPO, Mon during September 1997 to December 1998, one Driver was paid. This resulted in unnecessary expenditure of Rs.0.66 lakh on pay and allowances. Again, the Anganwadi Training Centre was shifted from Pherima to Diphupar (Dimapur) on 17<sup>th</sup> March 1998. There were no hostel facilities at the new station. Despite this, two cooks continued to be retained from 17<sup>th</sup> March 1998 to 31 March 1999, resulting in infructuous expenditure of Rs.0.91 lakh.

### 3.3.11 Monitoring and evaluation

The Department of SS&W did not undertake any activity on information, education and communication. There were no records of targets and achievements. State level and District level co-ordination committees were stated to have been constituted, but no minutes of the meetings held or recommendations made by them were produced to Audit.

Records relating to visits to CDPOs not maintained.

The CDPOs/ACDPOs are required to undertake field visits to the AW centres for atleast 18 days in a month with 10 nights outside Headquarters. A Supervisor is expected to visit each AW centre atleast once in a month and liaise with lady Health Visitors for a joint visit to one AW centre once a week, and make atleast one night halt every week in a village located at a distance of more than 5 Kms. from the Circle Headquarters. However, the Projects did not maintain a check list of Supervisory visits. There was no record of the CDPOs visits during the period. Thus, Audit could not verify the annual visits made by the CDPO and Supervisors to the centres.

*(a) CDPOs Monthly Progress Report*

MPRs were to be furnished to the GOI on the basis of the consolidated MPRs furnished by the centres and were to be forwarded by the 10<sup>th</sup> of the month. Audit scrutiny revealed that 48 Projects did not submit the MPRs for different periods. 19 projects submitted the MPRs late, with delays ranging from 1 to 2½ months.

81 per cent of the Projects did not submit Quarterly Progress Reports. None of the Projects submit the Annual Progress Reports. The monitoring system is therefore, inadequate, and no checks were devised by the Department to verify the MPRs. Therefore, the figures furnished in the MPRs cannot be relied upon.

The Department accepted (30 September 1999) the Audit observations.

*3.3.12 Recommendations*

Anganwadis to be established as per prescribed norms.

The department should carry out survey and identify the beneficiaries and cover only these beneficiaries under the scheme.

The department should monitor maintenance of records relating to health check up and referral services.

## SCHOOL EDUCATION DEPARTMENT

### 3.4 Nutritional Support for Primary Education

#### Highlights

*The 'Nutritional Support for Primary Education' (NSPE), a Central Plan Scheme popularly known as the "Midday Meals Scheme" was launched on 15<sup>th</sup> August 1995 by the Department of Education (DoE), Ministry of Human Resources Development (HRD), Government of India, to provide free midday meals to school going children in primary schools. Audit scrutiny revealed that the departmental figures of coverage of beneficiaries were unrealistic, lifting and distribution of food grains appeared to be doubtful, there was shortage in the delivery of food grains by carriage contractors and food grains were damaged due to prolonged storage.*

No targets were fixed for phased coverage of the Scheme. The Departmental figures are unreliable, since enrollment of students has been shown to be static since 1996-97.

(Paragraph 3.4.5 (i))

23360.40 quintals of rice worth Rs.2.46 crore was lifted during months when schools were not in session. Therefore, the figures of lifting and distribution appear to be suspicious.

(Paragraph 3.4.7 (a))

There was short delivery of 4526.78 quintals of rice valued at Rs.0.48 crore to 32 primary schools and one Block by the carriage contractors during November 1995 to March 1999.

(Paragraph 3.4.7 (d), e (i))

During 1996-99, 3737.10 quintals of inferior rice was delivered by carriage contractors in Kohima Block against lifting of fine rice from FCI godowns at Dimapur. By accepting inferior rice against superior rice, undue benefit of Rs.0.17 crore was extended to the contractors.

(Paragraph 3.4.7 (e)(ii))

Rice worth Rs.1.17 crore was damaged due to prolonged storage in the godowns of handling agents which was disposed off for a value of Rs.0.55 crore resulting in loss of Rs.0.62 crore.

(Paragraph 3.4.7 (f))

### 3.4.1. Introduction

The 'Nutritional Support for Primary Education' (NSPE), a Central Plan Scheme popularly known as the "Midday Meals Scheme" was launched on 15<sup>th</sup> August 1995 by the Department of Education (DoE), Ministry of Human Resources Development (HRD), Government of India, to provide free midday meals to school going children in primary schools. The scheme intends to boost the universalisation of primary education by increasing enrollment, retention and attendance, and simultaneously, by improving the nutrition levels of students in the primary classes in all Government/Local Body and Government aided schools. The Scheme was started in the State from November 1995.

Besides the general objective of creation of awareness, community support and universalisation of primary education, the Scheme envisaged provision of free meals with calorific value equivalent to 100 grams of food grains per day to school children in primary classes I to V (ages 6 to 11) in all Government/Local Body and Government Aided schools for 10 academic months during a year.

The Sixth All India Educational Survey (AIES) conducted as a joint project of the National Council of Educational Research and Training (NCERT) and the National Informatics Centre (NIC) estimated the total child population between the age group of 6 to 11 years to be 1,79,040 (13.07 *per cent* of State's population) as on 30 September 1993. The survey estimated that there were 1627 Government Primary Schools with 97,335 students (which constituted 54.36 *per cent* of total child population of the said age group). The Department has taken the existing 97335 students as the basis for implementation of the scheme and there is nothing on record to show that any effort was made by the department to enroll the remaining 81705 children (which constituted 45.64 *per cent* of the eligible age group) for the purpose of universalisation of primary education in the State.

Details of coverage under the Scheme in the 28 Employment Assurance Scheme (EAS) Blocks in the 8 Districts of the State during 1995 to 1999 are given *Appendix-XIX (A&B) & XX (A&B)*.

### 3.4.2 Organisational Set Up

The Ministry of HRD, DoE, Government of India is responsible for the overall budgetary control and administration of the Scheme. Coordination Committees have been set up at the State, District, and Village levels. Details are at *Appendix-XXI*.

The State level Committee functions under the Director, School Education, Nagaland and monitors the convergence of primary education, primary health care, early childhood care & education, nutrition and related services. The District Level Committees function under the Deputy Commissioners and are responsible for creating awareness, facilitating and monitoring the implementation of the programme. The Village Level Committees function

under the respective Village Education Committees, and are responsible for supervision and implementation of the Programme at the Village level.

### 3.4.3 Audit Coverage

Out of the 28 Blocks and 1627 primary schools in the 8 districts of State, 5 Blocks comprising 381 primary schools in 4 districts (Kohima, Dimapur, Mokokchung and Wokha) were selected for test check. The records of Deputy Commissioners/District Education Officers and 62 sample schools out of the 381 primary schools were audited. The audit findings are given below:

### 3.4.4 Financial pattern

The Scheme provides for 100 *per cent* assistance by the Central Government to meet the cost of food grains (wheat/ rice) supplied by the Food Corporation of India (FCI) to the implementing agencies. The quantity and value of food grains (rice) supplied by FCI under the Scheme to the State is shown below:-

Year	Quantity Supplied (Quintals)	Value of food grains (In lakh of rupees)
1995-96 (11/95 onwards)	14600.25	116.80
1996-97	29200.00	230.73
1997-98	29200.00	282.88
1998-99 (February 1999)	20440.35	214.62

The cost of transportation of food grains from the nearest FCI godown to the schools is initially to be borne by the District Rural Development Agencies (DRDA), and is reimbursable by the Central Government @ Rs. 25/- and Rs.50/- (w.e.f 1.6.1997) per quintal. The expenditure on kitchen sheds and labour charges for serving cooked food is to be met from the Poverty Alleviation Schemes (JRY/NRY) of the Central Government. The expenditure on fuel and other ingredients for conversion of food grains into cooked/ processed food is to be met by the implementing agencies viz. Local Bodies/ State Government.

### 3.4.5 Target and Achievement

No targets fixed for enrollment/retention of students. Food grains lifted on estimated number of students instead on their actual strength.

(i) Though the Scheme envisages the fixing of targets on coverage in Blocks and Schools in a phased manner, no targets have been fixed. The lifting of food grains from the FCI godowns was in static quantities, based on the enrollment figures of 97,335 students estimated by the 6<sup>th</sup> AIES in September 1993 (Details at *Appendix XIX (A&B) & XX (A&B)*). The Department attributed the static figures to poor feed back by the schools and implementing agencies. In the absence of feed back from the schools, it is not clear how the Department ensured that the identified beneficiaries were covered.

There were huge variations in enrollment figures reported by Statistical Department and the DSE.

The Departmental figures on enrollment of children in primary classes are unreliable in view of the huge variations in figures as detailed below:-

Source of information	Number of students enrolled
Report of Economics and Statistics Department	1,33,101 (upto class V as on 1 April 1997)
Provisional School Database published by Director of School Education	1,34,698 (pre-primary to class VIII)
Information furnished to Audit by Director of School Education	2,78,891 (upto class V as on 1 April 1997) 2,81,331 (upto class V as on 1 April 1998)

Delay in setting up of committees and non-delivery of rice by stockists led to delayed implementation of the programme by 3 months to 4 months, depriving 0.43 lakh students of nutritional support.

(ii) Though the programme was to be implemented from 15<sup>th</sup> August 1995, due to non-finalisation of modalities of setting up of Committees at various levels and the movement of food grains to different districts, the Scheme was implemented only in November 1995. However, test check by Audit in 4 districts (Kohima, Dimapur, Mokokchung and Wokha) revealed that the Scheme was started only from October/ November 1996 in these districts. This was attributed to non-delivery of rice to the districts headquarters by the stockists/carriage contractors/handling agents. Also, the Government order constituting the various Committees was announced only in June 1996, nearly a year after the Programme was launched.

Thus, due to delayed commencement of the scheme in these 4 districts, 43,267 primary school children were deprived of 12,980.10 quintals of rice (FCI issue price: Rs.136.29 lakh) during November 1995 to September 1996 (excluding April 1996 being non-lifting month).

### 3.4.6 Allocation and Lifting of Food grain

Allotment of food grains under the Scheme was initially made on quarterly basis (upto March 1996) and thereafter, as annual allotments, as shown below:-

Period of allotment	Estimated number of students	Quantity of rice allotted by GOI (Quintals)	Quantity of rice supplied by FCI and lifted by State Government (Quintals)
8/95 to 10/95	97,335 students	7300.21	Nil
11/95 to 12/95		5840.10	5840.10
1/96 to 3/96		8760.15	8760.15
		21,900.46	14600.25
1996-97	97335 students	29200.50	29200.00
1997-98	97335 students	29200.50	29200.50
1998-99	97335 students	29200.50	20440.35

(a) The State Government was required to furnish to the Government of India, monthly statements indicating the quantity of rice lifted from the FCI godown, its district wise utilisation, enrollment and list of students having 80 per cent attendance to enable GOI to assess the actual requirement of food grains under the Scheme.

Food grains lifted and distributed without 80 per cent attendance.

Test check of attendance registers of 62 primary schools in four districts revealed that though the average attendance in these schools was only 68 per cent, food grains, was distributed irrespective of attendance. It is therefore clear that the primary objective of the scheme, to ensure regular attendance was defeated. This resulted in irregular distribution of 92.93 quintals of food grains (value: Rs.0.98 lakh) to 1792 students not eligible under the scheme from November 1995 to March 1999.

The Department admitted (November 1999) that they had not been able to meet the requirements set by the GOI.

No monthly reports sent to GOI.

Audit scrutiny revealed that reports showing utilisation of food grains were never sent to GOI by the State Government, despite repeated requisition. It was not clear how the Government of India continued to allot food grains to the State in the absence of this information. The District-wise allocation and lifting is shown in *Appendix-XXII*.

Laxity of the Government in issuing modalities of the Scheme deprived 0.97 lakh students of the benefit of the Scheme by 2 ½ months.

(b) Based on the GOI allotment of 7300.21 quintals of rice for the period 15.08.95 to 31.10.95, the Government of Nagaland (GON) directed to the stockists/carriage contractors to lift the rice from the FCI godown, Dimapur. However, since GON issued the modalities of the Scheme only in June 1996, the allotment lapsed, and the rice was not lifted (*Appendix-XXIII*). Thus laxity of the Government at the very inaugural stage of the programme in the State deprived 97,335 primary school children of the benefits of the Scheme for two and a half months.

Monthly quota of Rice for July to September 1998 not released by FCI due to failure of the Department of Education, GOI to clear outstanding liabilities. This deprived 97335 students of nutritional support for 3 months.

(c) GOI allotted 29200.50 quintals of rice for the year 1998-99. However, FCI, Dimapur did not release the monthly quotas for the months of July to September 1998 aggregating 8760.15 quintals as the Department of Education, Government of India had not cleared outstanding liabilities with FCI. Thus, 97335 students were deprived of the benefits envisaged under the Scheme for three months in the State as the food grains could not reach the schools.

No arrangement made for ensuring quality of food grains before/after lifting by stockists.

(d) Under the guidelines, the Director of Food and Civil Supplies, Nagaland is required to certify the quality and quantity of the food grains at the time of lifting from FCI godown by carriage contractors/ handling agents. Examination of consignee receipts at FCI, Dimapur, however, revealed no such certification. Further, no other authority has been entrusted with the responsibility of checking the quality of rice at the Districts/ Sub-Divisional Headquarters and school premises. Thus, Audit could not establish whether the rice delivered to the schools was of the specified quality.

Food grains irregularly lifted for non-academic months.

### 3.4.7 Distribution of Food grains

(a) As per the sanctions issued by the Ministry, food grains were released for a period of 10 academic months in a year. The academic year in Nagaland is from February to November. It was however, seen that during 1995 to 1999, allotment and lifting orders were issued by the Directorate of School Education, Nagaland reckoning the 10 academic months from May to February. Therefore, not only were 23,360.40 quintals of rice (FCI value: Rs.245.84 lakh ) irregularly lifted for two non-academic months (December



and January), there was no lifting/distribution of rice for two schooling months (March and April) during 1995-96 to 1998-99. In other words, the main objective of the Scheme to provide students with an incentive to attend school, was defeated. The Government reported (November 1999) that the matter is under investigation.

Without ensuring 80 per cent attendance, rice was lifted by stockists on monthly basis regularly but distributed only once a year.

(b) The Scheme provides for distribution of food grains on monthly basis after fulfilling the condition of 80 per cent attendance. However, scrutiny of records of 4 district authorities and 62 primary schools revealed that, the distribution of rice was not regular. In almost all schools, supply of rice was received only once a year, though the stockists/handling agents had lifted the grains every month from the FCI godown. Due to irregular supply of food grains to school children, the prime objectives of the programme viz., increase in attendance, prevention of dropouts and enhancement of nutritional status of the children could not be ensured.

(c) (i) 4619.76 quintals of rice lifted from the FCI godown between November 1997 to March 1998 was delivered by carriage contractors after delays of 1 ½ to 4 ½ months, as per details at *Appendix—XXIV*. In absence of records of actual utilisation of rice by schools, it was not possible for Audit to verify the impact of these delays on the benefit of the scheme.

(ii) As per records of 3 (three) District Hqrs. (Kohima, Mokokchung and Wokha), it was noticed that the stockist/ carriage contractors had lifted a total quantity of 4015.20 quintals of rice during 1996-97 for three blocks viz., Kohima Block (1871.10 quintals), Ongpangkong Block (1051.20 quintals) and Wokha Block (1092.90 quintals). Out of this only 502.85 quintals were delivered to the district authorities for those Blocks leaving 3512.35 quintals of rice till March 1997. The contractors handed over 2207.36 quintals during 1997-98 and 1227.31 quintals in 1998-99, but 77.68 quintals of rice (value: Rs.0.82 lakh) remained undelivered as of April 1999. Consequently, the objective of regular supply of food grains to students was defeated and 96 students were deprived of the benefit of the Scheme for 27 months.

Further, though the carriage contractor had lifted 765.03 quintals of rice during 1998-99 for Wokha Block, only 430.56 quintals were delivered. Thus, 334.47 quintals of rice (value: Rs.3.51 lakh) still remained undelivered as of April 1999 and deprived 1593 students of the benefits for 7 month(s).

Delayed delivery of 8054.43 quintals of rice by stockists (value: Rs.71.90 lakh)

This clearly indicates that the Scheme was ineffectively monitored and the Department had no control over the stockists/ handling agents. No action was taken by the Department of School Education at any point of time to inquire into the irregularities in regard to the delayed delivery of Rice aggregating to 8054.43 quintals ((3434.67<sup>27</sup>+4619.76) ). Balance 412.15 quintals (77.68 + 334.47 ) of rice valuing Rs. 4.33 lakh still remains unrecovered from the stockists/ carriage contractors (Details at *Appendix-XXV*). This deprived 13738 students of the benefits under the Scheme.

<sup>27</sup> 3512.35 quintals – 77.68 quintals.

(d) Test check of records in four districts (Kohima, Dimapur, Mokokchung and Wokha) showed the following discrepancies in distribution of food grains:

32 schools got only 84.79 qtls. of rice against entitlement of 1478.25 qtls. Even this was utilised for annual picnics/feasts.

Against entitlement of 1478.25 quintals of rice during November 1995 to March 1999, 32 schools received only 84.79 quintals (*i.e.*, 5.74 per cent). Details are at *Appendix-XXVI*. The Department could not explain why the bulk of the consignment worth Rs.14.63 lakh (1393.46 quintals x Rs.1050 per quintal) was not distributed by the district authorities. It was seen in audit that even this meagre quantity (one to two bags per school) of rice was received by schools only once or twice a year. This was utilised for annual picnics and sport-feasts, while in some schools the rice was sold and the proceeds were used to provide tea and snacks to the students.

22 Government Primary Schools having 1675 eligible students on roll had received no food grains at all since the implementation of the programme in November 1995. No reasons were furnished for their non-coverage

In Dimapur district, stockists have short delivered 3133.32 qtls. of rice during 1996-99 and diverted the same to open market.

(e) (i) Test check of the records of FCI, Dimapur, Director of School Education and ADC Dimapur revealed that the stockists/carriage contractors had lifted 3,784.32 quintals of fine rice from FCI, Dimapur for 27 months at the rate of 140.16 quintals per month for the schools under Medziphema Block, Dimapur District, during 1996-97 to 1998-99. The stock registers of ADC Dimapur and DIS Dimapur however, showed that only 651 quintals of rice had been distributed and the balance 3,133.32 quintals of rice worth Rs.32.90 lakh (calculated at the FCI rate of Rs.1050/- per quintal) shown in *Appendix-XXVII* had been diverted to the open market by the stockists/carriage contractor. No action has been taken by the Department against the defaulter stockists as of March 1999. This deprived 3868 students from receiving the benefits under the Scheme.

Against 5051.97 qtls. of fine rice lifted by stockists during 1996-99, only 3737.10 qtls. of inferior rice was delivered to 113 schools. No action taken against defaulters.

(ii) Records of DC Kohima revealed that the carriage contractors had lifted 5,051.97 quintals of fine rice from FCI godown at Dimapur during 1996-97 to 1998-99 under the Scheme for Kohima Block having 113 primary schools with 6,237 school children. Records however, revealed that, the DC, Kohima was supplied with 3,737.10 quintals of inferior quality rice during this period, which was distributed to school children in 113 primary schools. Thus, by accepting sub-standard rice against fine rice lifted from the FCI godown by the contractors, the Department extended undue benefit of Rs.16.89 lakh to the contractors who might have diverted the fine rice to open market. The Department failed to explain as to why the substandard rice was delivered against fine quality rice lifted by the contractors and what action was taken against them.

Without finalising modalities for implementation of the scheme, stockists were allowed to lift 14,600.25 qtls. of rice between December 1995 and March 1996 which became unfit for human consumption due to prolonged/faulty storage and led to loss of Rs.62.05 lakh to Government.

(f) Two stockists lifted 14600.25 quintals of rice (value:Rs.116.80 lakh) from the FCI godown at Dimapur, in December 1995 and March 1996, against the allotments for five months (November 1995 to March 1996). Since then, the whole stock has been lying unutilised in the godowns of two stockists. A committee constituted by the Government in June 1997 found during inspection of the stock (November 1997) that due to poor and prolonged storage, the whole stock had been damaged and became unfit for human consumption. The Committee recommended immediate disposal of the stock at the rate of Rs.375 per quintal.

No action was initiated against the stockists/carriage contractors for non-delivery of rice. Instead, the whole stock was allotted to the same stockists/contractors at Rs.375 per quintal, and the proceeds of Rs.54.75 lakh were distributed to different schools. Test check of records of the schools in four districts showed that the money was utilised by the schools for purchase of sports goods, serving of tea/snacks to the students and organising annual picnics etc.

The Commissioner and Secretary, School Education, Nagaland stated (20 November 1999) that allocation of rice for the period November 1995 to March 1996 was lifted but could not be distributed due to late finalisation of modalities (June 1996) for implementing the scheme in the State. However, lifting of rice and ensuring its proper storage without finalising modalities could not be explained. This resulted in loss of Rs.62.05 lakh to GOI and also deprived 97,335 students of the benefits of the scheme for five months.

No action was initiated by Government/ Department either to fix responsibility for such huge loss, or effect recovery from the stockists/carriage contractors.

#### **3.4.8 Provision of Cooked/Processed Food**

The Scheme envisaged to provide wholesome cooked/ processed food having a calorific value equivalent to 100 gm. of wheat/ rice per student per day through the implementing agencies such as Panchayats and Nagarpalikas which were expected to develop institutional arrangements for serving cooked/ processed food within a period of 2 years from the date of commencement of the programme.

Besides providing food grains free of cost, and reimbursing transport charges, the Government of India also reimburses the cost of converting of food grains into cooked food as well as the expenditure on construction of kitchen sheds, through the Poverty Alleviation and JRY/NRY Schemes administered by the Ministry of Rural Development.

No institutional arrangements made for serving cooked food to the students.

However, no institutional arrangements had been made in the State for providing cooked food. The Government attributed this to severe resource constraints and stated that since malnutrition is not a problem in the State, the raising of nutritional status of the children was considered to be secondary to the main objectives of the scheme which could be achieved better by giving raw rice to be taken home, rather than providing cooked plain rice. This was

not only violative of the scheme but also defeated the very objective of attracting children to school for cooked food.

### 3.4.9 Transportation

(a) Though, under the Scheme, the District Collectors (DC) are responsible for arrangement of transportation of food grains from the FCI godown to the beneficiary Schools, GON entrusted the responsibilities of transporting food grains from FCI godown at Dimapur to the District/ Sub-division Headquarters to stockists and carriage contractors appointed by it.

Without inviting tenders, carriage contractors were appointed at the instance of Minister, School Education. Instead of making claims for transport subsidy, the stockists resorted to deliver most of the food grains to open market and supplied inferior rice against fine rice lifted from FCI.

No records were maintained to show as to how and to what extent the foodgrains were carried from designated district/sub divisional headquarters to the beneficiary schools.

No tenders were called for appointing the stockists/handling and carriage contractors for transportation of rice from the FCI godown to district/sub-divisional headquarters to ascertain the competitive rates. The Government stated that since the carriage contractors were allowed the rate prescribed by Government of India, no tenders were called for. The contention of the Government is not acceptable in the absence of transparency in the appointment of the stockists/carriage contractors/ handling agents.

A perusal of the records revealed that the stockists/carriage contractors/handling agents were appointed under the orders of the Minister, School Education and no claims had been made by them for transportation of rice since inception of the Scheme. Since this was unlikely in normal business practice, it would appear that the stockists and contractors were irregularly remunerated through diversion of food grains, and replacing superior rice with inferior rice.

(b) Though GON is entitled to claim Hill Transport Subsidy from GOI under Targeted Public Distribution System (TPDS), no such claim has been raised. The Department stated (November 1999) that the Government could not take any decision on the matter since the State Government does not have the resources to meet the initial expenditure on transportation.

### 3.4.10 Impact of the scheme

Effect of the scheme not ascertainable for want of details on enrollment, attendance and dropout rate of students.

The impact of the scheme on increase in enrollment, retention and attendance of students and improvement in their nutritional levels could not be assessed by audit on account of absence of statistics on enrollment, attendance and drop-out rate. The Department admitted non-implementation of the Scheme in the manner envisaged, and attributed this to inconsistency of the programme with the prevailing local situation in the State. The Department further stated that provision of food (cooked or uncooked) would not be as effective an incentive as cash allowance or free text books and uniform to the children at the elementary level. This is a clear deviation from the objectives of the scheme and lends support to the suspicion that a significant quantity of food grains lifted by the stockists/ carriage contractors from the FCI and meant for

school children did not reach the targetted beneficiaries and entered the open market at the cost of Government.

#### *3.4.11 Monitoring and Evaluation*

The Scheme provided that the Government may entrust designated agencies with the responsibility of concurrent monitoring and evaluation of the programme. It was noticed however that no agency has been so designated. No efforts have also been taken by the Government /Department to conduct such an evaluation on its own. However, the Department stated (November 1999) that proper monitoring could not be done due to various practical difficulties faced by the implementing agencies at the field level. Collection and compilation of statistics being a major problem, feed back has been poor and evaluation has not been possible. The Government is now considering to assign the responsibility of evaluation of the programme to State Evaluation Department.

#### *3.4.12 Recommendations*

- (i) The Government/Department should evolve an effective mechanism to monitor the Scheme at State/District/Village level and to generate awareness of the Scheme among people through active participation of Village Education Councils and Teachers-Parent Committees.
- (ii) Attempts should be made to improve the reporting system from school level to Government level so that actual position of schools, and class-wise enrollment of students (annual) under each Block/District is readily available. This would help in assessing the actual requirement of food grains.
- (iii) Proper linkage may be developed among District Collectors, DRDAs, District Education officers and School authorities for smooth implementation of the scheme ; and
- (iv) Feed back to GOI as envisaged in the Scheme has to be strengthened.

SECTION: B

FINANCE DEPARTMENT

**3.5 Loss of Government money due to non-deposit of Income Tax by the Organising Agent**

The Organising Agent (OA) deposited only taxable prize money without the amount of Income Tax. As the tax amount could not be recovered from OA, Government had to clear the demand of Rs.28 lakh and thereby sustained loss.

The Subam Rasi Weekly lottery was organised by an agent 'A'<sup>28</sup> on behalf of the Government of Nagaland. As per Deed of Agreement drawn with the Organising Agent (OA), all prize money (including Income Tax wherever applicable) was to be paid to the Government before 7<sup>th</sup> of every month for which the draws are due, failing which draw shall not be held.

During audit (November 1997 – March 1998) of the accounts of the Director of State Lotteries (DSL), it was noticed that against the first prize of Rs.100 lakh for the 127<sup>th</sup> draw of the Subam Rasi Weekly Lottery held on 7 April 1991, the OA deposited (December 1991) Rs.42 lakh with the DSL after deducting Rs.58 lakh towards Agent's commission (Rs.30 lakh) and Income Tax (Rs.28 lakh) falsely certifying that the Income Tax was deducted and deposited at source. Scrutiny of records of DSL revealed that, DSL did not cross check the correctness of the certificate of deduction of tax at source given by the OA from the Income Tax authorities. Since the OA did not remit the Income Tax of Rs.28 lakh into Government account, the Income Tax Officer (ITO), Dimapur passed an order (May 1996) raising a demand for Rs.28 lakh as Income Tax and Rs.18.55 lakh as penal interest on DSL declaring them as "Assessee in default".

Since the whereabouts of the OA were not known, the DSL had no alternative but to submit (June 1996) a proposal to the Government for sanction of Rs.28 lakh for payment to the ITO. The Government sanctioned (July 1996) this amount, which was drawn and remitted to the ITO on 29 July 1996. The DSL also requested the ITO for waiver of the penalty of Rs.18.55 lakh, but this request has not been approved by the assessing officer till date. It is surprising that the DSL did not take any action for ascertaining the whereabouts of the OA appointed by the Government till date.

Thus, due to laxity of the DSL in implementing the clauses of the agreement and as a result of conducting the draws without deposit of taxable prize money in full, the OA received an undue benefit of Rs.28 lakh at Government expense. In addition, Government is to pay a penalty of Rs.18.55 lakh to the ITO.

<sup>28</sup>

M/s Walling Agency.

The matter was reported to the Government and Department in September 1998. In reply, the Government stated that despite several attempts, the OA remained untraceable, and therefore the Government had no alternative but to pay the Income Tax which had been misappropriated by the OA. The DSL admitted that there was gross violation of financial rules and procedure. An inquiry was ordered to be initiated in June 1996 to fix responsibility but records showed that no inquiry was conducted and hence no responsibility could be fixed on any official of the Directorate of State Lotteries.

### 3.6 Loss of Government Money

**Negligence of the cashier of the Directorate of State Lotteries resulted in looting of Rs.3.50 lakh.**

Based on Government of Nagaland sanction of 15 March 1997, on GPF payment to 19 officials, the Cashier, Directorate of State Lotteries (DSL), drew Rs.4.91 lakh on 20 March 1997. Of this amount, the Cashier distributed Rs.0.71 lakh to three officials at the bank itself, and deposited Rs.0.60 lakh in the bank accounts of one official (although he had only been sanctioned Rs.0.40 lakh). The Cashier then, handed over Rs.3.60 lakh to another staff member, at the bank itself and the latter, along with the driver, returned to the office of the DSL in the office car. On reaching the office premises, they were robbed of Rs.3.50 lakh at gunpoint (Rs.0.10 lakh was found in the pocket of the staff member).

As Nagaland is an insurgency prone State, the Government had issued standing orders to take police escort for transporting money from Bank. But no police escort was taken for transporting the money from the bank to the office premises. No FIR has also been filed with the Police. No Departmental inquiry has been instituted to inquire into, and fix responsibility for this loss, although nearly 2 years have lapsed since the incident. The loss of money was not reported to the Accountant General, as required under the Financial Rules. In view of the blatant flouting of rules and regulations, collusion of Directorate officials at all levels could not be ruled out. Government had yet to issue a write off sanction. Pending this write off sanction of loss, the GPF accounts of the subscribers stand reduced by the amounts sanctioned though the money has not been paid to them.

The matter was reported to the Government and Department in February 1999. In reply, the Department had stated (April 1999) that the matter is being taken up. No further progress had been intimated (March 2000).

## HOME (JAIL) DEPARTMENT

### 3.7 Unauthorised diversion and loss of CSS Programme funds

The Inspector General of Prisons unauthorisedly diverted CSS<sup>29</sup> funds.

Expenditure on the scheme for "Modernisation of Prison Administration" was to be shared between the Central and State Governments partly on 75:25 basis and partly on 50:50 basis.

During 1995-96, the Government of India (GOI) released (November 1995) Rs.40.94<sup>30</sup> lakh against the Central share of 75 per cent for different construction works. The State Government did not release its 25 per cent share of Rs.13.64 lakh, but permitted (27 March 1996) the Inspector General of Prisons (IGP) to draw and retain the Central share under 'Civil Deposit' without utilisation in violation of instructions of the Government of India.

During audit (August 1998) of the records of the IGP, it was noticed that out of Central share of Rs.40.94 lakh withdrawn from Civil Deposits on 16 May 1996, the IGP irregularly diverted and paid (16 May 1996) Rs.6 lakh as advance to a contractor for supply of a 12 KVA Generator which was not part of the approved programme of works. The contractor has neither supplied the Generator, nor refunded the money as of August 1999. The advance will have to be written off, as the IGP had not obtained any security or bank guarantee before making payment to the supplier. Thus, not only did the State Government not contribute its share (Rs.13.64 lakh), Rs.6 lakh was unauthorisedly diverted, and will now have to be written off for want of basic financial prudence.

The matter was reported to the Government in December 1998 and the Department stated (July 1999) that constant power failure necessitated the procurement of the Generator to provide security light to various jails. The reply of the Department is not tenable since the diversion was without the approval of either the GOI or the State Government, and had not served the intended purpose due to non supply of Generator by the contractor. Reasons for non-release of the State share (Rs.13.64 lakh) was also not intimated.

<sup>29</sup> Centrally Sponsored Scheme.

<sup>30</sup>

1) Providing security fencing on top of existing wall at Central Jail, Dimapur	Rs.5.39 lakh
2) Construction of barracks (1), kitchen (1), bathroom & latrine (2) for security guards at Central Jail, Dimapur	Rs.8.15 lakh
3) Repair/improvement of existing wall at Central Jail, Dimapur	Rs.9.94 lakh
4) Construction of chain link fencing around main wall at Central Jail, Dimapur	Rs.6.96 lakh
5) Construction of 5 watch towers at Central Jail and 2 in Sub-Jail	<u>Rs.10.50 lakh</u>
	<u>Rs.40.94 lakh</u>



Incidentally, the sanction orders<sup>31</sup> of GOI stipulated that the next instalments of Central assistance would be released only on confirmation that the total assistance (including the State share) had been spent. It was, however, seen that GOI released (March 1997) Rs.29.70 lakh against its share of a total project cost of Rs.50.46 lakh for 1996-97 without confirming the release of the State share of Rs.13.64 lakh in 1995-96.

The matter was reported to the Government and Department in December 1998; replies were awaited (March 2000).

## INDUSTRIES AND COMMERCE DEPARTMENT

### 3.8 Excess Payment of Transport Subsidy

Excess payment of Rs.33.79 lakh due to non-restriction of transport subsidy to concessional railway freight.

Government of India (Ministry of Industries, Department of Industrial Development) introduced the "Transport Subsidy Scheme- 1971" to grant subsidy to industrial units located in selected areas, on the carriage of raw materials to and from these areas, with a view to promoting growth of industries in these areas. In the case of Nagaland, 90 *per cent* of the cost of transportation, by rail between Siliguri and the Railway Station closest to the industrial unit and by road upto the industrial unit, is subsidised under the Scheme. The North East Frontier Railway (NEFR) also allows 6 *per cent* concession on the total freight, when goods are booked to and from Railway Stations situated in the region.

During audit (September-October 1998) of the records of the Director of Industries (DOI), Kohima it was noticed that, the DOI paid (March to May 1998) Rs.533.64 lakh to 49 industrial units as rail-fare subsidy for carriage between January 1990 to March 1995 without deducting the 6 *per cent* concession allowed by NEFR. This resulted in excess payment of Rs.31.89 lakh<sup>32</sup>.

On this being pointed out by Audit, the Department admitted (October 1998) that the 6 *per cent* concession was not taken into account, and that steps would be taken to recover the amount.

<sup>31</sup> Government of India, Ministry of Home Affairs No.VII-11018/12/95-GPA-IV.  
<sup>32</sup>

(a)	Actual Railway fare (by goods train)	Rs.593.08 lakh
(b)	Amount of 6 <i>per cent</i> concession	Rs. 35.58 lakh
(c)	Amount qualifying for subsidy	Rs.557.50 lakh
(d)	Subsidy admissible at the rate of 90 <i>per cent</i> of Rs.557.50 lakh	Rs. 501.75 lakh
(e)	Amount of subsidy actually paid	Rs. 533.64 lakh
(f)	Excess payment (e) - (d)	Rs. 31.89 lakh

*Civil Report of 1999*

Further, two units were paid excess subsidy of Rs.1.90 lakh<sup>33</sup> on an inflated carriage claim of 5,400 quintals. In reply, the Department stated (October 1998) that as the claims were certified by Chartered Accountants, verification by the department was not felt necessary; however, steps would be taken to recover this excess payment of Rs.1.90 lakh.

The matter was reported to the Government and Department in May 1999; their replies were awaited (March 2000).

**3.9 Payment of Rs.16.77 lakh on fraudulent claim**

Test check (September-October 1998) of records of the Director of Industries (DOI) revealed that DOI, Kohima paid (27<sup>th</sup> March 1998) Rs.38.95 lakh<sup>34</sup> to an industrial unit 'X'<sup>35</sup> as Transport Subsidy for the years 1992-93 to 1994-95 on the basis of the Report given by the Departmental Officer and certified by the Chartered Accountant.

Mention was made in para 8.5 of the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March, 1998 that the said unit was closed down in October, 1993 and no commercial production was made thereafter. As such, no transport subsidy was admissible to the Unit.

Letters of NIDC<sup>36</sup> (dated 1<sup>st</sup> June 1994) and of the Unit (dated 31<sup>st</sup> March 1995) further substantiated that the Unit remained closed from November 1993 onwards. This was also confirmed by the NIDC (18<sup>th</sup> September 1999).

Therefore, the claims for transport subsidy during November 1993 to March 1995 were fictitious as no raw materials/finished goods were transported by the Unit to and from the Rail Head at Siliguri and the Stores of the Unit. Thus, the Inspection Report of the Departmental Officer and the certification done by the Chartered Accountant were false.

<sup>33.</sup> M/s Naginimora Timber Industries (p) Ltd.

Period of claim	Total qty. claimed	Correct total Qty. (in Qtl.)	Inflated Qty claimed	Railway rate	90 % of subsidy paid out on inflated qty in excess
1.4.91 to 15.8.91	9947.7	8947.7	1000	32.52	Rs. 29268
1.4.92 to 31.3.93	21321.6	18321.6	3000	39.87	Rs. 107649
<b>M/s Kanubai Forest Product</b>					
1.1.91 to 31.12.91	10600	9200	1400	42.30	Rs. 53298
<b>Total:-</b>	<b>41869.3</b>	<b>36469.3</b>	<b>5400</b>		<b>Rs. 1.90215</b> <b>Say Rs. 1.90 lakh</b>

<sup>34</sup>

Year	Total quantity (Qtl.)	Total amount @ Railway rate	90 per cent subsidy paid out
1992-93	24060	Rs.15.98 lakh (66.45)	Rs.14.38 lakh
1993-94	20600	Rs.15.31 lakh (74.35)	Rs.13.78 lakh
1994-95	15840	Rs.11.99 lakh (75.70)	Rs.10.79 lakh
<b>Total:</b>			<b>Rs.38.95 lakh</b>

<sup>35</sup> M/s Nasha Toys (P) Ltd., Dimapur.

<sup>36</sup> Nagaland Industrial Development Corporation.

Contrary to the decision of the SLC<sup>37</sup> taken in its meeting held on 27<sup>th</sup> January 1997 to disburse the payment through NIDC, the DOI paid the subsidy directly to the Unit. Since the NIDC was aware that the Unit had been closed, the infructuous payment could have been avoided had payment been routed through NIDC.

Consequently, Government incurred an avoidable loss of Rs.16.77 lakh<sup>38</sup> as a result of fraudulent claim and verification. The assets of the Unit were seized by Police (21 March 1996) on the basis of Court Order (14 March 1996).

The matter was brought to the notice of the Government/Department in November, 1999; their reply was awaited (March 2000).

## LABOUR AND EMPLOYMENT DEPARTMENT

### 3.10 Locking up of Government money and loss of interest

Without any approved work plan for construction, Government procured building materials worth Rs.100 lakh unnecessarily leading to locking up of funds for thirty one months.

Based on the directions (10 March 1997) of the Minister of State, Excise, Labour, Employment and Local Self Government, Nagaland, the Finance Department, Government of Nagaland provided additional funds of Rs.100 lakh to the Director of Employment and Craftsmen Training (DECT), for procurement of 49 units of pre-fabricated steel structure and building materials for expansion of Industrial Training Institutes (ITI) in Nagaland during the year 1996-97.

During audit (November 1998) of the records of DECT, it was noticed that, on the very day the funds were sanctioned for construction material (26 March 1997), the Director, without inviting tenders, issued a supply order for the whole amount (Rs.100 lakh) on a local firm<sup>39</sup>. There was no record to show how the firm was selected.

Payment was made to the supplier on 31 March 1997 and after stock entry the materials were issued to the Principal ITI, Kohima. These materials were lying idle since March 1997 in the godown of ITI, Kohima.

<sup>37</sup> State Level Committee.

<sup>38</sup>

Period of claim when the unit remained closed	Total quantity (Qtl.)	Total amount at Railway rate	90 per cent subsidised amount paid out on fraudulent claim
November 1993 to March 1994	8940	Rs.6,64,689	Rs.5,98,220
April 1994 to March 1995	15840	Rs.11,99,000	Rs.10,79,000
		Total:	Rs.16,77,220 (say Rs.16.77 lakh)

<sup>39</sup> M/s Naga Traders, Kohima.

### *Civil Report of 1999*

Further scrutiny of records revealed that, in November 1997, the DECT sought Government sanction of Rs.40.80 lakh for erection of 17 units out of 49 units in 5 ITIs<sup>40</sup>. Government, however, accorded approval only for Rs.8 lakh which was utilised as of October 1999. Out of construction material worth Rs.100 lakh, material worth 6.10 lakh only was utilised for erection of 3 units. Incidentally, two<sup>41</sup> of the five ITIs mentioned in the proposal, did not exist at all.

Thus, without assessing actual requirement and without getting any fund for civil work, the unnecessary procurement of steel structures and construction materials resulted in locking up of Government money to the extent of Rs.93.90 lakh (Rs.100 lakh-Rs.6.10 lakh), besides, avoidable interest burden of Rs.36.53 lakh<sup>42</sup> (November 1999) to the State Exchequer as the State Government had been borrowing funds from the open market to meet its financial requirements at the interest rate of 13.75 *per cent*.

The matter was reported to the Government in February 1999. In reply (October 1999), the Director stated that three units were erected in two ITIs worth Rs.6.10 lakh (Rs.2.03 lakh x 3) and 46 units thus remained unutilised (March 2000).

## SCHOOL EDUCATION DEPARTMENT

### 3.11 Unnecessary locking up of Government money

Steel furniture purchased for schools without receiving any indent from them remained unutilised, thereby unnecessarily locking up funds of Rs.18.63 lakh.

Financial rules provide that purchase shall be made only against definite requirement, and care shall be taken not to purchase stores much in advance of actual requirement.

During audit (May-July 1998) of the records of the Director of School Education, Nagaland, Kohima, it was noticed that without inviting any tenders six items of steel furniture valued at Rs.23.38 lakh were procured (March 1997) by the DSE<sup>43</sup> for issue to Government Middle and High Schools, though no indents had been received from them. It was seen from the stock register, that, only furniture items costing Rs.4.75 lakh were issued to different schools till June 1998, and the balance items valued at Rs.18.63 lakh remained unissued in the stock of DSE.

In reply to audit observation, the Department stated that the materials were procured as per directions of the Minister for School Education, and could not

<sup>40</sup> Mon, Kiphire, Peren, Dimapur and Kohima.

<sup>41</sup> Kiphire and Peren.

<sup>42</sup> @ 13.75 *per cent* (being the borrowing rate of 1996-97)  
(Rs.100x13.75%x30/12+Rs.93.9x13.75%x2/12)=34.375+2.152=36.53 lakh.

<sup>43</sup> Director of School Education.

be issued to different schools due to transportation problems. The reply of the Department is not acceptable as the problem of transportation may be a temporary phenomenon and such large procurements are injudicious without indents placed by the user schools. The purchases thus proved unnecessary, and were evidently made to avoid lapse of budget provision during 1996-97, resulting in locking up of Government funds of Rs.18.63 lakh.

The matter was reported to the Government and Department in March 1999; replies had not been received (March 2000).

### 3.12 Excess payment of pay and allowances

**Irregular computation of Dearness Allowance on Special Pay resulted in excess payment of Rs.6.18 lakh.**

According to the provisions of the Nagaland Services (Revision of Pay) Rules, 1993 effective from 1 June 1990, graduate teachers posted as Headmaster/Head-teacher in Middle English/Lower Primary Schools are entitled to draw special pay of Rs.50 per month. This special pay shall not, however, count towards fixation of pay on promotion, or for computing Dearness Allowance (DA)/Additional Dearness Allowance (ADA) etc.

During audit (August 1997) of the records of the Deputy Inspector of Schools (DIS), Mokokchung, and DIS, Peren it was noticed that both the DISs had computed DA on special pay of Rs.50 and thereby made an excess payment of Rs.6.18 lakh to 165 teachers during the above period.

The matter was reported to the Government and Department in November 1997 and July 1998; replies had not been received (March 2000).

### 3.13 Misappropriation of Government money

**Improper selection of vendor and fictitious entry in cash book led to misappropriation of Rs.134.82 lakh.**

(a) The Director of School Education submitted a proposal (September, 1997) for distribution of free text books to students of Pre-Primary to Class VIII in the backward districts of Mon and Tuensang. It was, therefore, proposed to procure 26,538 sets of books worth Rs.35 lakh directly from the publishers. The Government sanctioned (December 1997) funds of Rs.35 lakh, and stipulated that the purchase should be made through the authorised dealer. However, in the same order, Government stated that the purchase should be made through firm 'A'<sup>44</sup>, who were PWD contractors and not the authorised dealer or publishers. The basis of selection of the supplier was not intimated, and appears to be malafide. At the time of delivery, the Assistant Director (AD) Text Book Production (TBP) recorded a certificate on the supplier's bill

<sup>44</sup> Firm 'A' - M/S Trident Enterprises - (A PWD contractor and Government supplier).

that the books were received in full, and in good condition. Though the amount was shown in the cash book as paid (16 January 1998) to the firm, no stock book entry or actual payee's receipt was produced to Audit nor any physical verification of stock at the time of receipt of the supply was available with the DSE.

The AD, TBP admitted (June, 1998) that a bill for Rs.35 lakh was obtained from the firm to draw the sanctioned amount without any stock entry. The firm 'A' had supplied books worth about Rs.4 lakh only. The AD further stated that only Rs. 4 lakh has been paid to the supplier. Receipt of books worth Rs.4 lakh could not be substantiated by the stock accounts of DSE. Further, since there is no account for the balance amount of Rs.31 lakh, the entire amount of Rs.35 lakh is suspected to have been misappropriated by the AD.

The matter was reported to the Government in March, 1999; their reply was awaited (March 2000).

(b) Government sanctioned Rs.99.82 lakh (16 December 1997) for purchase of class room furniture. Without calling for quotations, the Minister, School Education ordered (25 November, 1997) purchase of furniture from three firms<sup>45</sup>. Consequently the amount of Rs.99.82 lakh was withdrawn by the DSE on 18 December 1997 and shown as paid to these 3 firms (16 January 1998) without deducting the 12 *per cent* Sales Tax amounting to Rs. 10.69 lakh required to be statutorily deducted as per Government of Nagaland's extant instructions.

There is no evidence that the furniture has been actually received. The Addl. DSE stated (August, 1998) that payment has not been released. If this is the case, the payment of Rs.134.82 lakh (Rs.35 lakh+Rs.99.82 lakh) shown in the cash book as paid for procurement of the materials on false certificate, without acquittance of the suppliers and stock entry without receipt of books/furniture was gross violation of financial propriety. It is thus evident that the amount of Rs.134.82 lakh was missappropriated in the office of the Director of School Education.

The matter was reported to the Government in March 1999; their reply was awaited (March 2000).

---

<sup>45</sup> 1. M/S Pele Khezhi for Rs. 50.67 lakh.  
2. M/S Trident Enterprises for Rs. 29.67 lakh.  
3. M/S K.M. Furniture for Rs. 19.48 lakh.

## TRANSPORT AND COMMUNICATION DEPARTMENT

### 3.14 Fictitious payment of Rs.10 lakh

General Manager, Nagaland State Transport, paid Rs.10 lakh for tyre retreading without work orders and vouchers in support of the expenditure.

According to the General Financial Rules, a Government Officer receiving stores is required to physically verify and record a certificate on the body of the supplier's bill to the effect that he had actually received the materials billed for as per specification, and taken them into stock before making payment to the supplier.

During audit (November 1998) of the accounts/records of the General Manager (GM), Nagaland State Transport (NST), Dimapur, it was noticed that the GM, NST, Dimapur had paid (December 1997) Rs.16 lakh to a firm<sup>46</sup> for retreading 400 tyres on behalf of the Additional Chief Engineer (ACE), Central Workshop (CW), NST, Dimapur, without vouching the same with the work orders and recording requisite certificates on the body of the supplier's bill.

Collateral check of the records of the ACE, CW, NST, Dimapur revealed that, upto January 1998, only 155<sup>47</sup> retreaded tyres (retreading cost: Rs.6 lakh), had been received, and accounted for. There is no evidence either with the GM or the ACE regarding the issue of work orders<sup>48</sup> or receipt of the balance 245 tyres, the retreading cost of which amounting to Rs.10 lakh had been paid.

<sup>46</sup> M/s Balaji Tyre Works, Dimapur

<sup>47</sup>

Month of receipt	No of retreaded tyres received
November 1997	50 Nos.
December 1997	56 Nos.
January 1998	49 Nos.
<b>Total:-</b>	<b>155 Nos.</b>

<sup>48</sup>

	Supply order No & Date of ACE, NST	No of tyres retreaded	Amount of the bill (Rs)
A	NST/CS/5/97-98/967 dated 19.12.97	10 Nos.	41,495
B	NST/CS/5/97-98/966 dated 18.12.97	39 Nos.	1,49,980
C	NST/CS/5/97-98/956 dated 12.12.97	36 Nos.	1,37,255
D	NST/CS/5/97-98/939 dated 10.12.97	20 Nos.	80,425
E	NST/CS/5/97-98/920 dated 24.11.97	21 Nos.	79,340
F	NST/CS/5/97-98/804 dated 11.11.97	29 Nos.	1,11,150
	<b>Total:-</b>	<b>155 Nos.</b>	<b>5,99,645</b>

Thus, the GM, made an excess payment of R(Rs.35 lakh+Rs.99.82 lakh) s.10 lakh<sup>49</sup> to the contracting firm, without getting the contractors' bill verified by the ACE, CW, NST, Dimapur.

In reply, the GM stated (August 1999) that the payment made in December 1997 also related to 6 more work orders (issued during March 1998 to June 1998) for retreading 245 tyres at a cost of Rs.10 lakh. Therefore, it was premature to have included these items for payment in December 1997 itself. Thus, payment of Rs.10 lakh made without getting the tyres retreaded by the contractor led to a loss to Government.

The matter was reported to the Government and Department in May 1999; their replies have not been received (March 2000).

### SOIL & WATER CONSERVATION/FOOD & CIVIL SUPPLIES/VETERINARY AND ANIMAL HUSBANDRY DEPARTMENTS

#### 3.15 Failure of senior officials to enforce accountability and protect the interests of Government

Accountant General (Audit) (AG) arranges to conduct periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. The relevant Rules/Orders of Government, however, does not exist for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by the office of the AG (Audit). A half yearly report of pending inspection reports is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued upto June 1999 pertaining to 3 Departments viz., (i) Soil & Water Conservation, (ii) Food & Civil Supplies and (iii) Veterinary and Animal Husbandry disclosed that 766 paragraphs relating to 120 IRs remained outstanding at the end of October 1999. Of these 26 IRs containing 141 paragraphs had not been replied to/settled for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix—XXVIII*. Even the initial replies, which were required to be received from the Heads of Offices within six weeks from the date of issue were not received in

<sup>49</sup> Rs.(16 lakh-6 lakh)=Rs.10 lakh.



respect of 3 Divisions/Offices for 6 IRs issued between 6 November 1986 and 17 April 1989. As a result the following serious irregularities commented upon in these IRs had not been settled as of October 1999.

Serial number	Nature of irregularities	No. of paragraphs	Amount (Rupees in lakh)
1.	Avoidable expenditure/excess payment	67	155.74
2.	Misappropriation/shortage/loss of Government money/stores	80	899.72
3.	Irregular/unauthorised/purchase/blocking of Government money/stock/ unaccounted stores	74	210.51
4.	Loss due to non-realisation of Government money	28	50.10
5.	Money kept outside Government accounts	17	20.72
6.	Advance drawal	15	253.20
7.	Deviation of fund/mis-use of funds	6	47.04
8.	Fictitious/Doubtful drawal	7	123.52
9.	Miscellaneous/Others	472	2,609.78
	<b>Total:-</b>	<b>766</b>	<b>4,370.33</b>

A review of the IRs which were pending due to non-receipt of replies in respect of (i) Soil & Water Conservation, (ii) Food & Civil Supplies and (iii) Veterinary and Animal Husbandry Departments revealed that the heads of the Offices, whose records were inspected by AG and the Head of the Department (i) Director of Soil & Water Conservation, (ii) Director of Food & Civil Supplies and (iii) Director of Veterinary and Animal Husbandry failed to discharge due responsibility as they did not send any reply to a large number of IRs/paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the AG. The Secretary of the respective Departments, who was informed of the position through half-yearly reports, also failed to ensure that the concerned officers of the Department take prompt and timely action.

The above also indicated inaction against the defaulting officers and thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

It is recommended that Government should re-look into this matter and ensure that procedure exists for (a) action against the officials who failed to send replies to IRs/Paras as per the prescribed time schedule, (b) action to recover loss/ outstanding advances/overpayments in a time bound manner and (c) revamping the system of proper response to the audit observations in the Department.

**CHAPTER IV**  
**WORKS EXPENDITURE**

**SECTION: B**

**PUBLIC HEALTH ENGINEERING DEPARTMENT**

**4.1 Misuse of LIC loan and other Irregularities**

**Of the LIC loan of Rs.276 lakh obtained for Dimapur Water Supply Project, only Rs.244 lakh was released of which Rs.196.14 lakh was spent on unauthorised/unidentified works, and on unnecessary procurement.**

During 1995-96, the Government of Nagaland obtained a loan of Rs.276 lakh from the Life Insurance Corporation of India (LIC) at an interest rate of 10.25 *per cent* per annum for financing the 'Dimapur Water Supply Scheme'. The amount was credited to Government account on 17 April 1996.

Test check (April and May 1997) of the records of the Executive Engineer (EE), Public Health Engineering (PHE) Store (Working) Division, Dimapur revealed that, the EE had drawn and deposited (30 March 1996) Rs.244 lakh into the Treasury. Subsequently on 27 May 1996, the EE withdrew the entire amount from the Treasury and deposited it with a scheduled bank at Dimapur. Since the funds had been drawn by the EE 17 days in advance of LIC loan credited to Government account, the adverse balance of Government with RBI<sup>1</sup> increased by Rs.2.44 crore.

Between May 1996 and April 1997, the EE withdrew the entire amount from the bank account, and paid to various contractors/suppliers.

Scrutiny in audit revealed the following irregularities:

**(i) Short release of loan funds**

Out of Rs.276 lakh obtained from LIC, the Government withheld Rs.32 lakh. The EE stated (September 1999), that Rs.32 lakh represented the 13 *per cent* departmental charges which were adjusted in the accounts of works. This reply is not acceptable, since, not only were the so called departmental charges adjusted in the accounts of the project as of March 1999, no provision also exists in the Nagaland Public Works Code for such ad-hoc deduction at source. Consequently, the Government had to bear an unnecessary interest burden of Rs.11.48 lakh on the withheld amount of Rs.32 lakh from March 1996 to September 1999 at the interest rate of 10.25 *per cent* per annum.

---

<sup>1</sup> Adverse balance with RBI as on 31.3.95      Rs.49.78 crore.  
Adverse balance with RBI as on 31.3.96      Rs.80.62 crore.

*(ii) Diversion and misuse of loan funds*

While Clause VI of the terms and conditions of the loan prohibited the Government from incurring any expenditure out of the loan towards cost overrun of the project; Clause XII stipulated that the loan should be exclusively used for the project.

However, it was seen in audit that, Rs.118.46 lakh was paid to a firm<sup>2</sup> for inadmissible items, and Rs.21.70 lakh for purposes not included in the sanctioned estimate of the project.

*(iii) Unnecessary purchase-locking up of loan fund*

The Project Divisional Store contained idle stock of 33,330 metres of Galvanised Iron (GI) pipes of various sizes as of May 1996. These pipes had been procured since October 1987. Despite this huge stock of pipes, the Additional Chief Engineer (ACE), PHE placed further order for another 15,550 metres of GI pipes (May and July 1997) of identical dimensions. The pipes were issued direct to the work site, but were subsequently returned back to the store where these remained unutilised as of April 1997. EE paid Rs.49.68 lakh for these pipes out of the LIC loan.

Thus, procurement of additional pipes costing Rs.49.68 lakh was injudicious, and led to unnecessary locking up of borrowed funds. Further the interest servicing on the unnecessarily blocked up funds was Rs.17.95 lakh as of September 1999.

*(iv) Unidentifiable expenditure*

Rs.6.30 lakh drawn out of bank account and recorded as spent on the water supply project of Dimapur could not be authenticated with supporting details and vouchers. Therefore, the veracity of the expenditure could not be established in audit.

The matter was reported to the Government and Department in November 1998; their replies had not been received (March 2000).

**4.2 Undue financial aid to suppliers**

**Extra expenditure of Rs.64.48 lakh was incurred on irregular admittance of claims for interest on delayed payment of contractor's bills.**

Government of Nagaland (Public Health Engineering Department) had been releasing funds from time to time for payment of interest at 18 *per cent* per annum to suppliers of GI pipes, whose bills had not been paid even after six months of completion of supplies. It was observed that, though the Finance Department (FD) consistently refused to accord concurrence to such payment of penal interest, it released Rs.120 lakh to the Executive Engineer (EE), Public Health Engineering (PHE) Division, Tuensang in May 1995 as

<sup>2</sup> M/s Sanjay Traders, Panitola, Jorhat, Assam.

additional fund for clearance of such liabilities. However, the payment of penal interest was not part of any contractual obligation, nor has the Department been able to produce any evidence that the GI pipes were actually supplied.

Test check (September 1997) of the records (April 1995 to July 1997) of the EE, PHE Division, Tuensang revealed that on the basis of above release orders, the EE, PHE Division, Tuensang paid (May 1995) Rs.64.48 lakh to 4<sup>3</sup> local suppliers as interest for delayed payments of bills for GI pipes worth Rs.44.55 lakh claimed to have been supplied between December 1984 and April 1990 against supply orders issued (December 1984, March 1985, September 1985 and December 1989) by the Additional Chief Engineer (ACE), PHE Department, Kohima. However, the Department was unable to substantiate as to how the interest payments were calculated. Scrutiny of supply orders issued to other suppliers during the same period by ACE, PHE Department, Kohima for supply of GI pipes to PHE Division, Wokha showed that there was no clause in the supply orders for payment of interest.

The payment of interest to suppliers was not a contractual obligation. Therefore, in the absence of original supply orders, proof of receipt of materials, utilisation account and without fund provision, the payment of interest of Rs.64.48 lakh was an undue financial benefit extended to the suppliers.

The matter was reported to the Government and Department in December 1998; replies had not been received (March 2000).

#### **4.3 Irregular expenditure on clearance of fictitious past liabilities**

##### **The Department spent Rs.44.85 lakh on clearance of fictitious liability.**

The Government (Finance Department) through a letter of credit (LOC) released (May 1995) funds to the Executive Engineer (EE), Public Health Engineering (PHE) Division, Tuensang for clearance of past liabilities. Consequently, the EE paid (May 1995) Rs.44.85 lakh to 4 local suppliers<sup>4</sup> for supply of 105,263.10 metres of Galvanised Iron (GI) pipes reported (on the body of the bills) to have been supplied between December 1984 to April 1990. The suppliers' bills mention that 32 supply orders were issued by the Additional Chief Engineer (ACE), PHE Department in the months of December 1984 (10), March 1985 (7) and December 1989 (15). However, the Division failed to produce copies of the supply orders to Audit. According to the certificates recorded on the body of the supply bills, 19,900 metres of GI pipes costing Rs.14.28 lakh were issued to different works, and 85,363.10

<sup>3</sup> 1. Shri Kerisaho Angami, 2. Shri Tochi Chang, 3. Shri M.Khrietou and 4. M/s Angami Agency.

<sup>4</sup> (i) M/s Angami Agency, Dimapur  
(ii) Shri Tochi Chang.  
(iii) Shri Kerisaho Angami, Dimapur.  
(iv) Shri Krietuo Angami, Dimapur.

metres of GI pipes costing Rs.37.97 lakh were shown to have been accounted for in stock in the respective months of receipts.

Scrutiny (September 1997) of Divisional stock accounts for April 1986, however, showed that only 22,220.40 metres of pipes valued at Rs.11.37 lakh had been accounted for in stock. The Division could neither furnish reasons for non-accountal of the balance quantity of materials worth Rs.26.60 lakh, nor furnish records and details of the months in which the remaining materials had been accounted for in the stock accounts. Similarly, for the materials shown to have been issued direct to the works, the Division could not produce to Audit the relevant Material at Site (MAS) account nor the Measurement Books in which the receipts of materials had been recorded.

Thus, the Department had incurred irregular expenditure of Rs.44.85 lakh for clearance of fictitious past liabilities.

The matter was reported to the Government and Department in December 1998; replies had not been received (March 2000).

#### 4.4 Excess Payment

**Excess payment of Rs.5.17 lakh made to contractor due to inadmissible allowance of price escalation.**

Public Health Engineering (PHE) Department placed (November 1985) a supply order on a local<sup>5</sup> supplier for 5,200 metres of Cast Iron (CI) pipes with the stipulation to complete the supply before 31 March 1986.

Test check (April-May 1997) of the records (November 1995 to February 1997) of the Executive Engineer, PHE (Working) Division, Dimapur revealed that the entire quantity of materials was supplied only on 28 October 1986 and payment of Rs.12.19 lakh was made in May 1987.

Further scrutiny of records revealed that the Division allowed price escalation amounting to Rs.5.17<sup>6</sup> lakh including Sales Tax (May 1996) on the basis of revised rates that were effective from 1 May 1987, even though the contractor was not entitled for the escalation, since, as per the agreement, the pipes were to be supplied by 31 March 1986.

Thus, due to allowance of inadmissible price escalation the Department had made an excess and unauthorised payment of Rs.5.17 lakh.

The matter was reported to the Government and the Department in November 1998; their replies had not been received (March 2000).

<sup>5</sup> Shri. Vizotolie Angami.

<sup>6</sup> Payment made

Payment to be made as per supply order

Excess Payment.

Rs.17.04 lakh.

Rs.11.87 lakh

Rs.5.17 lakh

## POWER DEPARTMENT

## 4.5 Extra avoidable expenditure of Rs.32.80 lakh

Rejection of the lowest tenderer on suspicious grounds resulted in extra avoidable expenditure of Rs.32.80 lakh.

In pursuance of Notice Inviting Tenders (NIT) (April 1996) for purchase of Tubular Poles, the Chief Engineer (Power) received five tenders. Of these, the quotation of firm 'A'<sup>7</sup> was the lowest, and that of firm 'B', the second lowest.

In its quotation, firm 'A' stipulated 95 *per cent* payment against proof of despatch, and balance 5 *per cent* within 30 days of receipt of materials; while firm 'B' quoted its payment terms "as usual". The Department could not explain what constituted "as usual".

The Government (August 1996) rejected the lowest tender on the grounds that "payment of 95 *per cent* on proof of despatch is dubious and the element of getting cheated by the firm cannot be ruled out; there is no guarantee that the firm will despatch the materials within a reasonable time after receipt of 95 *per cent* payment; there is ample scope and risk of receiving sub-standard materials; there is ample scope of getting Government money blocked indefinitely which is highly objectionable from Audit; and in case of inordinate delay in despatch of materials by the firm, extra expenditure on account of escalation of price of the materials cannot be ruled out".

The reasons adduced by the Government were totally unfounded, as payment was to be made only after proof of despatch of the materials. The fear of receipt of sub-standard materials, was also fallacious, because firm 'A' had specifically stated in its tender that the poles could be inspected by the authorised representative of the Department before despatch. Also, firm 'A' had, on earlier occasions, supplied steel poles to the Department, and there was nothing on record to show that the materials were sub-standard. Further, prudent financial practice precludes the acceptance of terms that are

<sup>7</sup> Rates offered by 1<sup>st</sup> and 2<sup>nd</sup> lowest firms in 1996.

1 <sup>st</sup> lowest	S.T. Poles	Rate offered		Terms of payment
<b>Firm 'A'</b> M/S Jindal Steel Production, Calcutta	410-SP-3-	2175/-	Including all F.O.R., Dimapur	95 <i>per cent</i> payment against proof of despatch and balance 5 <i>per cent</i> on receipt of materials
	410-SP-11-	2125/-		
	410-SP-35	3300/-		
2 <sup>nd</sup> lowest				
<b>Firm 'B'</b> M/S New Light Home, Dimapur	410-SP3-	3200/-	+8 <i>per cent</i>	As usual
	410-SP-11-	3135/-		
<b>Firm 'C'</b> M/S Elamke Industries, Calcutta a Sister concern	410-SP-35	4740/-	N.S.T.	

ambiguous. Therefore, the acceptance of the rates quoted by firm 'B' on the ground that payment was favourable to the Government, when the terms and conditions had not been spelt out, was biased and irregular. The apprehension, that, in the event of inordinate delay in supply of materials by firm 'A', there would be extra expenditure on price escalation, is totally irrelevant and premature, since, not only was there no indication that firm 'A' would delay delivery, but also, the prices were firm as per tender.

It is, therefore, clear that, the Government rejected the lowest tender on wholly specious grounds, and with malafide intention of benefiting firm 'B'.

After acceptance of its rates, firm 'B' requested that the supply order be placed on its sister concern firm 'C', although there was no mention of firm 'C' at the tendering stage. Accordingly, CE placed supply orders for 3025 poles on firm 'C' between September 1996 to November 1997. Out of this, only 2625 poles (value:Rs.95.74 lakh) were received and payment of Rs.74.43 lakh<sup>8</sup> was made leaving Rs.21.31 lakh outstanding as of March 1999.

Rejection of firm 'A' on false grounds resulted in extra avoidable expenditure of Rs.32.80 lakh to Government.

The matter was reported to the Government and Department in June 1999. In reply, the department stated (September 1999) that normally the Finance Department releases funds only in March and therefore, it would not have been possible for the Department to make payment on proof of despatch. Since prompt payment was part of the condition of a Firm 'A' all works would have been delayed. This reply is not tenable as the Government itself had instructed the Department to negotiate with a firm 'X'<sup>9</sup> (lowest tenderer) in September 1998 for purchase of ST Poles, where the terms and conditions of Firm 'X' were at par with Firm 'A' in 1996. Firm 'X' had agreed to modify terms of payment and was accepted in 1998. The reasoning of the Government in rejecting the lowest rates of Firm 'A' in 1996 is thus not valid and was hypothetical. Thus, the fact remains that the department never made any effort to negotiate with the firm 'A' to modify the terms of payment. Replies of the Government have not been received (March 2000).

8

Steel pole		Avoidable expenditure
410-SP 3 - 200 Nos. x 3200 + 4%	6,65,000	200 x 2175 = 4,35,000
410 SP11 - 1825 Nos. x 3135 + 4%	59,50,230	1825 x 2125 = 38,78,125
410.SP 35 - 600 Nos. x 4740 + 4%	29,57,760	600 x 3300 = 19,80,000
	95,73,590 (x)	62,93,125 (y)
Still to be paid to supplier	21,30,960	X - y = 32,80,465
Paid upto date	74,42,630	Say Rs.32.80 lakh
Say	Rs.74.43 lakh	

<sup>9</sup> M/s National Tubing Co., Kanpur term of payment 95 per cent on proof of despatch and balance 5 per cent on receipt of goods.

WORKS AND HOUSING (ROADS AND BRIDGES)  
DEPARTMENT

4.6 Fraudulent refund of security deposits

Executive Engineer PWD (R&B), Mokokchung fraudulently paid Rs.95.13 lakh to 64 fictitious persons on account of security deposits.

According to the Central Public Works Account Code as followed by the Department, a record of transactions relating to Public Works Deposits should be maintained in the Divisional office in a register showing detailed work-wise and month by month details of total receipts and refunds, and the closing balance, of each deposit item. Before making any refund out of such deposits, the original realisation should be traced out, and a reference to the repayment should be recorded against the original entry in the cash book and other accounts, so as to make a double or erroneous claim impossible.

Test check (June 1998) of the records of the Executive Engineer (EE), Public Works (Roads and Bridges) Division, Mokokchung, revealed that, in contravention of the aforesaid provisions, Rs.95.13 lakh had been paid (October and November 1994) towards refund of security deposits to 64 contractors/suppliers without checking the cash book and the original records to substantiate realisation of security deposits from the contractors/suppliers. The Divisional Officer also did not maintain any deposit register to show that deposits had been made by these contractors/suppliers, nor were there any records to show that they had executed any work, or supplied materials to the Division in respect of which the security might have been deposited. The transactions involved were also not incorporated in the relevant monthly accounts rendered to the office of the Senior Deputy Accountant General (A&E).

Thus, the Divisional Officer failed to act according to the prescribed provisions, and drew and disbursed Government money to contractors/suppliers against fictitious charges, which led to fraudulent payment on account of security deposits of Rs.95.13 lakh.

The matter was reported to the Government and Department in February 1999; their replies had not been received (March 2000).

4.7 Fictitious payment to contractor

Payment of Rs.24 lakh to a contractor who was not connected to the work appeared fictitious.

According to the Central Public Works Account Code as followed by the Department, every payment, including repayment of money previously lodged with Government for whatever purpose, must be supported by a voucher setting forth full and clear particulars of the claim, and all information necessary for its proper classification and identification in accounts.



During audit (February-March 1998) of the accounts of the Executive Engineer (Roads and Bridges), Dimapur, it was seen that of Rs.24 lakh was paid (April 1991) to a contractor<sup>10</sup> 'A' charging the expenditure to 'Construction of Dimapur-Dhansiripar Road- Phase II'. Audit called for the production of technical estimates of the work, work order, bills, Measurement Books etc. to substantiate that work, or part thereof, which had been carried out by the said contractor but the Division failed to do so. It was thus clear that contractor 'A' was not engaged for any work in connection with the construction of Dimapur Dhansiripar Road- Phase II.

The payment of Rs.24 lakh to contractor 'A' not borne out by supporting records thus, appears to be fictitious.

The matter was reported to the Government and Department in November 1998; replies had not been received (March 2000).

#### 4.8 Excess payment

##### **Excess payment of Rs.6.31 lakh due to non-deduction of voids from the gross quantity of stones supplied.**

According to the Schedule of Rates (SOR) 1985 for Roads in Nagaland, 15 *per cent* deductions were required to be made on account of voids from the quantity of stone boulders supplied.

During audit (February-March 1998) of the accounts of the Executive Engineer (EE), Roads and Bridges, Dimapur it was seen that for the protection work of Dhansiri bridge on Nagarjan Road, Dimapur, contractor 'B'<sup>11</sup> supplied 2985.87 cubic metres (cum) of stone boulders. The EE paid (March 1996) Rs.42.06 lakh to the contractor for the gross quantity of stone supplied, without deducting 15 *per cent* on account of void as required as per departmental norms.

Thus, there was an excess payment of Rs.6.31 lakh due to non-deduction of voids of 447.88 cum. of stone boulders.

The matter was reported to the Government and Department in November 1998. The EE, while admitting (May 1999) the fact, stated that the excess payment would be recovered from the contractor. Further developments are awaited (March 2000).

<sup>10</sup> M/s Ansari & Company, Dimapur.

<sup>11</sup> M/s Daniel Lotha and Company, Dimapur.

**CHAPTER V**  
**STORES AND STOCK**

**SECTION A**

**HOME DEPARTMENT**  
**(GENERAL ADMINISTRATION BRANCH)**

**5.1 Inventory Control and Materials Management in Civil Administration Works Division (CAWD)**

*Highlights*

*The Civil Administration Works Division was created in April 1980 under the Home department and deals with construction of residential/non-residential buildings for various departments of the Government.*

*Inventory Control and Materials Management in the Division are flawed, due to violation of established codal procedures relating to assessments, procurement, accounting, handling, storage and stock taking of materials. The Division unauthorisedly created and held Reserve stock for materials procured, more irregularly by diverting part of the Non-Plan and Plan works budget provisions and also created huge liabilities under non-Plan by issuing supply orders without provision of funds.*

During 1996-99, the Division expended Rs.1.51 crore on payment of wages to Work Charged staff without any budget provision and Rs.0.08 crore in excess of the LOC released for current works and clearance of past liabilities.

(Paragraph 5.1.5)

Between 1996 and 1999, Plan funds of Rs.9.35 crore were irregularly drawn by debiting the final head of accounts and kept out of Government account, to avoid lapse of budget grants and was irregularly spent in subsequent years on execution of works and procurement of materials. Due to irregular retention of money outside Government account, the State Government suffered a loss of Rs.1.44 crore on account of interest.

(Paragraph 5.1.5.1)

Due to indiscriminate and haphazard issue of supply orders by the Executive Engineer between 1985-96, Rs.35.57 crore was paid during 1990-99 towards clearing liability of previous years. Therefore, supply orders had been issued without provision of funds.

(Paragraph 5.1.6.2)

Unnecessary procurement of materials led to their idling for years together. Disposal of materials worth Rs.19.52 crore (reported as

surplus/obsolete in 1992-93) commenced only from 1997-98. Test check of 3 stores showed further accumulation of idle stores worth Rs.6.51 crore.

(Paragraph 5.1.6.3 (a) to (c))

Stores management, materials accounting, and stock taking was poor, and materials worth Rs.6.97 crore escaped inclusion in the Annual Returns, during 1990-98, resulting in loss of stores.

(Paragraph 5.1.7.2)

Though the liabilities on procurement of materials worth Rs.20.24 crore paid in 1991-92 were the subject of a CBI enquiry, the Division, with the approval of Government, irregularly arranged for disposal of materials worth Rs.19.52 crore at a meagre sale value of Rs.44.62 lakh, and thereby sustained loss of Rs.19.10 crore.

(Paragraph 5.1.8.1 and 5.1.8.2)

During a span of fourteen years (1983-84 to 1997-98), the Division spent Plan funds of Rs.48.48 crore on Plan works and Non-Plan funds of Rs.43.60 crore on repair and maintenance of buildings. While no record existed for assets created with the investment of Rs.48.48 crore, there were also no consolidated estimates, record of check measurements and abstract of repairs/replacement works done at a cost of Rs.43.60 crore.

(Paragraph 5.1.9.1)

### 5.1.1 Introduction

The Civil Administration Works Division (CAWD) was created in April 1980 exclusively for the construction of residential and non-residential buildings for the General Administration Branch (GAB) under the Home Department of the Government. It also undertakes Deposit works of sister Departments like, Jails, Administrative Training Institute, Law and Justice, and Treasury and Accounts, which do not have a separate Engineering Wing.

### 5.1.2 Organisational set-up

The CAWD is headed by an Executive Engineer who works under the supervisory control of the Commissioner, Nagaland. Technical estimates in excess of Rs.50,000 are approved by the Chief Engineer (Housing) in the Department of Works and Housing, Nagaland. The CE<sup>1</sup> also effects postings and transfers of the technical staff of CAWD. The Home Department of the Government exercises overall administrative and financial control. The Division has 7 (seven) sub-divisions, one each for the 7 District<sup>2</sup> headquarters.

<sup>1</sup> Chief Engineer.

<sup>2</sup> Kohima (including Dimapur which was separated only in December 1997 only), Wokha, Phek, Mokokchung, Zunheboto, Tuensang and Mon.

## Civil Report of 1999

Each sub-division is headed by an Assistant Engineer. The Deputy Commissioners exercise administrative and financial control over the AEs<sup>3</sup>.

### 5.1.3 Audit coverage

Between April and June 1999, Audit reviewed the 'Inventory Control and Materials Management in CAWD', by test-check of the records (1994-95 to 1998-99) of the Home Department (GAB), the Commissioner Nagaland, EE<sup>4</sup> (CAWD), AE (Central Store, Dimapur and Kohima) and 2 AEs (Kohima and Mon).

### 5.1.4 Assessment of requirement of stores

Despite codal provisions, the Division had never prepared its annual requirement of stores either for repair/maintenance works, or for the original (new or ongoing) works. Thus, the materials were procured by the Division from time to time were ad hoc and against established norms.

Under the provisions of the NPWD Code, store materials can be procured and booked either directly against the specific works, or by maintaining a common Stock in respect of works. Without having authority to create Reserve stock, the Division procured store materials on ad hoc basis under both Non-Plan and Plan. The materials were stored at centrally located site store godowns maintained on the pattern of Reserve Stock godowns of PWD.

### 5.1.5 Financial outlay and expenditure

As the CAW Division was not authorised to create Reserve stock, it was therefore, not provided with exclusive funds for procurement of materials.

Budget provisions and expenditure of the Division during 1994-95 to 1998-99 were as under:

(Rupees in lakh)

Year	Non-plan			Plan		
	Budget Provision	Expenditure	Excess (+) Saving (-)	Budget Provision	Expenditure	Excess (+) Saving (-)
1994-95	53.66	93.72	(+) 40.06	390.00	54.00	(-) 336.00
1995-96	137.82	26.04	(-) 111.78	390.00	261.14	(-) 128.86
1996-97	521.86	580.72	(+) 58.86	390.00	311.03	(-) 78.97
1997-98	175.42	186.89	(+) 11.47	395.00	420.81	(+) 25.81
1998-99	33.66	82.40 <sup>5</sup>	(+) 48.74	490.50	310.51	(-) 179.99
Total:	922.42	969.77	(+) 47.35	2,055.50	1,357.49	(-) 698.01

During 1994-95 to 1998-99, against the plan provision, there were savings in all the years except 1997-98. The savings ranged between Rs.78.97 lakh and Rs.336 lakh whereas there was excess expenditure in 4 out of 5 years with overall excess expenditure of Rs.47.35 lakh under Non-plan.

<sup>3</sup> Assistant Engineer

<sup>4</sup> Executive Engineer.

<sup>5</sup> Provisional figure compiled from Divisional accounts. Expenditure for all other years are from the Appropriation Accounts.

Analysis of budget provisions, funds released by FD<sup>6</sup> through LOCs<sup>7</sup> and the expenditure incurred by the Division revealed the following:-

(Rupees in lakh)

Year	Budget Provisions (Non-plan)	LOC released by Finance Department for			Release of Funds in excess (+)/less (-) of Budget provisions (5-2)	Actual expenditure	Expenditure in Excess (+)/Less (-) over budget (7-2)	
		Current works	Past Liabilities	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
1996-97	Works	521.86	67.00	525.90	592.90	(+) 71.04	607.75	(+) 85.89
	WC	@	33.66	--	33.66	(+) 33.66	39.87	(+) 34.87
Sub total		521.86	100.66	525.90	626.56	(+)104.70	647.62	(+)120.76
1997-98	Works	175.42	93.80	45.93	139.73	(-) 35.69	139.55	(-) 35.87
	WC	@	33.66	--	33.66	(+) 33.66	33.66	(+) 33.66
Sub total		175.42	127.46	45.93	173.39	(-) 2.03	173.21	(-) 2.21
1998-99	Works	33.66	--	--	--	(-) 33.66	--	(-) 33.66
	WC	@	90.13	--	90.13	(+) 90.13	82.40	(+) 82.40
Sub total		33.66	90.13	--	90.13	(+) 56.47	82.40	(+) 48.74
Total:-	Works	730.94	160.80	571.83	732.63	(+) 1.69	747.30	(+) 16.36
	WC	@	157.45	--	157.45	(+)157.45	150.93	(+)150.93
Grand Total		730.94 <sup>8</sup>	318.25	571.83	890.08	(+) 159.14	898.23	(+)167.29

Expenditure of Rs.150.93 lakh incurred on WC staff without any budget provision and Rs.8.15 lakh in excess of LOC released.

Against the budget provision of Rs.730.94 lakh FD released LOCs for Rs.890.08 lakh, which included Rs.571.83 lakh for clearance of past liabilities pertaining to procurement of materials, Rs.160.80 lakh for current works and Rs.157.45 lakh for meeting the salaries and wages of Work Charged staff. Thus, there was an excess release of Rs.159.14 lakh which was mainly under past liabilities (Rs.20.38 lakh) and salaries and wages of WC staff (Rs.157.45 lakh) partly off set by short release under current works (Rs.18.69 lakh). Release of LOC of Rs.157.45 lakh and incurring expenditure of Rs.150.93 lakh on salaries/wages of WC staff was without budget provision and as such irregular. The overall actual expenditure also exceeded Rs.8.15 lakh against the amount released through LOC.

There were also variations between the expenditure booked in the Appropriation Accounts and the Divisional records. The variations were due to non-reconciliation of expenditure by the Division with the Accountant General. Details are given in *Appendix XXIX*.

#### 5.1.5.1 Drawal of funds to avoid lapse of budget grants

Funds worth Rs.935.08 lakh drawn in advance of requirement during 1996-99 to avoid lapsing though shown in accounts as final expenditure.

In violation of the provisions of NPWD/CPWA Code and ignoring the Audit observations as highlighted in the earlier Reports of C&AG<sup>9</sup>, the EE, CAWD, drew Rs.935.08 lakh during 1996-99 against Plan works by presenting self cheques to the treasury. Though these amounts remained partially or wholly unutilised during the concerned financial year, these were shown in the accounts as utilised on works though the unspent balances were irregularly transferred to subsidiary cash books, striking the closing balance in the works cash book as 'Nil'. Actual expenditure out of the amounts transferred to the subsidiary cash books was spread over a period of 10 to 704 days as shown below:-

<sup>6</sup> Finance Department.

<sup>7</sup> Letter of Credit.

@ Included in the provision for work.

<sup>8</sup> Includes Rs.629.96 lakh obtained through Supplementary Demand for paramilitary works (Rs.78.51 lakh) and for payment of past liabilities (Rs.551.45 lakh).

<sup>9</sup> Comptroller and Auditor General of India.

(Rupees in lakh)

Year and month of drawal	Amounts drawn and shown as transferred to subsidiary cash book	Manner in which transferred money was kept	Amount actually found recorded in subsidiary cash book	Expenditure recorded in subsidiary cash book	Period of disbursement	Unspent balance (-) Excess spending (+)
1996-97						
September 1996	49.34	NA	---	---	NA	(-) 49.34
March 1997	208.72	DAC-4 Nos.	208.72		April 1997 to February 1999	(-) 3.03
1997-98				243.18 <sup>10</sup>		
December 1997	37.49	DAC-1 No.	37.49		January 1998 to March 1999	(-) 0.72
December 1997	302.29	DAC-7 Nos.	279.02	278.30 <sup>11</sup>		
February 1998	18.92	DAC-1 No.	50.00	54.91 <sup>12</sup>		(+) 14.91
February 1998	7.81					
1998-99						
December 1998	100.00	NA	100.00	62.91 <sup>13</sup>	December 1998 to March 1999	(-) 40.09
March 1999	210.51	NA	3.51	3.51		
<b>Total</b>	<b>935.08</b>		<b>678.74</b>	<b>652.81</b>		<b>(-) 78.27</b>

Utilisation of funds amounting to Rs.256.34 lakh drawn in advance was not found recorded in books.

Of the Rs.935.08 lakh drawn and recorded in Works (Main) Cash Book, records of accounting for Rs.678.74 lakh only were available in subsidiary cash book produced to Audit. The whereabouts of the balance of Rs.256.34 lakh, and the manner in which these were accounted for, were not available on record.

Retention of heavy cash balances in excess of normal requirements led to interest loss of Rs.144.02 lakh between September '96 and March '99.

It was noticed that, during April 1996 to March 1999, the cash balance of the Division ranged between Rs.1 lakh (March 1997) and Rs.302.29 lakh (December 1997) showing that the money was not required for immediate disbursement. Because of injudicious advance drawals, and the keeping of money outside the Government account, the Government suffered a loss of Rs.144.02 lakh<sup>14</sup> on interest on Rs.624.57 lakh drawn and disbursed between September 1996 and March 1999.

The Division stated (August 1999) that drawal of funds in lump by presenting self cheques was unavoidable, since the LOC issued by the FD was valid for only 25 days. The EE also added that, since the bulk of the Plan works funds are released by the Government only at the fag end of the year, the Division was compelled to draw funds in violation of codal procedures, to avoid lapse of budget grants and to safeguard the interest of Departmental works programme. The EE, however, remained silent on keeping unspent money in DACs instead of placing them under Civil Deposits. The reply only confirms that the money was drawn to avail the LOC with a view to avoid lapse of Budget grant.

<sup>10</sup> Recorded in Sub. Cash Book Vol.7 and spent between April 1997 and February 1999.

<sup>11</sup> Recorded in Sub. Cash Book Vol.II and spent between January 1998 and April 1999.

<sup>12</sup> Recorded in Sub. Cash Book Vol.Nil (Say II(a) and spent between August 1998 and June 1999.

<sup>13</sup> Recorded in Sub. Cash Book Vol.Nil and spent upto March 1999.

<sup>14</sup> At the market borrowing rate of 13.75 per cent (1996-97)

### 5.1.6 Procurement of stores

#### 5.1.6.1 System of procurement

Procurement of material worth Rs.39.13<sup>15</sup> crore made by splitting up supply orders to keep their amounts of bills within the delegated powers.

Since inception, the Division had been procuring the materials at the rates approved by the nodal departments (*viz.* PWD<sup>16</sup>, PHE<sup>17</sup> and Power). Till amalgamation of the Division with PWD in 1992-93, the CAWD had no higher technical authority to assess, decide and issue supply orders for procurement of materials required for works. In violation of this delegated financial powers, the EE procured materials by splitting up the supply orders in order to keep the amount of supply orders within his powers. This irregular system continued even after 1992-93.

According to data compiled from the Divisional payment records available from 1990-91 to 1998-99, the EE procured materials worth Rs.39.13 crore through 8,344 supply orders, as under:-

Period of payment	Period of supply	Number of bills/supplies	Amount paid (Rupees in lakh)	
			Non-Plan	Plan
1990-91	1985-90	1,650	633.97	---
1991-92	1985-92	4,277	2,024.21	---
1992-93	NA <sup>18</sup>	NA	198.34	---
1993-94	1990-94	302	118.03	58.93
1994-95	1989-90	176	14.13	19.04
1995-96	1989-91	310	92.83	37.65
1996-97	1989-96	1,208	500.31	3.19
1997-98	1989-96	187	28.59	68.09
1998-99	NA	234	NA	115.41
<b>Total</b>		<b>8,344</b>	<b>3,610.41</b>	<b>302.31</b>

Indiscriminate issue of supply orders without having any budget provisions led to outstanding liabilities of Rs.35.57 crore during 1990-91 to 1998-99.

It would be seen from the above that materials worth Rs 39.13 crore were procured by splitting up the supply orders to keep the purchases within his powers.

#### 5.1.6.2 Issue of supply orders without provision of funds- creation of liabilities

Indiscriminate supply orders were placed for materials without provision of funds which resulted in creation of huge liabilities at the end of each year. These liabilities were subsequently partially cleared by obtaining additional funds through supplementary budget or LOCs.

The Division had spent Rs.3,556.98 lakh during 1990-91 to 1998-99 mainly on clearance of liabilities relating to the period from 1985-86 to 1995-96 and it had no clear account of year-wise breakup of undischarged liabilities. The growth of liabilities at each point of time coupled with further irregular release of funds by the Finance Department are shown in *Appendix-XXX*.

<sup>15</sup> Rs.(3610.41 + 302.31) lakh = Rs.3912.72 lakh.

<sup>16</sup> Public Works Department

<sup>17</sup> Public Health Engineering

<sup>18</sup> Not Available.

It would be seen from *Appendix-XXX* that there is a never-ending trend in reporting of past liabilities to Government with a view to obtain additional funds. In 1992-93, a HPC constituted by the Government verified and certified the liabilities of all Departments as on 31 March 1992. However, this certified list and position as of March 1999, was not furnished to Audit. However, according to the information furnished by the Department (August 1999) liabilities of the Division at the end of 1998-99 stood at Rs.42.23 lakh, the veracity of which could not be verified in audit in absence of records.

### 5.1.6.3 Idle outlay/ injudicious procurement

Huge balances of surplus/idle stores accumulated under the Division. Value of such stores at the end of March 1993 was Rs.19.52 crore.

(a) As procurement of materials was not need based and work oriented, there has been progressive accumulation of unutilised stores in the two central stores at Dimapur and Kohima and in each of the seven district stores. A report of the Division (May 1993) indicated that the total value of surplus/obsolete stores available with the Division at the end of 1992-93 was worth Rs.19,51.51 lakh.

Though, the Government had approved the disposal of these surplus stores, all the materials had not been disposed off as of June 1999 and struck off from the stock balance. Therefore, the balance of stores as at the stock year ending September 1998 could not be ascertained in audit.

(b) Test check of three stores revealed that out of total stock of 533 items only 417 items were valued at Rs.6.51 crore leaving 116 items non valued as shown below:-

Name of store	No. of items having balance	No. of items valued	Value of items valued (Rupees in lakh)	Items not valued (for want of procurement rates)
AE, Commissioner, Central Store, Dimapur	217	173	378.95	44
AE, Commissioner, Kohima	227	193	226.52	34
AE, DC, Mon	89	51	45.32	38
<b>Total:-</b>	<b>533</b>	<b>417</b>	<b>650.79</b>	

(c) During 1996-97 and 1997-98, the EE diverted Plan funds and procured water supply and building materials for Rs.13.48 lakh, though there was no provision for procurement of such materials in the approved works Programme and huge quantities of identical materials declared surplus (May 1993), and approved for disposal by the Government (May 1996 and May 1997), were still lying undisposed till the date of Audit. Thus, the procurement was unnecessary and injudicious.

(d) Again, between November 1996 and December 1997, the EE procured building materials worth Rs.4.72 lakh. As per the SSA<sup>19</sup> for the period ending September 1998, these materials together with earlier balance remained idle in store proving that fresh procurements were unnecessary.

<sup>19</sup> Site Store Accounts.



#### **5.1.6.4 Procurement in excess of delegated powers**

As per the NPWD Code, EEs are authorised to procure stores upto a financial limit of Rs.50,000 subject to each item costing not more than Rs.4,000. Though the Code is not specific as to whether the limit is annual or per occasion, Divisions in Nagaland have, in practice, exercised the limit as Rs.50,000 in each case.

Scrutiny of payments made in December 1997 revealed that the EE, CAWD, had violated the above provisions on 49 occasions when he procured 71 items costing more than Rs.4,000 in each case. Value of these items aggregated Rs.24.25 lakh against the permitted ceiling of Rs.2.84 lakh.

#### **5.1.6.5 Avoidable extra expenditure**

During 1996-97, Rs.500.31 lakh was paid towards clearance of past liabilities which included purchase of water supply items of different categories.

Test check of the concerned supplier's bills revealed that the Division procured water supply fittings materials at rates much higher than those of the approved rates of the nodal department (PHE) and thereby incurred an extra expenditure of Rs.15.25 lakh as shown in *Appendix-XXXI*. Though, the Division contended that the materials were procured either at the Government approved rates or at the approved rates of PHED, this was not substantiated from the records.

Procurement of material at rates higher than the rates approved by nodal Department led to extra expenditure of Rs.15.25 lakh.

#### **5.1.7 Management of Stores**

##### **5.1.7.1 Receipt and Accounting of Stores**

According to the provisions contained in Public Works Code, materials issued to works from stock or directly supplied to works are required to be taken into Material-at-site Account to be maintained at Sub-divisions and the utilisation of materials on each work to be watched. After completion of work, the surplus material lying at site is to be transferred back to stock. Besides, the actual utilisation of materials on works to be compared with theoretical calculation based on estimate and suitable action taken for excess or less utilisation. However, it was noticed that no such accounts were maintained and action taken.

##### **5.1.7.2 Materials not accounted for**

It was seen that on occasion, materials certified as received and also reflected in the monthly receipt accounts were not finally accounted for in annual SSRs<sup>20</sup>. Instances of cases revealed in test checks were as under:-

<sup>20</sup>

Site Store Returns.

Sl.No	Name of store	Period of payment	No. of items	Description of items	Amount (Rupees in lakh)	Remarks
1.	Central Store, Dimapur	1991-92	22	Building and water supply materials	615.27	Reflected in monthly receipt accounts of January to April 1990 but not taken to the Annual SSR ending September 1990.
2.	Sub-Divisional Store, AE/DC, Kohima	1991-92	20	Building materials	16.82	Reflected in the monthly receipt accounts of January to March 1990 but not reflected in Annual SSR ending September 1990.
						The above 2 cases also appear in para 5.9 of the Report of the C&AG for the year 1991-92 (Ref. Para 5 of IR for 1991-92).
3.	Sub-Divisional Store, AE/DC, Kohima	1997-98 (December 1997)		Building materials	1.53	Reflected in the MAS accounts for December 1997, but not reflected in the Annual SSR ending September 1998.
4.	Central Store, Dimapur	1996-97 (May 1996)	30	Building materials	38.58	Included in the monthly receipt accounts of December 1994 and February 1995, but not taken to the Annual SSR ending September 1995 (Reported to Division vide para 6 of Pt.II A of IR for the period 4/95 to 7/96)
5.	Central Store, Dimapur	1997-98 (December 1997)	---	Building materials	10.90	Accounted for in the monthly receipt account of December 1997, but not taken to Annual SSR ending September 1998.
6.	Central Store, Kohima and AE/DC, Kohima	1994-95 (December 1994)	34	Building, water supply and electrical items	14.13	Shown as accounted for in the MAS accounts of March 1989 to April 1990 but relevant MAS accounts could not be made available to Audit (Reported through para 1 of Pt.II B of IR for the period 1994-95)
	<b>Total:-</b>				<b>697.23</b>	

Materials worth Rs.6.97 crore not found accounted for in the annual site store Accounts though these were shown as received in monthly Accounts.

The whereabouts of the above materials worth Rs.697.23 lakh were not known.

Though the ground balances as per annual SSRs of the concerned sub-divisions were regularly and independently cross checked by AEs of other sub-divisions at the close of each stock year ending September, the above short comings and non-accountal of stores in the annual returns had not been detected, indicating that such stock verification was perfunctory.

In reply to non-accounting of stores worth Rs.632.09 lakh against Sl.No.1 and 2 as pointed out in audit in 1991-92, the then EE stated (May 1993) that all the materials had been brought to account in the annual SSR which could be verified during the next audit. However, the annual return ending September 1990 was not made available to Audit. In the meanwhile, accounts of subsequent years had been closed and certified, leaving little scope for bringing these missing items to book, unless all the returns are recast and brought upto date.

### 5.1.8 Loss on disposal of stores

#### 5.1.8.1 Loss on disposal of stores procured unnecessarily

In pursuance to the Government (Finance Department) decision conveyed (30 March 1993) to all the Works Department/Divisions (including CAWD), for assessment and disposal of surplus stores for additional resource mobilisation, the EE, CAWD prepared a list of 197 surplus, obsolete and unserviceable items valued at Rs.1,951.51 lakh at the procurement rate of the Division. The stores were distributed into 4 groups<sup>21</sup>, A,B,C and D.

<sup>21</sup> Group A= Iron material with proper specification 56 items Rs.443.44 lakh  
Group B= Water supply materials and aluminium fittings 47 items Rs.432.50 lakh

For disposal of these stores, the EE floated a tender in May 1993, and a re-tender in June 1993, as the response was not encouraging. Ultimately, the Division recommended the highest tenderer 'X'<sup>22</sup> for Rs.71.84 lakh, to Government (Home Department) on 23 July 1994. The Government's decision, if any, is not known. Subsequently, the tenderer 'X' reportedly refused to purchase the materials but, the refusal letter, and reasons for refusal were not on record.

Though no fresh tender was floated, another tenderer 'Y'<sup>23</sup> offered (date not on record) to purchase the materials at 5.20 per cent of the purchase cost for Group A, B and C materials and at 1.05 per cent of the same for Group D materials. This was accepted (23 May 1996) by the Government. Firm 'Y' was directed (29 May 1996) to deposit Rs.79.02 lakh through an irrecoverable letter of credit, and take delivery of the materials after signing a MoU<sup>24</sup> with the EE. The value of the materials at the firms' offered rate, however, worked out to Rs.71.84 lakh<sup>25</sup>.

Accumulated store worth Rs.19.52 crore became surplus/obsolete and was disposed off at a negligible amount of Rs.44.62 lakh which represented only 2.29 per cent of the procurement cost.

Firm 'Y' had not, however, deposited any amount and also had not entered into an MoU till 24 June 1997, when they received (23 June 1997) a fresh offer from the EE (based on Government order of 15 May 1997) to take delivery of the entire materials on payment of Rs.44.62 lakh only (2.29 per cent of original cost). From a revised list submitted (July 1999) to Audit, it was seen that the aggregate purchase cost of materials in all 9 stores was revised from Rs.1,951.51 lakh to Rs.1,703.96 lakh against which the depreciated sale value of materials worked out to Rs.38.28 lakh. The purchaser ('Y') has so far deposited only Rs.14.74 lakh, and lifted the materials proportionate to that amount. Further details are given in *Appendix-XXXII*.

As the firm had not deposited the entire worked out value of the total stores worth Rs.1951.51 lakh, and also had not lifted all the listed materials, it was evident that the purchaser had adopted a "pick and choose" policy for lifting only selected items, which was facilitated by Government not insisting on total advance payment, and asking the firm to lift all materials within a specified period of time.

However, the Government had already conveyed (May 1997) their approval to write off the stock valued at Rs.1951.51 lakh. If the entire store is sold at the specified amount of Rs.44.62 lakh, the Department would lose Rs.1,909.89 lakh. The Division could not furnish reasons why the firms' approved rate of

Group C= Materials not conforming to specification but can be reconditioned	73 items	Rs.361.34 lakh
Group D= Outlived and unserviceable items	21 items	Rs.714.23 lakh
	<b>Total:-</b>	<b>Rs.1951.51 lakh</b>

<sup>22</sup> M/s Alhou & Company, Kohima.

<sup>23</sup> M/s Union Agencies, Kohima.

<sup>24</sup> Memorandum of Understanding.

<sup>25</sup> 5.20% of Rs.(A+B+C) = 5.20% of Rs.1237.28 lakh = Rs.64.34 lakh  
1.05% of D = 1.05% of Rs.714.23 lakh = Rs.7.50 lakh  
**Total:- Rs.1951.51 lakh Rs.71.84 lakh**

Rs.71.84 lakh was reduced to Rs.44.62 lakh, which resulted in additional loss of Rs.27.22 lakh<sup>26</sup>.

#### *5.1.8.2 Injudicious and irregular disposal of stores*

Since inception, CAWD has continually been engaged with the construction and repair/maintenance of all buildings of General Administration Branch. Since this activity has been increasing year after year, it was injudicious of the Government to order the sale of all the stores procured upto 1992-93. Moreso, because building and water supply materials made of aluminium (tower bolt, soap dish, towel rail etc.) and brass items (bibcock, stopcock, float valve etc.) are not susceptible to deterioration and also, from the prepared list of Group A, B, C materials it can be seen that the materials were in usable condition.

Irregular disposal of stores worth Rs.19.52 crore which were being investigated by the CBI.

It was seen from the records pertaining to payments of Rs.20.24 crore available with Senior Superintendent of Police (Crime), Nagaland and the C.B.I., Imphal, that the stores worth Rs.19.51 crore proposed for disposal were procured out of the payments of Rs.20.24 crore made in 1991-92. CBI requisitioned from the highest levels of the Government a status report on the ground balance of these stores and also verification by a High Level Committee (HLC) of the Government. Records of the Division and the Commissioner, however, did not indicate the constitution of any HLC. It would appear that no concrete steps have been taken in the matter.

Therefore, the disposal of stores which were subject of CBI enquiry, was irregular and malafide.

#### *5.1.9 Expenditure not supported by assets and works*

##### *5.1.9.1 Non-maintenance of assets register of land and buildings*

No Asset Registers/inventory of assets created and maintained by Department despite closing expenditure of Rs.48.48 crore on their creation.

The CAWD had not maintained any assets register since inception (1980) thereby, violating the provisions under para 473 of the NPWD Code. Thus, though the Division spent Plan funds of Rs.48,48.38 lakh (as per accounts) on acquisition/construction of land and buildings between 1983-84 and 1997-98, there were no records of such assets.

<sup>26</sup> Rs.(71.84 - 44.62) lakh = Rs.27.22 lakh.

**5.1.9.2 Unrealistic and unsupported expenditure on repair/maintenance of buildings**

Veracity of expenditure of Rs.43.60 crore on maintenance and repairs of Building and salary of WC staff during 1983-84 to 1997-98 could not be established for want of supporting estimates/relevant records.

During 1983-84 to 1997-98, the Division spent Rs.4,359.68 lakh on repair and maintenance of buildings stated to be under its control. This expenditure included-

- (i) Rs.3,610.41 lakh (as per available records) on procurement of materials between 1985-86 and 1998-99 for repair and maintenance of buildings,
- (ii) Rs.398.46 lakh spent during 1991-99 on salaries and wages of 237 to 273 WC staff deployed against repair and maintenance of buildings.

Scrutiny of Divisional records revealed that the Division had never prepared annual consolidated estimates (building-wise) for annual repairs, replacements or renovation works. Though the Division claimed that all the works were done departmentally, in the absence of check measurements recorded in MBs and abstract of works prepared showing utilisation of materials and manpower engaged in each work, the veracity of the expenditure could not be established in audit.

**5.1.10** The matter was reported to the Government and Department in September 1999; replies have not been received (March 2000).

**5.1.11 Recommendations**

-- The Divisions should strictly adhere to the established codal procedures of the Government.

-- Procurement of stores either under non-Plan or Plan should be need based and commensurate with the work-wise assessment of estimated requirement.

-- The irregular and unauthorised practice of locking up of Government funds meant for non-Plan and Plan works and also creation of further liabilities on procurement of materials should be avoided.

-- Receipt and accounting of materials should be streamlined by maintaining work-wise MAS accounts for each and every individual work.

-- The issue and utilisation/consumption of materials should be watched clearly through the materials consumption statement to be enclosed with each and every abstract of work or bills for works done departmentally or through contractors.

SECTION—B

WORKS AND HOUSING/PUBLIC HEALTH  
ENGINEERING/POWER DEPARTMENTS

5.2 Closing of stock registers

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 reviewed periodically 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.

It was noticed that-

5 out of 16 Electrical Divisions had not closed their stock accounts for the year 1998-99. Information relating to closing of stock accounts in respect of 24 Public Works Divisions (R&B), 19 Public Works Divisions (Housing & Civil Divisions), 10 Public Health Engineering Divisions and 4 Electrical Divisions were not made available.

5.3 Physical verification of stores

The Nagaland Public Works Department Code prescribes that the Sub-divisional Officers should carry out *cent per cent* physical verification of the stores under their charge once 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 out of 16 Electrical Divisions had not conducted physical verification of stores for the year 1998-99. Information relating to physical verification of stores in respect of 24 Public Works Divisions (R&B), 19 Public Works Divisions (Housing and Civil Divisions), 10 Public Health Engineering Divisions and 4 Electrical Divisions were not made available.

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

#### 5.4 Reserve stock limit

(i) Reserve Stock Limit (RSL) had not been prescribed for 17 out of 43 Public Works Divisions (Roads and Bridges, Housing and other Civil Divisions). Of these, 4 Divisions unauthorisedly held stores worth Rs.43.61 crore at the end of March 1999. The sanctioned Reserve Stock Limit was exceeded in 19 divisions by a total amount of Rs.41.66 crore. Two Divisions held minus balance by a total amount of Rs.3.76 lakh.

(ii) RSL had not been prescribed for 3 out of 10 PHE Divisions. All these 3 Divisions together with other 4 Divisions had exhibited minus balance of stores aggregating Rs.10.69 crore as on 31 March 1999. The minus balance was attributed by the Department to non-adjustment of the value of stores in accounts due to non-payment of supplier's bills. 3 Divisions had exceeded the sanctioned RSL by 5.68 crore as of March 1999.

(iii) RSL had not been prescribed for 5 out of 16 Electrical Divisions. Of these, 4 divisions held stores valued at Rs.40.46 lakh. Sanctioned reserve stock limit was exceeded in 1 Division by a total amount of Rs.4.56 Lakh while 7 Divisions had total minus balance of Rs.4.87 crore at the end of March 1999. The minus balances were attributed by the Department mainly to non-settlement of Cash Settlement Suspense Accounts (CSSA) claims and non-adjustment of value thereof in stock (Debit)Accounts. Information relating to RSL in 4 divisions was not made available.

#### 5.5 Tools and Plant

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

It was observed that in 5 out of 16 Electrical Divisions, Tools and Plant accounts were not closed for the year 1998-99. Information relating to closing of Tools and Plant accounts in respect of 24 Public Works Divisions (R&B), 19 Public Works Divisions (Housing and Civil Divisions), 10 Public Health Engineering Divisions and 4 Electrical Divisions were not made available.

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

**CHAPTER - VI**  
**REVENUE RECEIPTS**

**SECTION: B**

**6.1 Trend of revenue receipts**

The total receipts of the Government of Nagaland for the year 1998-99 were Rs.989.38 crore. Of these, revenue raised by the State Government was Rs.74.71 crore comprising Rs.30.56 crore from tax revenue and the balance Rs.44.15 crore from non-tax revenue. The receipts from Government of India amounting to Rs.914.67 crore accounted for 93 *per cent* of the total receipts.

**6.2 Analysis of revenue receipts**

**(a) General**

A time series analysis of the receipts for the years 1996-99 is given below:-

	1996-97	1997-98	1998-99
	(Rupees in lakh)		
I. Revenue raised by the State Government			
(a) Tax revenue	3,258.74	3,157.31	3,056.36
(b) Non-tax revenue	3,345.37	2,752.20	4,414.93
Total: I	6,604.11	5,909.51	7,471.29
II. Receipts from Government of India			
(a) State's share of divisible Union Taxes	27,475.00	38,081.00	43,719.00
(b) Grants-in-aid	51,433.99	42,108.49	47,748.16
Total: II	78,908.99	80,189.49	91,467.16
III. Total receipts of the State (I plus II)	85,513.10	86,099.00	98,938.45
IV. Percentage of I to III	8	7	8

**(b) Tax revenue raised by the State**

Receipts from tax revenue (Rs.30.56 crore) during the year 1998-99 constituted 41 *per cent* of the State's own revenue receipts (Rs.74.71 crore). Details of tax revenue for the year 1998-99 and the preceding two years are given below:



	1996-97	1997-98	1998-99	Percentage of Increase (+)/ Decrease (-) in 1998-99 with reference to 1997-98
	(Rupees in lakh)			
1. Sales Tax	1,615.29	1,652.00	1,609.88	(-) 3
2. Taxes on Vehicles	387.89	386.21	437.01	(+) 13
3. Other Taxes on Income and Expenditure	449.61	518.30	602.27	(+) 16
4. State Excise	200.20	210.13	188.58	(-) 10
5. Stamps and Registration Fees	576.31	366.00	194.04	(-) 47
6. Other Taxes and Duties on Commodities and Services	13.58	15.50	11.56	(-) 25
7. Land Revenue	15.33	8.46	12.19	(+) 44
8. Taxes and Duties on Electricity	0.53	0.71	0.83	(+) 17
	3258.74	3157.31	3056.36	(+) 17

Reasons for variations in receipts during 1998-99 compared to 1997-98 have not been intimated by the concerned departments (March 2000).

(c) *Non-tax revenue of the State*

Receipts from non-tax revenue (Rs.44.15 crore) during the year 1998-99 constituted 59 per cent of the revenue raised by the State. Details of non-tax revenue under the principal heads for the year 1998-99 and the preceding two years are given below:-

	1996-97	1997-98	1998-99	Percentage of Increase(+)/ Decrease(-) in 1998-99 with reference to 1997-98
	(Rupees in lakh)			
1. Interest Receipts	138.95	102.00	144.27	(+) 41
2. Public Service Commission	1.19	2.22	3.82	(+) 72
3. Police	53.60	26.37	20.87	(-) 21
4. Stationery and Printing	1.33	0.88	0.35	(-) 60
5. Public Works	55.31	56.82	13.88	(-) 76
6. Other Administrative Services	25.93	26.46	327.85	(+) 1139

*Civil Report of 1999*

	1996-97	1997-98	1998-99	Percentage of Increase(+) / Decrease(-) in 1998-99 with reference to 1997-98
(Rupees in lakh)				
7. Contribution and recoveries towards Pension & ORB <sup>1</sup>	2.22	1.66	8.04	(+) 384
8. Miscellaneous General Services	573.04	553.76	1482.85	(+) 168
9. Education, Sports, Arts and Culture	13.08	6.98	12.11	(+) 73
10. Medical & Public Health	3.16	1.73	2.43	(+) 40
11. Water Supply and Sanitation	47.17	21.11	17.60	(-) 17
12. Housing	20.51	22.73	21.79	(-) 4
13. Social Security and Welfare	11.11	11.76	0.05	(-) 100
14. Crop Husbandry	7.88	3.83	3.18	(-) 17
15. Animal Husbandry	10.19	13.59	10.21	(-) 25
16. Forestry and Wildlife	206.57	125.79	305.11	(+) 143
17. Food storage and Warehousing	78.27	14.42	1.88	(-) 87
18. Co-operation	1.68	2.97	5.51	(+) 86
29. Other Agricultural Programmes	1.18	7.79	3.93	(-) 50
20. Minor Irrigation	1.02	1.91	0.08	(-) 96
21. Power	1,845.90	1458.16	1721.36	(+) 18
22. Village and Small Industries	3.47	15.07	10.37	(-) 31
23. Non-ferrous Mining and Metallurgical Industries	1.70	11.01	3.10	(-) 72
24. Road Transport	218.62	241.53	249.93	(+) 3
25. Tourism	11.83	11.99	14.17	(+) 18
26. Other General Economic Services	4.80	5.00	5.70	(+) 14

Reasons for increase/decrease have not been intimated by the concerned departments (March 2000).

1 Other Retirement Benefits.

### 6.3 Variations between Budget estimates and actuals

The major variations between Budget estimates and actual receipts under the major heads of revenue for the year 1998-99 are given below:-

Major heads of revenue	Budget estimates	Actual receipts	Percentage of variations Increase (+)/ Decrease (-) of actuals over budget estimates
	(Rupees in lakh)		
(1)	(2)	(3)	(4)
1. Other taxes on Income and expenditure	5200.00	602.27	(+) 16
2. Stamps and Registration Fees	373.00	194.04	(-) 48
3. State Excise	210.00	188.58	(-) 10
4. Sales Tax	2004.00	1609.88	(-) 20
5. Taxes on Vehicles	400.00	437.01	(+) 9
6. Other Taxes and Duties on Commodities and Services	16.00	11.56	(-) 28
7. Interest Receipts	245.00	144.27	(-) 41
8. Police	0.66	20.87	(+) 3062
9. Stationery and Printing	18.90	0.35	(-) 98
10. Public Works	37.80	13.88	(-) 63
11. Other Administrative Services	247.50	327.85	(+) 32
12. Miscellaneous General Services	1000.00	1482.85	(+) 48
13. Education, Sports, Art & Culture	24.15	12.11	(-) 50
14. Medical and Public Health	9.00	2.43	(-) 73
15. Water Supply and Sanitation	58.00	17.60	(-) 70
16. Housing	36.16	21.79	(-) 40
17. Social Security and Welfare	2.31	0.05	(-) 98
18. Crop Husbandry	11.87	3.18	(-) 73
19. Dairy Development	10.71	--	(-) 100
20. Forestry & Wildlife	300.00	305.11	(+) 2
21. Food, Storage and Warehousing	---	1.88	Infinite
22. Co-operation	0.58	5.51	(+) 850

	(1)	(2)	(3)	(4)
23. Other Agricultural Programmes		0.53	3.93	(+) 642
24. Power		2079.00	1721.36	(-) 17
25. Village and Small Industries		2.10	10.37	(+) 394
26. Non-ferrous Mining and metallurgical Industries		1.05	3.10	(+) 195
27. Road Transport		372.00	249.93	(-) 33
28. Tourism		4.20	14.17	(+) 237

The reasons for variations have not been intimated by the concerned departments (March 2000).

#### 6.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1996-97, 1997-98 and 1998-99 along with the relevant all India average percentage of expenditure of collection to gross collections for the year 1997-98 are given below:-

Sl. No.	Revenue head	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage of collection for the year 1997-98
1.	Sales Tax	1996-97	1615.29	213.29	13	1.28
		1997-98	1652.00	205.25	12	
		1998-99	1609.88	216.84	13	
2.	State Excise	1996-97	200.20	269.17	134	3.20
		1997-98	210.13	257.91	123	
		1998-99	188.58	333.45	177	
3.	Taxes on Vehicles	1996-97	387.89	135.67	35	2.65
		1997-98	386.21	123.68	32	
		1998-99	437.01	103.62	24	
4.	Stamps and Registration Fees	1996-97	576.31	3.30	1	3.14
		1997-98	366.00	0.11	@	
		1998-99	194.04	10.99	6	

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.

@ Below 1 per cent.

## FINANCE (TAXATION) DEPARTMENT

**6.5 Turnover escaped assessment**

**Incorrect deduction from the gross turnover of a firm resulted in a loss of Rs.6.96 lakh.**

Under the Nagaland Sales Tax (NST) Act 1967 (as amended) and rules thereunder, the assessing authority can allow deductions from the gross turnover of a dealer, in respect of goods sold to another registered dealer for resale or for use in manufacture for sale within the State. For claiming such deduction, the selling dealer should furnish in the prescribed form ('P' form) a declaration duly signed by the purchasing dealer.

Audit (October 1998) of the records (November 1993 to September 1998) of the Assistant Commissioner of Taxes, Mokokchung (ACT) revealed that, for the assessment years 1993-94 (August 1994), 1994-95, 1995-96 (September 1996) and 1996-97 (November 1997), a dealer<sup>3</sup> was allowed deduction of Rs.122.90 lakh on the gross turnover of Rs.163.18 lakh even though the dealer failed to furnish declarations in prescribed 'P' forms. Turnover of Rs.122.90 lakh thus escaped assessment, resulting in short levy of sales tax of Rs.6.96<sup>4</sup> lakh.

The matter was reported to the Government and Department in December 1998. The Department (August 1999) stated that the declarations (form 'P') were attached by the assessee along with the returns. This was also intimated by the Government (October 1999). However, the replies are not acceptable as the Department failed to furnish the copies of the forms to Audit (November 1999).

**6.6 Loss of revenue due to non-imposition of tax on the closing stock - Rs.3.26 lakh**

Section 4 (10) of the Nagaland Sales Tax Act, 1967 (as amended) provides that when liability of a dealer to pay tax has ceased, the Commissioner shall cancel the certificate of registration issued under the Act, and the dealer shall be liable to pay tax on his stock of goods remaining unsold at the time of cancellation.

<sup>3</sup>	M/s Supong Medical, Mokokchung	
<sup>4</sup>	(a) Inadmissible Deduction	Rs.122.90 lakh
	(b) Less to be allowed under Section 14(3)	<u>Rs. 6.96 lakh</u>
	(c) Tax leviable on	Rs.115.94 lakh
	(d) Amount of Tax (6 per cent of Rs.115.94 lakh)	Rs. 6.96 lakh

During audit (October 1998) of the records (September 1993 to September 1998) of the Superintendent of Taxes (ST), Wokha, it was found that, though a firm<sup>5</sup> was assessed (June 1995) to "nil" tax on the basis of declared turnovers for three consecutive years (1991-92 to 1993-94), the certificate of registration was not cancelled; nor was the firm assessed to tax on the closing stock of Rs.46.55 lakh remaining unsold as on 31 March 1994, as required under the Act. Thus, the Government suffered a loss of revenue of Rs.3.26 lakh<sup>6</sup> due to non-imposition of tax on the closing stock.

The matter was reported to the Government and Department in March 1999. The Department, in reply stated (April 1999), that show cause notice for cancellation of registration certificate, and completion of assessment for the closing stock of Rs.46.55 lakh had since been issued to the firm. The Department in their further reply (October 1999) contended that the actual closing stock would be Rs.1.88 lakh after allowing depreciation and rejection of the materials. The reply is not acceptable to Audit in the absence of supporting documents like Inspector's periodical verification reports. The amount has not been realised, and Government reply is still awaited (March 2000).

#### 6.7 Interest of Rs.1.26 lakh remained unrealised

Section 22. A (1) and (2) of the Nagaland Sales Tax Act, 1967 (NST Act) as amended from time to time provides for payment of simple interest at the rate of 12 *per cent* per annum for delay in payment of tax. If the assessee fails to pay the tax within a period of 60 days from the date of its becoming due, the dealer shall be liable to pay, in addition to normal interest of 12 *per cent*, a simple interest at the rate of 24 *per cent* per annum from the day commencing after the said period of sixty days on the amount by which the tax paid, falls short of the amount of tax payable.

Test check (October 1998) of the records of the Superintendent of Taxes (ST), Wokha (September 1993 to September 1998), and Assistant Commissioner of Taxes (ACT), Mokokchung (November 1993 to September 1998), supplemented by the replies furnished by the AST, Mokokchung (August 1999) revealed that interest of Rs.1.26 lakh due from 10 assesseees for delayed payment of tax was not realised. Failure of the Department to invoke the statutory provisions led to loss of revenue of Rs.1.26 lakh.

The matter was reported to the Government and Department in December 1998 and March 1999. While ST, Wokha in reply stated (April 1999) that show cause notice for realisation of interest was being issued. The AST, Mokokchung replied that demand notice for realisation of interest have already been issued.

<sup>5</sup> Wokha Hume pipe Manufacturing Industries, Wokha.

<sup>6</sup> 7 *per cent* of Rs.46.55 lakh =Rs.3.26 lakh.



**CHAPTER VII**  
**FINANCIAL ASSISTANCE TO LOCAL BODIES AND OTHERS**

**SECTION: B**

**7.1 Assistance to autonomous bodies and others**

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

During 1998-99, financial assistance of Rs.18.30 crore was paid to various autonomous bodies and other institutions broadly grouped as under:-

Serial Number	Name of institutions	Amount of assistance paid (Rupees in crore)
1.	Village Development Boards	11.57
2.	Industrial institutions	3.74
3.	Town Committees	0.80
4.	Co-operative Societies	0.26
5.	Development authority	1.20
6.	Non-Government Schools/Colleges and Institutions	0.42
7.	Other Institutions	0.31
<b>Total:-</b>		<b>18.30</b>

**7.2 Delay in furnishing utilisation certificates**

The financial rules of Government require that where grants are given for 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.

Of the 14290 utilisation certificates due in respect of grants aggregating Rs.131.34 crore paid during the period 1967-68 to 1998-99, only 11,062 utilisation certificates for Rs.52.95 crore had been furnished by 30 September

## Civil Report of 1999.

1999, and 3228 utilisation certificates for an aggregate amount of Rs.78.39 crore were in arrears. Department-wise break-up of outstanding utilisation certificates was as under:-

Serial Number	Department	Period	Number of certificates	Amount (Rupees in crore)
1.	Industries	1986-87 to 1998-99	35	18.74 *
2.	School Education	1982-83 to 1998-99	644	27.28 *
3.	Co-operation	1967-68 to 1998-99	285	5.11
4.	Rural Development	1980-81 to 1998-99	2,255	20.34 **
5.	Director of Agriculture	1998-99	9	6.92
Total:-			3228	78.39

\*The position of utilisation certificates outstanding was as per last year's position as the information upto (September 1999) is still awaited (March 2000).

\*\*The position of outstanding utilisation certificates was only for the grants upto 1993-94. Information for subsequent years is awaited (March 2000).

### 7.3 Delay in submission of accounts

In order to identify the institutions which attract audit under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, Government and Heads of Departments are required to furnish to Audit every year detailed information about the financial assistance given to various institutions, the purpose for which assistance was sanctioned, and the total expenditure of the institutions. Information for the years 1994-95 to 1998-99 was awaited from the Finance Department of the Government (March 2000).

### 7.4 Audit arrangements

7.4.1 Under section 14 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971, the accounts of any Body or Authority which is substantially financed by Government grants or loans, are to be audited by the Comptroller and Auditor General of India. A Body or Authority is said to be substantially financed if the amount of Government grant or loan is not less than Rs.25 Lakh and the amount of such grant or loan is not less than 75 per cent of the total expenditure of that Body or Authority. The following Authorities/Bodies have received substantial amounts of grants/loans from the Government of India/State Government during 1997-98 and 1998-99.



Sl No.	Name of Body/Authority	Source of Funds	Amount of grant/loan	
			1997-98	1998-99
			(Rupees in crore)	
1.	Nagaland University	Govt. of India	6.91	yet
2.	North East Zone Cultural Centre, Dimapur	-do-	0.32	yet
3.	Development Authority, Dimapur	Govt. of Nagaland	1.00	not
4.	Nagaland Board of School Education	-do-	0.57	Information
5.	Nagaland State Social Welfare Advisory Board, Kohima.	Govt. of India and Govt. of Nagaland	0.28	furnished.
6.	District Rural Development Agencies	Govt. of India and Govt. of Nagaland	36.66	
			14.96	

7.4.2 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 1998-89 onwards is still awaited (March 2000).

## SOCIAL SECURITY AND WELFARE DEPARTMENT

### 7.5 Working of the State Social Welfare Advisory Board, Nagaland

#### 7.5.1 Introduction

The Nagaland State Social Welfare Advisory Board (SSWAB), an Autonomous Body, was set up in 1958 under the Central Social Welfare Board, New Delhi. The Board is not registered under the Companies Act or the Societies Registration Act.

Schemes implemented through the SSWAB comprised centralised programmes as well as decentralised programmes. The centralised programmes included, the Socio-Economic programme, Vocational Training programme, Condensed Course of Education, Family Counselling Centre and Welfare Extension Projects (BAP & SNP). The CSWB<sup>1</sup> identifies the implementing agencies and allots funds through the SSWAB. Decentralised programmes comprise, the Awareness Generation programme, Crèche programme, Annual Grants (discontinued from 1998-99), Holiday Home Camps (discontinued from 1997-98) and the Voluntary Action Bureau. Under this category, implementing agencies are identified by the SSWAB and grants/loans are released after approval by CSWB. The implementing agencies under both these categories are registered voluntary organisations, working in the field of Women and Child Welfare. A test check of the records of the

<sup>1</sup> Central Social Welfare Board.

Board for the years 1993-94 to 1998-99 conducted during the period from September to November 1999 revealed the following:

### 7.5.2 *Funding pattern and expenditure*

The expenditure of the State Board Establishment is shared 50:50 by the Central Board and the State Government. The expenditure of the Welfare Extension Projects is shared between the CSWB and the State Government in the ratio of 2:1. The centralised and decentralised assistance is 100 per cent funded by the Central Board.

Year-wise grants sanctioned and released by the Central Board and utilised by the State Board during 1993-94 to 1998-99 given in *Appendix—XXXIII*.

It would be seen from the *Appendix—XXXIII* that there was overall saving of Rs.15.34 lakh as at the end of March 1999 and the savings were in 3 out of 6 years. The total expenditure of Rs.416.40 lakh during 1993-94 to 1998-99 included an expenditure of Rs.213.89 lakh incurred under Welfare Extension Project (WEP). As the expenditure on WEP was to be shared in the ratio of 2:1, the State Board should have restricted the expenditure out of State funds to the extent of Rs.71.30 lakh during the period, but it was seen that an amount of Rs.90.24 lakh was spent out of State funds resulting in excess expenditure of Rs.18.94 lakh. Similarly, under establishment, expenditure against the State share of Rs.4.80 lakh, the Board spent Rs.6.50 lakh from State funds. Thus, there was overall excess expenditure of Rs.20.64 lakh.

### 7.5.3 *Diversion/irregular withdrawal of funds*

Loans to staff was made by diverting scheme money and misrepresentation of facts in cash book led to misappropriation of money.

(a) Out of the unspent balance of Rs.7.19 lakh under SEP<sup>2</sup> during 1993-94 to 1996-97, an amount of Rs.4.56 lakh was irregularly paid to staff as loans and Rs.0.20 lakh was withdrawn for meeting registration expenses and there was no evidence for the remittance of Rs.0.20 lakh to the Registrar of Companies.

The Board stated (January 2000) that loan of Rs.4.56 lakh paid to the staff is under recovery from their monthly salaries. Rs.0.20 lakh spent for obtaining registration under Companies Act as per directives of CSWB was booked under temporary advance pending finalisation of registration.

The reply is not tenable as the Board remains silent about diversion of programme funds and also failed to produce evidence in support of expenditure incurred towards registration.

(b) An amount of Rs.2.58 lakh was irregularly diverted from the Revolving Fund for payment of salary and advances to staff.

The Board stated (January 2000) that the amount was temporarily diverted depending upon the circumstances. The Fund Account would be replenished on receipt of fund from CSWB/State Government as per Board's budget proposal.

<sup>2</sup> Socio Economic Programme.

The reply cannot be accepted as it amounted to misuse of programme funds.

#### 7.5.4 Irregularities in the implementation of schemes/programmes

##### (a) Selection of implementing agencies

Loans and grants were given in an arbitrary manner without having records like application, recommendation, inspection report etc.

The scheme envisaged that the area where the programme is to be implemented should be surveyed by the implementing agencies in order to identify major problems and issues relevant to the area. The details of such survey should be furnished with the application for assistance, which should be verified by an officer nominated by the SSWAB before recommendation. However, test check revealed that in the case of 45 implementing agencies, the Department could not substantiate the basis for grant of assistance, with supporting records like application, recommendation, inspection report etc. The absence of basic requirements indicates that the loans and grants were given in an arbitrary manner.

The Board contended (January 2000) that in all the cases, grants were released after observing prescribed formalities and within the knowledge of CSWB.

The reply is not acceptable as the Board failed to produce relevant documents to Audit.

##### (b) Release of grant under Vocational Training Programme

As per the sanction order, the 1<sup>st</sup> installment of the grant is to be released on receipt of documents relating to acceptance, written guarantee, bond, certificate of non-receipt of grant from other department for the same purpose etc. However, Rs.5.54 lakh was released during 1994-95 to 1995-96 to 9 Societies without complying with requirements.

The Board stated (January 2000) that it had no authority to release grants without obtaining written guarantee, bond, acceptance of terms and conditions and therefore amounts were sanctioned by CSWB on submission of the requisite documents.

The contention of the Board is only procedural, but its adherence to prescribed practice was not substantiated by records and hence the reply is not tenable.

##### (c) Utilisation Certificate wanting

Utilisation of grants doubtful in the absence of Utilisation Certificates.

During 1993-94 to 1998-99, Rs.21.43 lakh was paid to 39 societies as grants/financial assistance. None of the institutions have yet submitted the following information viz., audited accounts bearing the seal of a chartered accountant, receipt and expenditure statement, balance sheet, utilisation certificate.

The Board stated (January 2000) that utilisation certificates of grants together with audited and certified copies of accounts by Chartered Accountants were to be furnished by the grantees only after completion of course but not in the middle of the course.

The reply is not acceptable in its totality as the Board failed to indicate number of cases in which interim grants were released on the basis of un-audited accounts and number of cases where final grants were released and audited and certified copies of accounts wanting.

(d) *Welfare Extension Project*

(i) *Irregularities in purchase of milk and biscuits under Supplementary Nutrition Programme*

Purchase of food stuff worth Rs.18.24 lakh doubtful in absence of proof of distribution.

The State Board spent Rs.18.24 lakh during 1993-96 on purchase of milk and biscuits under SNP<sup>3</sup>. The purchases were made from the local market without floating tenders. There is no evidence that the materials were received in good condition and taken into stock.

Though the stock register indicated that materials purchased during 1994-95 and 1995-96 for Rs.13.83 lakh were issued to various project implementing centres, none of the project implementing centres could furnish details of receipt and distribution. In addition, there is no evidence that materials valued at Rs.4.41 lakh (1993-94: Rs.0.88 lakh and 1996-97: Rs.3.53 lakh) were properly accounted for or issued.

Thus, the benefit of supplementary nutrition was not passed to the beneficiaries.

(ii) *Payment made without receipt of materials*

Payment of Rs.5.93 lakh made without of receipt of materials.

The State Board spent Rs.6.09 lakh on procurement of materials for Welfare Extension Projects during 1993-94 to 1998-99. The purchases were made from the local market on cash payment without floating tenders. The materials purchased during the period were neither accounted for in the stock register, nor has any certificate of receipt of the materials been recorded on the body of the bills/cash memos.

In addition, Rs.5.93 lakh was spent on supply of materials to 6 centres during the period. However, no bills/vouchers, sub-vouchers, receipt and issue of articles are available. The payment was made without proof of receipt of materials.

Moreover, in none of the Welfare Extension Projects could the stock registers be produced to Audit. In the absence of such records, expenditure of Rs.12.02 lakh could not be vouchsafed.

The Board while admitting the lapse stated that non-maintenance of records of materials received and distributed/utilised was due to ignorance of accounting procedure which, however, would be correctly adopted in future. The Board, however, remained silent about proper receipts and distribution/utilisation of materials worth Rs.24.17 lakh.

<sup>3</sup> Supplementary Nutrition Programme.

**7.5.5 *Inadequate monitoring of the State Board***

As per standing instructions, monthly expenditure statement and quarterly progress reports are to be sent by State Board to the Central Board. It is seen, however, that these reports are not submitted regularly. This also indicates that there is inefficient monitoring of the functioning of the working of the State Board.

The Board admitted the lapse and stated (January 2000) that monitoring of the functioning of the SSWB to CSWB since been started as per norms.

**7.5.6** Above points were referred to Government and the Board in December 1999. While replies from Government have not been received (March 2000); those received from the Board have been incorporated in the para.

**CHAPTER VIII**  
**GOVERNMENT COMMERCIAL AND TRADING**  
**ACTIVITIES**

**8.1 General review of Government companies**

**8.1.1 Introduction**

As on 31 March 1999, there were 6 Government companies (including one subsidiary) as against 6 Government companies (including one subsidiary) as on 31 March 1998 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by government of India on the advice of 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 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 1999, the total investment in 6<sup>1</sup> companies (including one subsidiary) was Rs.49.87 crore (equity:Rs.18.19 crore; long term loans:Rs.23.28 crore; share application money:Rs.8.40 crore) as against total investment of Rs.45.17<sup>2</sup> crore (equity:Rs.17.04 crore; long term loans:Rs.21.04 crore; share application money:Rs.7.09 crore) as on 31 March 1998 in 6 Government companies (including one subsidiary).

The classification of Government companies were as under:-

Status of companies	Number of companies	Investment (Rupees in crore)		Number of companies referred to BIFR
		Paid up capital	Long term loans	
(a) Working companies	6 (6)	26.59 (24.13)	23.28 (21.04)	Nil
(b) Non working companies	Nil	Nil	Nil	Nil
<b>Total:-</b>	<b>6</b> <b>(6)</b>	<b>26.59</b> <b>(24.13)</b>	<b>23.28</b> <b>(21.04)</b>	

(Figures in brackets are previous year's figure).

The summarised financial results of Government companies are detailed in Appendix-XXXIV and XXXV.

<sup>1</sup> Including Nagaland Sugar Mills Company Limited, Dimapur the figures of which have not been included due to non-receipt of information.

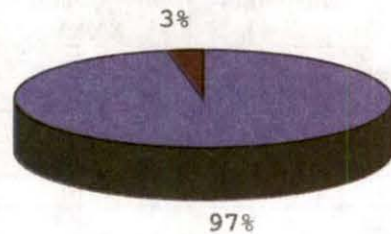
<sup>2</sup> Differs due to revision of investment figures after including equity and share application money.

### 8.1.3 Sector-wise investment in Government companies

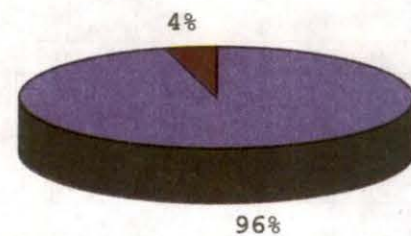
As on 31 March 1999, of total investment in Government companies, 53.32 per cent comprised equity capital and 46.68 per cent comprised loans compared to 53.42 per cent and 46.58 per cent respectively as on 31 March 1998.

The sector-wise investment (equity and long term loans) in Government companies as of the end of 1997-98 and 1998-99 is given below in two pie diagrams.

As on 31 March 1998



As on 31 March 1999



■ Industries and Commerce ■ Geology and Mining

### 8.1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

The budgetary outgo from the State Government to the Government companies for the 3 years upto 1998-99 in the form of equity capital is given below:-

	(Rupees in crore)					
	Companies					
	1996-97		1997-98		1998-99	
	Number	Amount	Number	Amount	Number	Amount
Equity capital	1	0.15	2	0.95	2	1.15
Loans	1	0.55	1	0.55	1	0.55
Grants	2	2.83	2	1.97	2	2.05
<b>Subsidy towards</b>						
(i) Projects/Programmes/ Schemes	1	0.21	---	---	---	---
(ii) Other subsidy						
(iii) Total subsidy	1	0.21	---	---	---	---
<b>Total outgo</b>	<b>3</b>	<b>3.74</b>	<b>3</b>	<b>3.47</b>	<b>3</b>	<b>3.75</b>

No guarantees for loans were given by the State Government during the year 1998-99. However, at the end of the year 1998-99 guarantees amounting to Rs.3.96 crore against one Government Company was outstanding.

### 8.1.5 Finalisation of accounts by Government companies

8.1.5.1 The accounts of the companies for every financial year are to be finalised within six months from the end of relevant financial year under Section 166, 210, 230 and 619 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-XXXV*, none of the 6<sup>3</sup> Government companies had finalised their accounts for the year 1998-99, within the stipulated period. However, in 1997-98, three companies, namely Nagaland Industrial Raw Materials and Supply Corporation Limited, Dimapur, Nagaland Handloom and Handicrafts Development Corporation Limited, Dimapur and Nagaland State Mineral Development Corporation Limited, Kohima had finalised their accounts for the year 1978-79, 1981-82 and 1983-84 respectively. The accounts of all the companies were in arrears for periods ranging from 9 years to 20 years as on 30 September 1999 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-XXXV</i>
1.	1990-91 to 1998-99	9	1	1 (i)
2.	1985-86 to 1998-99	14	1 (subsidiary)	1 (v)
3.	1984-85 to 1998-99	15	1	2 (i)
4.	1982-83 to 1998-99	17	1	1 (iii)
5.	1979-80 to 1998-99	20	1	1 (ii)

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Government companies within prescribed period. Through 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 companies could not be assessed in audit.

#### **8.1.6 Working results of Government companies**

According to latest finalised accounts of 5<sup>4</sup> Government companies, 2 companies had incurred on aggregate a loss of Rs.66.45 lakh and 1 company earned profit of Rs.0.49 lakh.

The summarised financial results of Government companies as per latest financial accounts are given in *Appendix—XXXV*.

##### **8.1.6.1 Profit making companies and dividend**

Only one Company *viz.*, Nagaland Industrial Raw Materials and Supply Corporation Limited, Dimapur which finalised its accounts for 1978-79 earned a profit of Rs.0.49 lakh during the year but no dividend had been declared by the Company.

##### **8.1.6.2 Loss incurring companies**

Of the 6 companies, the accounts of NIDC have been finalised upto 1989-90. In the case of this company the accumulated loss as of 1989-90 was Rs.340.36 lakh and constituted 30.25 *per cent* of paid up capital (Rs.1125.27 lakh).

<sup>3</sup> Excluding Nagaland sugar Mills company Ltd., Dimapur.

<sup>4</sup> Excluding Nagaland sugar Mills company Ltd., Dimapur.



**8.1.7 Return on Capital Employed**

As per latest finalised accounts (upto September 1999) the capital employed worked out to Rs.21.87 crore in 5<sup>5</sup> companies (information not furnished by 1 company) and total return thereon amounted to Rs.(-)0.67 crore. The details of capital employed and total return on capital employed in the case of Government companies are given in *Appendix—XXXV*.

**8.1.8 Results of audit by Comptroller and Auditor General of India**

The summarised financial results of the 6 Government companies based on the latest available accounts are given in *Appendix—XXXV*.

**8.1.8.1 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 audit of their accounts but no corrective action taken by these companies so far:

- (1) The accounts are not finalised in time.
- (2) Major decisions are sometimes taken without approval of BOD.

**8.1.9 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 1999 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	All the reviews and paragraphs are pending for discussion.	
1995-96	1	2		
1996-97	1	---		
1997-98	1	1		

**8.1.10 Departmentally managed Government Commercial/ Quasi-Commercial Undertakings**

Proforma accounts of departmental and departmentally managed commercial undertakings were in arrears ranging from 1 to 27 years.

As on 31 March 1999, there were nine departmentally managed government Commercial and quasi-commercial undertakings.

Mention was made in paragraph 8.3.2 of the Report of the Comptroller and Auditor General of India for the year 1997-98 about delay in preparation of proforma accounts of these undertakings.

<sup>5</sup> 5 companies are NIDC, NHHDC, NHL, NIRMISC and NSMDC.

*Civil Report of 1999*

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 1998-99
2.	Nagaland State Transport Department	1988-89 to 1998-99
3.	Nagaland Power Department	1981-82 to 1998-99
4.	Farms under Agriculture Department	
	(i) Potato Seed Farm, Kuthur	1998-99
	(ii) Medium size Seed farm, Merapani	Nil
	(iii) Seed Farm, Tizit	1998-99
5.	Changki Valley Fruit Preservation Factory	1987-88 to 1998-99
6.	Timber Treatment and Seasoning Plant, Dimapur	1998-99
7.	Government Cottage Industries Emporia, Kohima	1979-80 to 1998-99
8.	Farms under Veterinary and Animal Husbandry Department	
	(i) Cattle Breeding Farm, Medziphema	1998-99
	(ii) Cattle Breeding farm, Tuensang	1998-99
	(iii) Cattle Breeding Farm, Aliba	1998-99
	(iv) State Cattle Breeding Farm, Lerie	1993-94 to 1998-99
	(v) Chick Rearing Centre (with Hatchery Unit), Mokokchung	1998-99
	(vi) Chick Rearing Centre (with Hatchery Unit), Dimapur	1998-99
	(vii) Chick Rearing Centre, Tuensang	1985-86 to 1998-99
	(viii) Chick Rearing Centre, Medziphema	1985-86 to 1998-99
	(ix) Pig Breeding Centre, Medziphema	1997-98 to 1998-99
	(x) Pig Breeding Centre, Tizit	1997-98-1998-99
	(xi) Pig Breeding Centre, Tuensang	1985-86 to 1998-99
	(xii) Pig Breeding Centre, Mokokchung	1985-86 to 1998-99
	(xiii) Pig Breeding Centre, Tuli (Mokokchung)	1980-81 to 1998-99
	(xiv) Regional Rabbit Breeding Farm, Jharnapani	1998-99
	(xv) Pig Breeding Centre, Merangkong	1998-99
	(xvi) Chick Rearing Centre, Kohima	1998-99
	(xvii) Pig Breeding Centre, Sathuja	1998-99
	(xviii) Cattle Breeding farm, Baghty	1998-99
	(xix) Sheep Farm, Poilwa	1998-99
	(xx) Buffalo Farm, Jalukie	1998-99
	(xxi) Regional Broiler Centre, Kohima	1998-99
9.	Farm under Horticulture Department	
	Fruit Canning Factory, Longnak	1993-94 to 1998-99

## SECTION—'A' REVIEW

## INDUSTRIES AND COMMERCE DEPARTMENT

## (NAGALAND INDUSTRIAL DEVELOPMENT CORPORATION)

## 8.2 Disbursement of loan and recovery performance of Nagaland Industrial Development Corporation Limited

*Highlights*

*The Corporation, which had been established for development of industry in the State, could not recycle funds primarily due to its failure to recover the heavy over dues from the loanees. In loan operations, there were laxities in pre-sanction appraisals, disbursement and monitoring of implementation of projects, post-disbursement inspection and follow-up, and in recovery of dues. These led to misutilisation of funds/non-implementation of projects by the loanees, as also very poor recovery of overdues and unsatisfactory performance of the Corporation. As such, the Corporation needs to initiate recovery drives in right earnest to save itself from becoming 'sick'.*

The Corporation was incorporated in March 1970 with the main object to establish, assist and develop industries in the State.

(Paragraph 8.2.1)

The Corporation defaulted in repayment of IDBI/SIDBI dues amounting to Rs.11.24 crore. Consequently it could not avail of further refinance from IDBI (1991-92) and SIDBI (1992-93).

(Paragraph 8.2.4 (ii))

Defective appraisals by the Corporation in sanctioning of term loans, poor documentation, lapses in disbursement, ineffective recovery actions, abandonment of assisted units etc., led to non-recovery of Rs.1.09 crore.

(Paragraph 8.2.8)

There were instances of deficiencies in pre-sanction appraisal of loan applications (Rs.43.30 lakh), monitoring of implementation of projects (Rs.19.17 lakh), post disbursement inspection (Rs.373.55 lakh) and monitoring of recovery (Rs.230.91 lakh).

(Paragraph 8.2.8.1 to 8.2.8.3 and 8.2.10)

Recovery of over dues was very low, varying from 6.64 to 22.10 per cent of total amount recoverable amount and over dues at the close of 1998-99 stood at Rs.13.73 crore.

(Paragraph 8.2.9)

The Corporation suffered a loss of Rs.3.70 crore while settling dues of 11 defaulting units under a one time settlement scheme.

(Paragraph 8.2.11)

### 8.2.1 Introduction

The Nagaland Industrial Development Corporation Limited was incorporated on 26 March 1970 as a Government Company with the main object to establish, assist, development and promotion of industries in the State and also to establish and administer public utilities, including hotels, warehouses and markets.

The present activities of the Corporation are confined to providing financial assistance to industrial units, working as channelising agency of capital from the National Scheduled Caste Finance and Development Corporation (NSFDC) and the National Minorities Development and Finance Corporation (NMDFC), managing and maintaining two Industrial Estates at Dimapur and implementation of the proposed Export Promotion Industrial Park.

### 8.2.2 Organisational set up

The management of the Corporation is vested in a Board, presently consisting of 7 (seven) Directors. Of these, 6 (six) Directors, including the Chairman, and the Managing Director (MD), are nominated by the State Government and one Director, by the SIDBI. The MD is the Chief Executive of the Corporation, and is assisted by two General Managers (GMs), and five Deputy General Managers (DGMs).

### 8.2.3 Scope of Audit

The performance of the Corporation was previously commented upon in Paragraph 8.4 of the Report of the Comptroller and Auditor General of India for the year 1984-85. The present review on the Loan Recovery Performance of the Corporation for the five years ending 31 March 1999, was conducted during May-June 1999, and the findings are discussed below.

### 8.2.4 Funding

#### (i) Capital

The initial authorised capital of the Corporation of Rs.4 crore was increased from time to time and was Rs.25 crore as on 31 March 1999.

As on 31 March 1999, the paid up capital of the Company was Rs.11.25 crore, of which, the Government of Nagaland and IDBI have subscribed Rs.6.52 crore and Rs.4.73 crore respectively.

**(ii) IDBI/SIDBI Loan**

The Corporation was availing refinance facilities from IDBI and SIDBI from 1978-79 and 1990-91 respectively. Of the two types of refinance facilities available, the automatic refinance facility permits partial refinance upto a total limit of Rs.7.50 lakh in each case without prior approval of IDBI/SIDBI and upto a limit of Rs.90 lakh with prior approval. Under the normal refinance facility, 100 per cent refinance is available for loans disbursed in excess of Rs.0.90 crore, but upto Rs.3 crore, subject to approval of IDBI/SIDBI. The IDBI/SIDBI loans carried interest varying from 9 per cent to 12 per cent per annum and the Corporation was allowed to extend loans at a margin of 3.5 per cent per annum over IDBI/SIDBI rates.

The Corporation obtained refinance facilities aggregating Rs.11.88 crore (till 1990-91) from IDBI, and Rs.5.07 crore (till 1991-92) from SIDBI. From 1991-92 and 1992-93 respectively, IDBI and SIDBI declined to extend further loans, due to heavy over dues against the Corporation, which stood at Rs.11.24 crore as on 31 March 1999.

**8.2.5 Financial position and working results**

Though the accounts of the Corporation have been compiled upto 1998-99, these have been finalised and audited only upto 1989-90.

The Corporation has adopted the practice of accounting for the Income and Expenditure on cash basis with effect from 1996-97, in accordance with Section 145 of the Income Tax Act, 1961.

The financial position and working results of the Corporation, for five years upto 1998-99 are shown in *Appendix-XXXVI*.

It would be seen from the *Appendix* that the Corporation incurred losses ranging from Rs.35.21 lakh to Rs.130.20 lakh in all the five years from 1994-95 to 1998-99. Reasons for recurring losses, have not been analysed by the Management to take remedial measures.

An analysis in audit, however, disclosed that poor recoveries of interest from the loanees and payment of interest on borrowings were the main reasons of recurring losses.

**8.2.6 Sanction and disbursement of loan**

The Corporation provides financial assistance for setting up of new projects in the State. According to the laid down procedure, a promoter seeking financial assistance from the Corporation is required to furnish an application in the prescribed format along with the Project Report of the unit to be set up. During the appraisal of the project, the Corporation examines the techno-economic viability of the Project, security being offered, credit worthiness, of promoters etc. Disbursement is made after entering into an agreement, ensuring clear title of primary security mortgaged and watching the progress of the project.

A comparative statement showing the receipt of loan applications, sanctions and disbursements made during the five years ending 1998-99 is given at *Appendix-XXXVI*. It would be seen from the *Appendix* that loans sanctioned

Corporation's failure to repay heavy overdues of IDBI and SIDBI loans led to discontinuance of refinance from 1991-92 and 1992-93 respectively.

The Corporation incurred losses consistently from 1994-95.

and disbursed by the Corporation during the five years upto 1998-99 amounted to Rs.8.71 crore and 7.98 crore respectively. Further analysis revealed that Rs.0.34 crore were sanctioned to the loanees but remain undisbursed.

### 8.2.7 Project appraisal

As per procedures and guidelines of the IDBI before sanction and disbursement of loans, the Company is required to conduct effective (a) Pre-sanction appraisals of bio-data and credit worthiness of promoters, title deeds of properties mortgaged, technical feasibility of the project, marketability of products, existence of license/permission to set up the unit etc., (b) Monitoring of implementation of project to ensure actual utilisation on approved project, and (c) Post-disbursement inspections to ensure proper functioning of the assisted units.

Scrutiny of defaulting cases disclosed that poor recovery performance and consequent mounting overdues was due to absence of proper financial and technical pre-sanction appraisals, lack of effective monitoring of implementation of the projects, post disbursement inspections and lack of effective recovery drives which led to abandonment, non-implementation and misutilisation of loans by the beneficiaries.

### 8.2.8 Deficiencies in Loan Operations

A few cases were test checked and examined in audit with a view to evaluate the deficiencies in appraisal, sanction, disbursement, post inspection, follow up and inaction on the part of the Management in taking up effective and timely steps to recover overdues and prevent accumulation of bad, doubtful and loss assets. The money value of the cases seen in audit, where the loan amount irrecoverable was Rs109.03 lakh (*Appendix--XXXVII*).

#### 8.2.8.1 Deficiencies in pre-sanction appraisal

Non-recovery of Rs.43.30 lakh due to deficiencies in pre-sanction appraisals.

##### (a) Abandoned Projects

The Corporation had taken up three joint sector projects, Nasha Toys (P) Ltd., Luminos Gas (P) Ltd., and Nagaland Oils (P) Ltd., without ascertaining their techno-economic viability and feasibility. All the three Projects were subsequently abandoned. Thus, the entire investment of Rs.35 lakh by NIDC in Nasha Toys (P) Ltd., (Rs.21 lakh), Luminos Gas (P) Ltd., (Rs.9 lakh), and Nagaland Oils (P) Ltd., (Rs.5 lakh), has become infructuous.

(b) The Corporation sanctioned (March 1989) a term loan of Rs.1.15 lakh to a firm (M/s Antenna Electronics) for setting up an Antenna and Booster manufacturing unit at Dimapur. The loan was disbursed in one installment in April 1987.

Scrutiny in Audit revealed that the unit was not functioning. The Manager of the Corporation vide his note dated August 1989 stated that the unit had market problems which the Corporation had overlooked at the time of

Defective appraisal, lapses in disbursement and ineffective recovery action resulted in non-recovery of Rs.1.09 crore.

Infructuous expenditure of Rs.35 lakh on three joint sector projects taken up by the Corporation, with ascertaining techno-economic viability and feasibility.

appraisal, which resulted in loss of Rs.4.06 lakh: (principal Rs.1.15 lakh and interest Rs.2.91 lakh).

(c) The Corporation disbursed Rs.1.30 lakh to M/s Agri Tool Implements in one instalment in March 1987, for setting up an agricultural tools unit at Mokokchung town.

Audit scrutiny revealed that the Assistant Manager of the Corporation vide his note dated July 1988 had stated that the unit was well installed and running smoothly. However, DGM (R&F), vide his note dated September 1998, stated that the unit was never set up, and that the loanee had left Mokokchung and was running a workshop at Duncan Bosti, in Dimapur. Thus, both the notings were contradictory. Strangely, the DGM (R&F) vide note dated December 1998 withdrew his noting. It is therefore obvious that the funds were diverted in collusion with senior Corporation officials. Also by disbursing the loan directly to the loanee, the Corporation violated the procedure and guidelines of IDBI for payment of value of machinery/equipment directly to the supplier after physical verification of assets. Consequently, the Company had to sustain a loss of Rs.4.24 lakh (principal: Rs.1.30 lakh and interest: Rs.2.94 lakh). No action has been taken against the officials of the Corporation on whose wrong certification the loan was sanctioned.

#### **8.2.8.2 Deficiencies in monitoring of project implementation**

##### **Non-recovery of Rs.19.17 lakh due to deficiencies in monitoring of project implementation**

(a) The Corporation sanctioned (April 1990) a term loan of Rs.3.38 (NEF 0.67 lakh) to a firm (M/s Studio '7' Kohima), for setting up a studio at Kohima. The loan was disbursed between March to December 1991.

Audit Scrutiny revealed that the unit was not commissioned. The outstanding amount against the unit was Rs.8.27 lakh: (Principal Rs.3.17 lakh and Interest Rs.5.10 lakh).

(b) Similarly, in another case, (M/s Likli Stone Crushing Unit), the loanee refused to repay the loan (Rs.2.00 lakh) and claimed that the legal documents produced by the Corporation were fake, and the signatures thereon were forged. The DGM (R&F) vide his note date March 1999 stated that the follow up action on the part of Corporation was weak. This resulted into non-recovery of Rs.6.18 lakh: (Principal Rs.2.00 lakh and Interest Rs.4.18 lakh).

(c) A loan of Rs.2 lakh (including National Equity Fund of Rs.0.20 lakh) was sanctioned (July 1991) to a firm (M/S Jongshi Wati Stone Crusher at Mokokchung). The loan was disbursed in April 1992. Audit scrutiny revealed that the unit was not commissioned till date (June 1999). DGM (R&F) vide his note dated June 1998 stated that, the machinery and equipment were scattered all over the premises and exposed to the sun and rain. There was no question of taking over the unit, since, vital machinery parts were missing. The dues outstanding were Rs.4.72 lakh: (Principal: Rs.2 lakh and Interest: Rs.2.72 lakh). No legal action has been initiated against the loanee (October 1999).

Thus due to various lapses in monitoring of project implementation, the Corporation could not recover Rs.19.17 lakh (Principal 7.17 lakh and interest Rs.12.00 lakh).

### 8.2.8.3 Deficiencies in post disbursement inspections/monitoring

#### Non-recovery of Rs.373.55 lakh due to deficiencies in post disbursement inspections and monitoring.

(a) The Corporation sanctioned (September 1988) a term loan of Rs.84.00 lakh and temporary loan of Rs.5.00 lakh to a firm (M/s Gyan Product (P) Ltd.) for setting up a plywood manufacturing unit at Dimapur. The loan was disbursed between November 1988 and March 1990. Audit scrutiny revealed that the unit was closed in February 1997. It was further observed that the Corporation had neither appointed any nominee Director on the Board of the firm to safeguard the financial interest of the Corporation, nor conducted any technical and financial inspection of the defaulted unit from time to time. No action was taken by the Corporation either to recover the overdues, or for taking physical possession and disposal of the assets.

Thus recovery of Rs.230.32 lakh (principal Rs.89.00 lakh and interest Rs.141.32 lakh) has become doubtful.

(b) The Corporation sanctioned (August 1981) a term loan of Rs.16 lakh to a firm (M/s Nagaland Conductors and Cables, Dimapur) for setting up a conductors and cables unit at Dimapur. The loan was disbursed in 6 instalments (October 1981 to October 1983).

Audit scrutiny revealed that the Company was defunct and there was no activity since 1986 for want of working capital. Thus due to deficiencies in post disbursement inspection, the recovery of Rs.82.24 lakh (principal Rs.16.01 lakh and interest Rs.66.23 lakh) has become doubtful.

(c) The Corporation sanctioned a term loan of Rs.22 lakh in August 1984 to a firm (M/s Green Valley Veneer (P) Ltd.), for setting up a veneer-cum-saw mill at Tizit.

The firm ceased production in mid 1989, at which time, the owner of the land informed the Corporation that finished goods worth Rs.20 lakh were available in stock. However, by mid 1990, most of the machinery and finished goods were fraudulently removed. The shed of the mill had fallen down by itself and the CGI sheets were stolen. The whereabouts of the chief promoter were also not known.

The Ex-Chairman of the firm, who was also one of the guarantors, refused to honour the over dues on the grounds that the Corporation had neglected to recover the loan before the winding up of the firm and failed to seize the finished goods worth over Rs.20 lakh along with the machinery. Further, he had also written to the Corporation at the time of closure, to take over the factory immediately and recover the dues but no action was taken by the Corporation.

Thus, the failure of the Corporation to conduct post disbursement inspection of the unit and to act in a timely manner to seize the finished goods/machinery resulted in non-recovery of Rs.32.30 lakh (principal Rs.15.16 lakh and interest



Rs.17.14 lakh). No criminal or civil charges were filed by the Corporation against the loanee for fraud, and for recovery of over dues from the guarantor, till date (June 1999).

(d) The Corporation disbursed a term loan of Rs.3.75 lakh, and Rs.0.75 lakh as loan under the National Equity Fund, in March 1991, to a firm (M/s Alpha Audio Studio), for setting up a recording studio at Kohima.

The Inspection Report of the Corporation for July 1997 revealed that, the unit was closed down long ago. The machinery had been either sublet, or sold to other parties. Legal notice to the guarantor went unanswered, with no follow up. No legal action was initiated by the Corporation against the loanee (Non-recovery of Rs.10.40 lakh, Principal: Rs.3.56 lakh and Interest Rs.6.84 lakh).

(e) The Corporation sanctioned (December 1985) a term loan of Rs.5 lakh to a firm (M/s Grace Hotel) for setting up a hotel unit at Mokokchung. The loan was disbursed in February 1986.

Audit Scrutiny revealed that the Hotel was closed and renovated to be rented out as flats. The entrepreneur shifted residence from Mokokchung to Kohima. Thus, no action on the part of the Corporation resulted in non-recovery of Rs.18.29 lakh (principal: Rs.4.96 lakh and interest: Rs.13.33 lakh).

#### ***8.2.9 Recovery Performance***

The overall position of over dues and recovery of loans for the five years from 1994-95 to 1998-99 is given below:-

		(Rupees in crore)				
		1994-95	1995-96	1996-97	1997-98	1998-99
(i)	Over dues at the beginning of the year					
	Principal	703.71	764.23	827.83	881.36	884.05
	Interest	520.46	546.97	595.57	623.08	655.43
	<b>Total</b>	<b>1224.17</b>	<b>1311.20</b>	<b>1423.40</b>	<b>1504.44</b>	<b>1539.48</b>
(ii)	Amount fallen due during the year					
	Principal	122.91	124.49	118.37	127.23	142.59
	Interest	87.89	88.92	81.77	81.52	79.77
	<b>Total</b>	<b>210.80</b>	<b>213.41</b>	<b>200.14</b>	<b>208.75</b>	<b>222.36</b>
(iii)	Total Demand (i) + (ii)					
	Principal	826.62	888.72	946.20	1008.29	1026.64
	Interest	608.35	635.89	677.34	704.60	735.20
	<b>Total</b>	<b>1434.97</b>	<b>1524.61</b>	<b>1623.54</b>	<b>1712.89</b>	<b>1761.84</b>
(iv)	Amount recovered					
	Principal	62.39	63.89	64.84	124.24	251.46
	Interest	61.38	40.32	54.26	49.17	137.98
	<b>Total</b>	<b>123.77</b>	<b>104.21</b>	<b>119.10</b>	<b>173.41</b>	<b>389.44</b>
(v)	Over dues at the close of the year					
	Principal	764.23	827.83	881.36	884.05	775.18
	Interest	546.97	595.57	623.68	655.43	597.54
	<b>Total</b>	<b>1311.20</b>	<b>1423.40</b>	<b>1505.04</b>	<b>1539.48</b>	<b>1372.72</b>
(vi)	Percentage of recovery					
	Principal	7.55	7.19	6.85	12.32	24.49
	Interest	10.09	6.34	8.01	6.98	18.76
	<b>Total</b>	<b>8.63</b>	<b>6.64</b>	<b>7.34</b>	<b>7.20</b>	<b>22.10</b>

Recovery of overdues was very low, varying from 6.64 per cent to 22.10 per cent, and overdues at the close of 1998-99 stood at Rs.13.73 crore.

It would thus be seen that, recovery of over dues was very low, ranging from 6.64 per cent to 22.10 per cent and overdues increased from Rs.13.11 crore in 1994-95 to Rs.13.73 crore in 1998-99.

The Corporation neither analysed the reasons for mounting the over dues and poor recoveries, nor made age-wise analysis with a view to identifying cases of doubtful recoveries. Further, no annual target for recovery had been fixed, nor were any effective recovery drives, except by way of issue of routine reminders for repayment, initiated.

#### 8.2.10 Deficiencies in monitoring of recovery

##### Non-recovery of Rs.230.91 lakh due to deficiencies in monitoring of recovery.

Review of the monitoring and follow up of recovery dues, revealed that, even though the IDBI had advised the Corporation to review the recovery performance periodically (at least once a year), and to place such reviews before the Board and furnish a copy of the reviews along with comments of the Board to the IDBI, no such review had been conducted and reported to the Board by the Company. This indicates the absence of an effective monitoring system in the Company.

Some cases of deficiencies are discussed below:

(a) The Corporation sanctioned (June 1984) a term loan of Rs.58.44 lakh to a firm (M/s Naginimora Veneer Saw Mills (P) Ltd). for setting up a Veneer

cum Saw Timber mill at Naginimora. The loan was disbursed in 10 instalments (October 1981 to June 1983).

Audit scrutiny revealed that the factory was closed in December 1996. The Corporation failed to take appropriate action to recover the overdues when the unit was at its peak profitability (mid-eighties). Disposal of the unit was highly doubtful. No action was taken by the Corporation to recover the overdues when the unit was earning substantial profit. This resulted into non-recovery of Rs.118.36 lakh (principal Rs.51.36 lakh and interest Rs.67.00 lakh).

(b) The Corporation sanctioned (August 1993) a term loan of Rs.34.00 lakh to a firm (M/s Nagaland Plywood (P) Ltd.), for setting up a plywood manufacturing unit at Dimapur. The loan was disbursed in 5 installments (October 1986 to November 1987).

Audit scrutiny revealed that the firm was closed in June 1997 and the assets were transferred to some other places without approval of the Corporation. The loan was therefore classified under doubtful category as per IDBI guidelines. (Loss of Rs.57.52 lakh principal: Rs.30 lakh and interest Rs.27.52 lakh).

(c) The Corporation sanctioned (May 1987) a term loan of Rs.15.00 lakh to a firm (M/s Hotel Senti) for setting up a hotel project at Dimapur. The loan was disbursed in 9 installments (June 1987 to April 1989).

Audit scrutiny revealed that the chief promoter expired (1998). DGM (Recovery and Follow up) vide his note dated 15 September 1998 stated that recovery of loan was highly doubtful and advised to lock up the unit. However, no action was taken in the matter. Outstanding dues were Rs.46.30 lakh (principal Rs.13.00 lakh and interest Rs.33.30 lakh).

(d) The Corporation disbursed Rs.1.50 lakh in March 1990 to a firm (M/s Stone Crushing Unit), for setting up a stone crushing unit at Changtongya.

Audit scrutiny revealed that the unit never came into existence. The entrepreneur had disposed off the stone crushing machine, sold all his property at Changtongya without the approval of the Corporation and permanently settled down at Dimapur. One of the guarantors advised (April 1994) the Corporation to take physical possession of the machinery and assess the uncovered liabilities and proceed against the loanee to recover the shortfall by taking possession of the mortgaged property at the earliest. It was, however, observed in audit that, no physical possession of either mortgaged property, or the stone crusher machinery was taken by the Corporation (The outstanding amount was Rs.4.15 lakh: (principal: Rs.1.50 lakh and interest: Rs.2.65 lakh).

(e) Similarly, in case of other Stone Crusher unit at Pughoboto to whom a term loan of Rs. 1.45 lakh was sanctioned in March 1988, the loanee had expressed his inability to repay the loan (November 1994), and was willing to surrender the machinery to the Corporation as he was not able to operate the same. No action was taken by the Corporation either to take physical possession of the machinery, or for filing civil suit against the loanee for recovery of overdues till date (June 1999). Thus due to not taking any recovery action the Corporation sustained a loss of Rs.4.58 lakh (Principal: Rs.1.45 lakh and Interest: Rs.3.13 lakh).

### 8.2.11. Loss of Rs.3.70 crore on irregular one time settlement

In eleven cases (during the period April 1997 to March 1999), the Corporation was left with no alternative, but to agree to onetime settlements with defaulters, thereby writing off Rs.3.70 crore, as shown in *Appendix-XXXVIII*.

The one time settlements were mainly due to failure of the Corporation in carrying out the required pre and post sanction disbursement formalities. In some cases, the actual beneficiary was not the loanee, but other parties; further there were loopholes in legal papers drawn up and signed; changes in ownership/site/place by entrepreneurs without the approval of the Corporation. In these cases the Corporation did not enforce recoveries through legal redress on the ground that the process would be lengthy and may not be the Corporation's advantage.

It was further observed in Audit that, no uniform norms had been fixed by the Corporation for such onetime settlements of similar nature. Different standards have been applied and as seen by Audit, under political and other pressures.

### 8.2.12 Classification of outstanding loans

As per IDBI classifications, the loans are categorised into four groups: Standard, Substandard, Doubtful and Loss assets, on the basis of possibility of recovery of loans.

In the case of standard assets, the repayments are regular. Substandard assets are those where installments of the principal are overdue for periods exceeding one to two years. Any substandard asset where recovery is overdue beyond two years becomes doubtful, whereas a loss asset is one where loss has been identified by the Corporation as considered uncollectable but the amount has not been written off.

Provision for bad and doubtful debts of Rs.8.94 crore has not been made in accordance with the guidelines of IDBI.

Even though the Corporation has classified its assets upto 1997-98 as per IDBI instructions, it has not provided for bad and doubtful debts of Rs.894 lakh. Had this been taken into account, the accumulated losses would have increased to Rs.1991.67 lakh as on 31 March 1999, against paid up capital of Rs.1125.27 lakh, leading to a negative net worth (-) Rs.866.40 lakh.

**8.2.13 Recommendations**

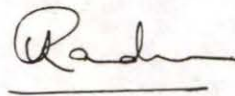
In order to improve its operations the Corporation needs to take the following corrective measures:-

-- Strengthen its pre and post sanction appraisal system, as well as monitoring and follow up of recoveries of outstanding dues.

-- Take immediate steps to initiate recovery proceedings and encashment of guarantees in the case of default by loanee units, and to invoke personal guarantees of the promoters/others guarantors of loans.

-- Strict action against employees who fail to discharge their duties as regards to sanction, disbursement, monitoring, follow up and recovery of loans.

The matter was brought to the notice of the Corporation and the State Government in October 1999; replies had not been received (March 2000).

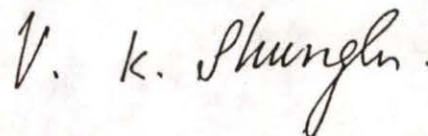


(V.RAVINDRAN)

Accountant General (Audit), Nagaland.

Kohima  
The 17 APR 2000

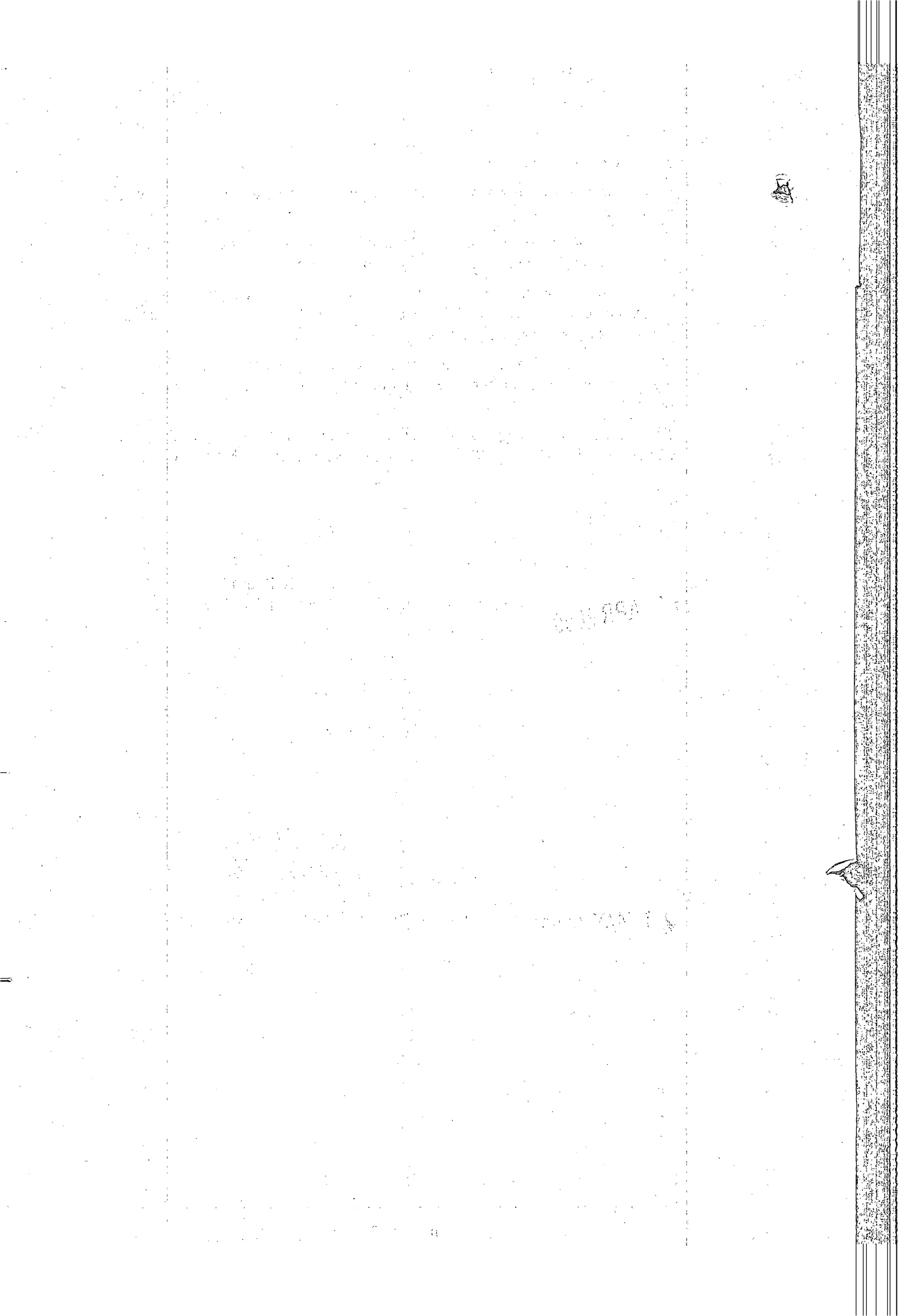
Countersigned



(V.K.SHUNGLU)

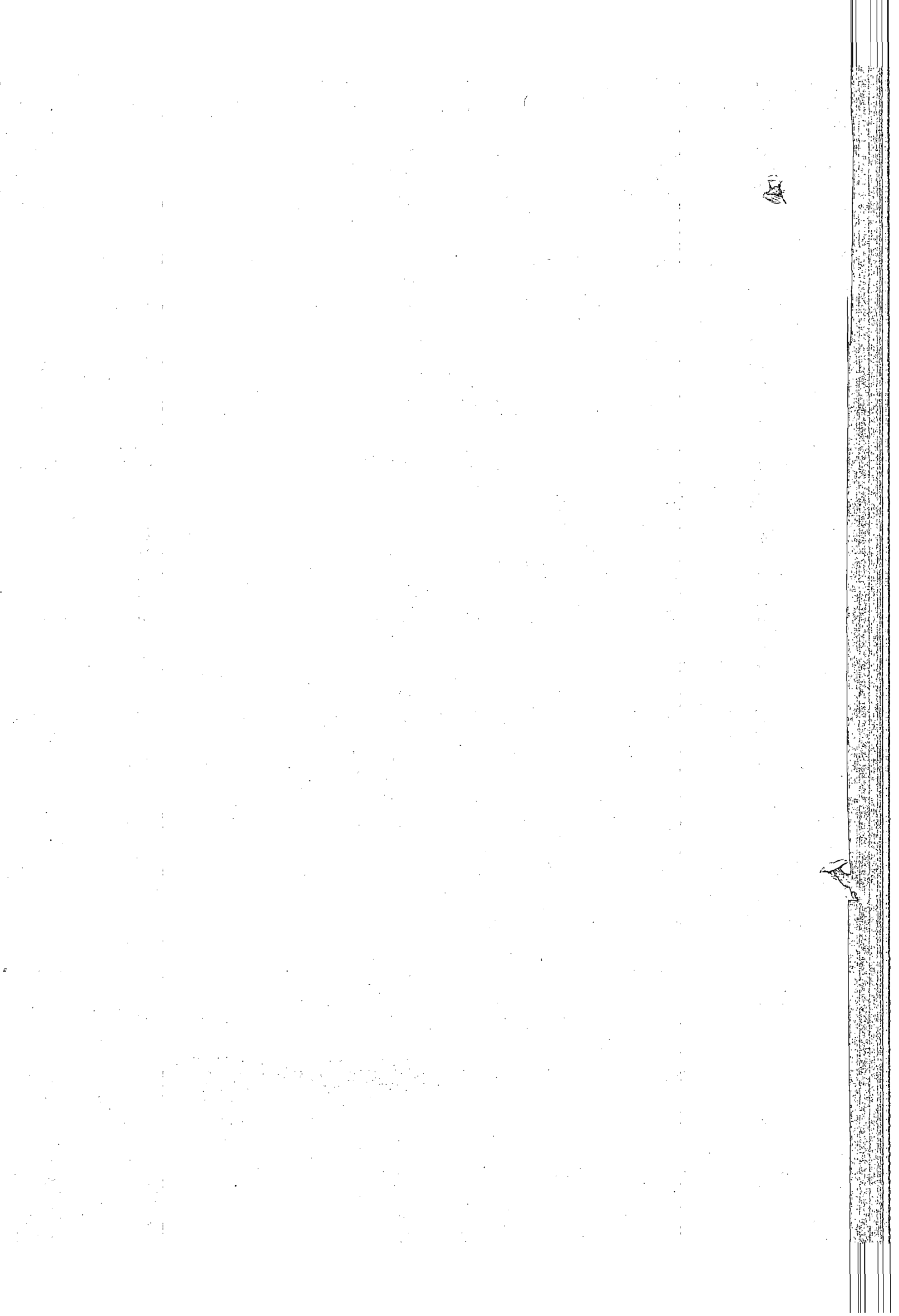
Comptroller and Auditor General of India.

New Delhi  
The 1 MAY 2000





APPENDICES





## APPENDIX--I

### Division of Accounts and List of Indices/Ratios and basis of their calculation.

(Reference :- Paragraph 1.1 and 1.11.2; 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 1998-99 was 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 & 1.11.2; pages 1 & 15)

Indices/Ratios		Basis for calculation
<b>Sustainability</b>		
Balance from the current Revenue	BCR	Revenue Receipts <i>minus</i> all Plan Grants (under Major Head 1601-02,03,04) 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	Additions under Major Heads 6003 <sup>1</sup> and 6004 <sup>2</sup> <i>plus</i> net receipts under I. Small Savings, Provident Funds, etc., <i>plus</i> net receipt under Loans and Advances given by State Government <i>minus</i> additions on account of Ways and Means Advances/Overdrafts under Major Heads 6003 and 6004
Total tax receipts vs GSDP	GSDP	As furnished by the Addl. Director, Economics and Statistics Department, Nagaland upto 1996-97.
State tax receipts vs GSDP		
<b>Flexibility</b>		
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
<b>Vulnerability</b>		
Revenue Deficit		Paragraph No.1.9.4.2 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 1.4.3
	Revenue Receipts	Exhibit I
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).

<sup>1</sup> Internal Debt (loans) of the State Government.  
<sup>2</sup> Loans and Advances from Government of India.

**APPENDIX—II**

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

(Reference:- Paragraph 2.3.1; page 27)

Sl No	Number and name of the grant/appropriation	Total grant/appropriation	Total expenditure	Excess
(1)	(2)	(3) (Rs.)	(4) (Rs.)	(5) (Rs.)
	<b>Revenue Section (Voted).</b>			
1	7. State Excise	3,06,67,000	3,33,44,732	26,77,732
2	11. District Administration, Special Welfare Scheme and Tribal Councils.	19,11,91,000	19,28,45,409	16,54,409
3	13. Village Guards	2,79,29,000	3,37,84,163	58,55,163
4	18. Pension and other Retirement Benefits.	40,46,00,000	48,06,00,965	7,60,00,965
5	23. Loans to Government Servants	1,000	1,46,400	1,45,400
6	26. Civil Secretariat	26,32,64,000	26,90,91,876	58,27,876
7	28. Civil Police	133,63,48,000	134,58,80,720	95,32,720
8	30. Administrative Training Institute	1,40,72,000	1,65,68,808	24,96,808
9	31. School Education	115,11,22,000	119,32,78,085	4,21,56,085
10	35. Medical Public Health and Family Welfare	56,95,83,000	59,14,65,579	2,18,82,579
11	37. Assistance to Municipalities and Development works in Town	12,86,000	79,86,000	67,00,000
12	38. Information and Public Relation	6,29,41,000	6,33,42,792	4,01,792
13	43. Social Security and Welfare	23,18,01,000	23,79,45,526	61,44,526
14	44. Evaluation Unit	78,77,000	1,17,99,570	39,22,570
15	46. Statistics	3,24,11,000	4,32,61,247	1,08,50,247
16	47. Weights and Measures	99,90,000	1,01,32,787	1,42,787
17	49. Soil and Water Conservation	12,86,50,000	12,97,55,701	11,05,701
18	55. Power Projects	34,69,02,000	34,72,45,579	3,43,579
19	57. Housing Loans	3,000	2,27,685	2,24,685
20	58 Roads and Bridges	36,13,33,000	40,72,43,377	4,59,10,377
21	60. Water Supply Scheme	24,26,72,000	28,35,62,158	4,08,90,158
22	62. Civil Administration works.	94,34,000	1,39,25,282	44,91,282
23	64. Housing	14,02,07,000	16,25,20,935	2,23,13,935
	<b>Total (Revenue Section)</b>	<b>556,42,84,000</b>	<b>587,59,55,376</b>	<b>31,16,71,376</b>
	<b>Revenue (Charged)</b>			
24	1. State Legislature	37,29,000	38,11,064	82,064
	<b>Total Revenue (Charged)</b>	<b>37,29,000</b>	<b>38,11,064</b>	<b>82,064</b>
	<b>Capital Section (Voted)</b>			
1	11. District Administration Special Welfare Scheme and Tribal Council	9,50,000	86,26,195	76,76,195
2	23. Loans to Government Servants	1,11,93,000	1,12,78,515	85,515
3	57. Housing Loans	9,30,75,000	15,24,12,209	5,93,37,209
4	66. Sericulture	26,00,000	50,00,000	24,00,000
	<b>Total:- Capital (Voted)</b>	<b>10,78,18,000</b>	<b>17,73,16,919</b>	<b>6,94,98,919</b>
	<b>Capital Section (Charged)</b>			
5	76. Servicing of Debt.	311,39,43,000	537,06,53,365	225,67,10,365
	<b>Total capital Section (Charged)</b>	<b>311,39,43,000</b>	<b>537,06,53,365</b>	<b>225,67,10,365</b>
	<b>G. Total</b>	<b>878,97,74,000</b>	<b>1,142,77,36,724</b>	<b>263,79,62,724</b>

**APPENDIX—III**

**Statement showing grant wise Supplementary grants obtained proving unnecessary**

(Reference :- Paragraph 2.3.4 (a); page 27)

Sl No	Number and name of the Grant	Supplementary obtained	Amounts of saving
	<b>Revenue Section (Voted)</b>	<b>(Rupees in lakh)</b>	
1	1. State Legislature	13.31	16.59
2	4. Administration of Justice	5.17	9.09
3	8. Sales Tax	1.00	9.97
4	16. State Guest House	51.85	75.88
5	21. Relief of distress caused by Natural calamities	111.50	111.75
6	22. Civil Supplies	5.48	60.36
7	25. Land Records and Survey	76.65	114.74
8	32. Higher and Technical Education	20.74	122.45
9	34. Art and culture and Gazetteers Unit	0.23	26.92
10	39. Tourism	66.62	119.27
11	50. Animal Husbandry and Dairy Development	528.38	724.87
12	52. Forest	260.15	494.97
13	54. Mineral Development	31.05	56.52
14	56. Road Transport	8.56	156.43
15	59. Irrigation and Flood Control	96.93	252.41
16	68. Police Engineering Project	0.88	2.42
17	72. Wasteland Development	204.46	1045.19
18	74. Mechanical Engineering	1.98	436.94
	<b>Revenue Section (Charged)</b>		
19	10. Public Service Commission	1.05	2.45
	<b>Total Revenue Section</b>	<b>1485.99</b>	<b>3839.22</b>
	<b>Capital Section (Voted)</b>		
1	4. Administration of Justice	29.00	111.33
2	25. Land Records and Survey	12.00	20.00
3	30. Administrative Training Institute	19.00	50.00
4	31. School Education	96.50	157.12
5	34. Art and Culture and Gazetteers unit	1.55	5.45
6	35. Medical, Public Health and Family Welfare	313.85	743.79
7	42. Rural Development	29.00	80.00
8	47. Weights and Measures	6.00	10.05
9	48. Agriculture	60.76	118.94
10	49. Soil and Water Conservation	300.00	300.00
11	51. Fisheries	23.00	25.50
12	56. Road Transport	313.00	337.14
13	58. Roads and Bridges	140.32	413.14
14	60. Water Supply Schemes	214.41	904.48
15	62. Civil Administration works	95.50	170.49
16	70. Horticulture	15.00	15.50
	<b>Total Capital Section (Voted)</b>	<b>1668.89</b>	<b>3462.93</b>
	<b>Grand Total:-</b>	<b>3154.88</b>	<b>7302.15</b>

APPENDIX—IV

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

(Reference :- Paragraph 2.3.4 (b); page 28)

Sl No	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
		(Rs. in crore)				
	<b>Revenue Section (Voted)</b>					
1	1. State Legislature	3.97	0.13	4.10	3.93	0.17
2	5. Election	2.20	1.01	3.21	2.80	0.41
3	8. Sales Tax	2.26	0.01	2.27	2.17	0.10
4	14. Jail	4.11	2.44	6.55	5.22	1.33
5	16. State Guest House	2.40	0.52	2.92	2.16	0.76
6	21. Relief of Distress caused by Natural calamities	1.97	1.11	3.08	1.97	1.11
7	22. Civil Supplies	4.04	0.05	4.09	3.49	0.60
8	25. Land Record and Survey	3.67	0.76	4.43	3.29	1.14
9	32. Higher and Technical Education	19.43	0.21	19.64	18.41	1.23
10	34. Art and Culture and Gazetteers Unit	2.48	— <sup>3</sup>	2.48	2.22	0.26
11	39. Tourism	3.26	0.67	3.93	2.73	1.20
12	45. Co-operation	3.44	2.46	5.90	4.30	1.60
13	48. Agriculture	15.45	11.65	27.10	19.90	7.20
14	50. Animal Husbandry and Dairy Development	16.40	5.28	21.68	14.44	7.24
15	51. Fisheries	3.52	0.54	4.06	3.70	0.36
16	52. Forest	13.97	2.60	16.57	11.63	4.94
17	53. Industries	10.53	19.05	29.58	17.59	11.99
18	54. Mineral Development	3.50	0.31	3.81	3.24	0.57
19	56. Road Transport	11.27	0.09	11.36	9.80	1.56
20	59. Irrigation and Flood Control	7.41	0.97	8.38	5.85	2.53

<sup>3</sup> Rupees 23,000 only.

Sl. No.	Grant number and name of the grant	Original	Supplementary	Total	Expenditure	Saving
21	65. State Council of Educational Research and Training	0.98	2.90	3.88	2.37	1.51
22	67. Home Guards	3.39	0.46	3.85	3.69	0.16
23	69. Fire Service	2.85	3.22	6.07	3.85	2.22
24	72. Waste Land Development	13.76	2.04	15.80	5.35	10.45
25	74. Mechanical Engineering	10.26	0.02	10.28	5.91	4.37
26	75. Police Telecommunication Organisation	6.14	2.65	8.79	8.06	0.73
27	76. Servicing of Debt (Charged)	122.87	13.62	136.49	134.83	1.66
	<b>Capital Section (Voted)</b>					
28	04. Administration and Justice	1.31	0.29	1.60	0.49	1.11
29	25. Land Records and Survey	0.08	0.12	0.20	--	0.20
30	30. Administrative Training Institute	0.31	0.19	0.50	--	0.50
31	31. School Education	3.44	0.97	4.41	2.84	1.57
32	35. Medical, Public Health and Family Welfare	15.75	3.14	18.89	11.45	7.44
33	42. Rural Development	2.79	0.29	3.08	2.28	0.80
34	45. Co-operation	5.07	6.43	11.50	6.23	5.27
35	47. Weight and Measures	0.10	0.06	0.16	0.06	0.10
36	48. Agriculture	0.99	0.61	1.60	0.41	1.19
37	49. Soil and Water Conservation	0.21	3.00	3.21	0.21	3.00
38	51. Fisheries	0.18	0.23	0.41	0.15	0.26
39	53. Industries	3.24	4.56	7.80	5.92	1.88
40	55. Power Projects	22.10	28.42	50.52	43.30	7.22
41	56. Road Transport	3.90	3.13	7.03	3.66	3.37
42	58. Roads and Bridges	27.11	1.40	28.51	24.38	4.13
43	60. Water Supply Schemes	25.28	2.14	27.42	18.38	9.04
44	62. Civil Administration Works	3.95	0.95	4.90	3.20	1.70
45	68. Police Engineering Projects	6.15	14.76	20.91	10.87	10.04
46	70. Horticulture	0.45	0.15	0.60	0.44	0.16
	<b>Total:-</b>	<b>417.94</b>	<b>145.61</b>	<b>563.55</b>	<b>437.17</b>	<b>126.38</b>

**APPENDIX-V**  
**Details showing inadequate Supplementary Grant Provision**  
**(Reference :- Paragraph 2.3.4 (c);page 28)**

(Rupees in crore)

Sl.No.	Number and name of Grant	Original Grants	Supplementary	Total	Expenditure	Excess
	<b>Revenue Section (Voted)</b>					
1	07. State Excise	3.02	0.05	3.07	3.33	0.26
2	11. District Administration, Special Welfare Schemes and Tribal Council	18.87	0.25	19.12	19.28	0.16
3	13. Village Guard	2.68	0.11	2.79	3.38	0.59
4	26. Civil Secretariat	24.67	1.65	26.32	26.91	0.59
5	30. Administrative Training Institute	0.68	0.73	1.41	1.66	0.25
6	31. School Education	112.82	2.29	115.11	119.33	4.22
7	35. Medical, Public Health and family Welfare	52.29	4.67	56.96	59.15	2.19
8	43. Social Security and Welfare	14.54	8.64	23.18	23.79	0.61
9	44. Evaluation Unit	0.71	0.08	0.79	1.18	0.39
10	46. Statistics	3.10	0.14	3.24	4.33	1.09
11	49. Soil and Water Conservation	11.85	1.02	12.87	12.98	0.11
12	58. Road and bridges	34.96	1.18	36.14	40.72	4.58
13	60. Water Supply Schemes	23.96	0.31	24.27	28.36	4.09
14	64. Housing	13.74	0.28	14.02	16.25	2.23
	<b>Capital Section</b>					
15	11. District Administration Special Welfare Scheme and Tribal Council	0.07	0.02	0.09	0.86	0.77
16	57. Housing Loan	8.98	0.32	9.30	15.24	5.94
17	76. Servicing of Debt (Charged)	257.96	53.43	311.39	537.06	225.67
	<b>Total</b>	<b>584.90</b>	<b>75.17</b>	<b>660.07</b>	<b>913.81</b>	<b>253.74</b>

**APPENDIX—VI**  
**Statement showing persistent savings during 1996-97 to 1998-99**  
**(Reference:- Paragraph 2.3.5, page 28)**

Serial number	Number and name of the grant	Savings in lakh of rupees (Percentage of savings)		
		1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)
	<b>Revenue Section (Voted)</b>			
1.	12- Treasury and Accounts Administration	119.56 (23)	170.98 (30)	81.72 (14)
2.	20- Relief, Rehabilitation, etc.	124.09 (100)	31.53 (30)	12.08 (16)
3.	33- Youth Resources and Sports	80.23 (15)	213.53 (35)	220.85 (37)
4.	45- Co-operation	199.94 (38)	180.89 (36)	159.59 (27)
	<b>Capital Section (voted)</b>			
5.	4- Administration of Justice	18.31 (10)	61.23 (34)	111.33 (70)
6.	22- Civil Supplies	3659.81 (76)	4,595.13 (94)	976.49 (89)
7.	25- Land Records and Survey	20.25 (100)	20.25 (100)	20.00 (100)
8.	30- Administrative Training Institute	31.00 (100)	31.00 (100)	50.00 (100)
9.	33- Youth Resources and Sports	79.28 (28)	293.00 (87)	91.03 (31)
10.	35- Medical, Public Health and Family Welfare	358.04 (23)	932.64 (59)	743.79 (39)
11.	42- Rural Development	65.40 (57)	55.20 (17)	80.00 (26)
12.	45- Co-operation	111.16 (11)	391.38 (42)	526.63 (46)
13.	47-Weights and Measures	10.00 (100)	10.00 (100)	10.05 (63)
14.	50- Animal Husbandry and Dairy Development	160.00 (46)	383.55 (83)	49.08 (33)
15.	51- Fisheries	55.50 (64)	62.81 (79)	25.50 (62)
16.	52- Forest	55.90 (100)	55.90 (100)	68.10 (100)
17.	58- Roads and Bridges	3030.03 (63)	3012.44 (65)	413.14 (14)
18.	64- Housing	469.04 (38)	676.94 (53)	569.59 (45)



**APPENDIX—VII**

**Details showing significant cases of excess expenditure during 1998-99.**

**(Reference:- Paragraph 2.3.6 (a) ; page 28)**

Sl No	Number and name of the grant	Amount of excess (Rupees in lakh) (percentage or excess)	Reasons for excess
	<b>Revenue Section (Voted)</b>		Reasons for excess expenditure were awaited (March 2000)
1	13. Village Guards	58.55 (21)	
2	18. Pensions and other Retirement Benefits.	760.01 (19)	
3	37. Assistance to Municipalities and Development works in Towns	67.00 (521)	
4	46. Statistics	108.50 (33)	
5	58. Roads and Bridges	459.10 (13)	
6	60. Water Supply Schemes	408.90 (17)	
7	64. Housing	223.14 (16)	
	<b>Capital Section (Voted)</b>		
8	11. District Administration, Special Welfare Scheme and Tribal Council	76.76 (808)	
9	57. Housing Loans	593.37 (64)	
10	76. Servicing of Debt	22567.10 (72)	

**APPENDIX—VIII**

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

(Reference:-Paragraph 2.3.6 (b), page 28)

Sl No	Number and name of the grant	Amount of savings in lakh of rupees (percentage of saving)	Reasons for savings
<b>Revenue Section (Voted)</b>			
1	12. Treasury and Accounts	81.72 (14)	Reasons for saving had not been communicated in any of these cases
2	14. Jails	133.32 (20)	
3	16. State Guest House	75.88 (26)	
4	21. Relief of distress caused by Natural calamities	111.75 (36)	
5	22. Civil Supplies	60.36 (15)	
6	25. Land Records and Survey	114.74 (26)	
7	27. Planning Machinery	1033.55 (22)	
8	33. youth Resources and Sports	220.85 (37)	
9	39. Tourism	119.27 (30)	
10	45. Co-operation	159.59 (27)	
11	48. Agriculture	719.68 (27)	
12	50. Animal Husbandry and Dairy Development	724.87 (33)	
13	52. Forest	494.97 (30)	
14	53. Industries	1198.49 (41)	

Sl No	Number and name of the grant	Amount of savings in lakh of rupees (percentage of saving)	Reasons for savings
15	54. Mineral Development	56.52 (15)	
16	56. Road Transports	156.43 (14)	
17	59. Irrigation	252.41 (30)	
18	65. State Council of Educational Research and Training	151.19 (39)	
19	69. Fire Service	222.35 (37)	
20	72. Wasteland Development	1045.19 (66)	
21	74. Mechanical Engineering	436.94 (43)	
<b>Capital Section Voted</b>			
22	4. Administration of Justice	111.33 (70)	
23	22. Civil Supplies	976.49 (89)	
24	30. Administrative Training Institute	50.00 (100)	
25	31. School Education	157.12 (36)	
26	33. Youth Resources and Sports	91.04 (31)	
27	35. Medical Public Health and Family Welfare	743.79 (39)	
28	36. Urban Development	597.79 (75)	
29	42. Rural Development	80.00 (26)	
30	45. Co-operation	526.63 (46)	
31	48. Agriculture	118.94 (74)	
32	49. Soil and Water Conservation	300.00 (93)	

Sl No	Number and name of the grant	Amount of savings in lakh of rupees (percentage of saving)	Reasons for savings
33	52. Forest	68.10 (100)	
34	53. Industries	187.87 (24)	
35	55. Power Projects	722.10 (14)	
36	56. Road Transports.	337.14 (48)	
37	58. Road and Bridges	413.14 (14)	
38	60. Water Supply Schemes	904.48 (33)	
39	62. Civil Administration Works	170.49 (35)	
40	64. Housing	569.59 (46)	
41	68. Police Engineering Project	1003.20 (48)	
42	74. Mechanical Engineering	56.61 (29)	

**APPENDIX—IX**

**Statement showing the grant wise details where expenditure was incurred without budget provision  
(Reference :- Paragraph 2.3.7 ; page 28)**

Sl No	Grant/appropriation No	Head of Account	Budget Provision	Re-appropriation	Expenditure
			<i>(Rupees in Lakh)</i>		
(1)	(2)	(3)	(4)	(5)	(6)
1	29	4058—103. Government presses	-	-	23.30
2	31	2202-01-03. agriculture based Education	-	-	140.14
3	35	2210-03-110-04. T.B.Hospital	-	-	1.72
4.	40	2230-03-800-01. Special Cell for Handicapped	-	-	0.70
5.	40	2230-03-800-02. Self Employment Scheme (CSS)	-	-	4.83
6.	41	2230-800-02. Establishment of Labour Court at Dimapur	-	-	9.57
7	43	2235-800-01. Programme Development and monitoring Cell	-	-	3.85
8.	43	2236-102-02. Midday Meals	-	-	6.32
9.	47	3475-800-01. Consumer Forum	-	-	5.20
10.	48	2415-277-01. Integrated Extension Training Centre	-	-	29.29
11	48	2415-277-02. Assistance to Agriculture Education	-	-	8.96
12	50	2403-102-09. Bull Mother Farm	-	-	0.06
13	55	2801-800-02. Fuel	-	-	7.08
14.	58	2039-105-01. Public Workshops Establishment	-	-	148.02
15.	62	4059-01-800. Office Building—Other Expenditure	-	-	9.50
<b>Total:-</b>					<b>398.54</b>

**APPENDIX—X**

**Details showing available savings not surrendered**

(Reference:-Paragraph 2.3.8, page 28)

Sl No	Number and Name of Grant	Amount of Savings (Rupees in crore)
(1)	(2)	(3)
	Revenue Section (Voted)	
1	14. Jails	1.33
2	21. Relief of distress caused by natural Calamities	1.11
3	32. Higher and Technical Education	1.22
4	45. Co-operation	1.59
5	48. Agriculture	7.20
6	52. Forest	4.95
7	56. Road Transport	1.56
8	59. Irrigation and Flood Control	2.52
9	65. State Council of Educational Research and Training	1.51
10	69. Fire Service	2.22
11	72. Waste Land Development	10.45
12	74. Mechanical Engineering	4.37
	Revenue Section (Charged)	
13	76. Servicing of Debt	1.65
	<b>Total</b>	<b>41.68</b>
	Capital section (Voted)	
14	31 School Education	1.57
15	35. Medical, Public Health and Family Welfare	7.44
16	48. Agriculture	1.19
17	56. Road Transport	3.37
18	58. Road and Bridges	4.13
19	60. Water Supply Schemes	9.04
20	62. Civil Administration Works	1.70
21	68. Police Engineering Projects	10.03
	<b>Total</b>	<b>38.47</b>
	<b>Grant Total</b>	<b>80.15</b>

**APPENDIX—XI**

**Details showing surrender in excess of savings**

(Reference:- Paragraph 2.3.9; page 29)

Sl No	Number and name of grant	Amount saving	Amount surrendered	Final excess
	<b>Revenue (Voted)</b>		<i>(Rs. in lakh)</i>	
1	4. Administration of Justice	9.09	24.91	15.82
2	15. Vigilance Commission	10.49	15.07	4.58
3	17. State Lotteries	4.77	4.79	0.02
4	25. Land Record and Survey	114.74	123.19	8.45
5	36. Urban Development	18.33	34.43	16.10
6	39. Tourism	119.27	127.69	8.42
7	41. Labour	2.68	5.00	2.32
8	53. Industries	1198.49	1271.93	73.44
9	61. Backward Area Development Programme, Special Employment Programme and Special Development Programme	14.16	39.00	24.84
10	73. State Institute of Rural Development	17.58	57.08	39.50
	<b>Total</b>	<b>1509.60</b>	<b>1703.09</b>	<b>193.49</b>

**APPENDIX-XII**  
**Persistent non-reconciliation of Departmental expenditure**  
**(Reference: Paragraph 2.3.11; page 29)**

Sl.No	Expenditure not reconciled during			Total	Grant number and name
	1996-97	1997-98	1998-99		
<i>(Rupees in crore)</i>					
1.	34.14	39.21	48.06	121.41	18- Pensions and other Retirement Benefits
2.	0.19	1.89	1.97	4.05	21- Relief of distress caused by Natural Calamities
3.	10.76	9.51	11.62	31.89	52- Forest
4.	52.79	58.72	40.72	152.23	58- Roads and Bridges
5.	20.66	21.21	16.25	58.12	64- Housing
<b>Total:-</b>	<b>118.54</b>	<b>130.54</b>	<b>118.62</b>	<b>367.70</b>	



## APPENDIX—XIII

Details showing rush of expenditure during March 1999

(Reference: Paragraph 2.4; page 30)

Sl. No.	Grant number and name (Head of Account)	Total provision (Original and Supplementary)	Total expenditure	Expenditure during March 1999	Percentage of expenditure during March 1999 to	
		(In Rupees)			Total provision	Total Expenditure
1.	1-State Legislature (2011,4059)	8,47,15,000	8,31,31,854	5,31,18,033	63	64
2.	2-Head of State (2012)	1,59,77,000	1,59,16,624	48,60,852	30	31
3.	3.-Council of Ministers (2013)	2,79,97,000	2,76,50,212	64,07,835	23	23
4.	4-Administration of Justice (2014,4059,4216)	5,32,50,000	4,11,30,596	1,61,35,533	30	39
5.	5-Election (2015)	3,21,36,000	2,79,70,017	1,14,73,702	36	41
6.	6-Land Revenue (2029)	28,49,000	20,46,686	4,51,167	16	22
7.	7-State Excise (2039)	3,06,67,000	3,33,44,732	67,91,804	22	20
8.	8-Sales Tax (2040)	2,26,81,000	2,16,84,093	51,55,858	23	24
9.	9-Taxes on Vehicles (2041,4059)	1,54,37,000	1,15,11,608	47,26,762	31	41
10.	10-Public Service Commission (2051)	75,29,000	72,84,076	27,26,606	36	37
11.	11-District Administration, Special Welfare Scheme and Tribal Councils (2053, 2235,4059)	19,21,41,000	20,14,71,604	5,66,85,446	30	28
12.	12-Treasury and Accounts Administration (2030, 2054)	5,98,76,000	5,17,04,453	2,00,27,307	33	39
13.	13-Village Guards (2055)	2,79,29,000	3,37,84,163	90,81,946	33	27
14.	14-Jails (2056, 4216)	7,44,45,000	5,67,48,225	1,80,21,609	24	32
15.	15-Vigilance Commission (2070)	86,72,000	76,23,480	13,66,392	16	18

Sl. No.	Grant number and name (Head of Account)	Total provision (Original and Supplementary)	Total expenditure	Expenditure during March 1999	Percentage of expenditure during March 1999 to	
		(In Rupees)			Total provision	Total Expenditure
16.	17-State Lotteries (2075)	1,89,75,000	1,84,97,915	1,63,79,440	86	89
17.	18-Pension and other Retirement benefits (2071)	40,46,00,000	48,06,00,965	6,91,78,999	17	14
18.	19-Soldiers, Sailors and Airmen's Board (2235)	49,81,000	25,83,262	21,90,361	44	85
19.	20-Relief, Rehabilitation etc (2235)	73,59,000	61,51,361	12,17,568	17	20
20.	21-Relief of distress caused by natural calamities (2245)	3,08,75,000	1,97,00,000	1,88,00,000	61	95
21.	Loans to Government Servants (2075,7601)	1,11,94,000	1,14,24,915	32,48,200	29	28
22.	24-Small Savings (2047)	1,22,000	1,22,000	1,22,000	100	100
23.	25-Land Records and survey (2029)	4,63,76,000	3,29,01,722	1,24,12,347	27	38
24.	26-Civil Secretariat (2052,2251,3451)	26,32,64,000	26,90,91,876	9,78,20,185	37	36
25.	27-Planning Machinery (2575,3451)	47,06,88,000	36,73,32,528	20,53,98,613	44	56
26.	28-Civil Police (2055)	1,33,63,48,000	1,34,58,80,720	34,40,18,077	26	26
27.	29-Stationery and Printing (2058,4058,4059)	4,25,26,000	3,78,54,089	83,59,095	20	22
28.	30-Administrative Training Institute (2070,4059)	1,90,72,000	1,65,68,808	1,37,00,292	72	83
29.	31-School Education (2202,4202)	1,19,52,22,000	1,22,16,66,317	21,61,33,588	18	18
30.	32-Higher and Technical Education (2202,2203,2225,4202)	19,79,03,000	18,52,52,408	6,71,67,280	34	36
31.	33-Youth Resources and Sports (2204,2552,4202)	8,95,62,000	5,83,73,589	3,88,49,572	43	67
32.	34-Art and Culture and Gazetteers Unit (2205,3454,4202)	2,96,06,000	2,63,69,222	1,42,24,549	48	54
33.	35-Medical, Public Health and Family Welfare (2210,2211,4210)	75,84,68,000	70,59,71,400	14,88,38,805	19	21

Sl. No.	Grant number and name (Head of Account)	Total provision (Original and Supplementary)	Total expenditure	Expenditure during March 1999	Percentage of expenditure during March 1999	
		(In Rupees)			Total provision	Total Expenditure
34	36-Urban Development (2217,4217)	13,10,39,000	6,94,27,272	6,62,05,417	51	95
35	37-Assistance to Municipalities and Development Works in Towns (2217)	12,86,000	79,86,000	29,86,000	232	37
36	38-Information and Public Relations (2220,4220)	6,36,41,000	6,38,04,792	2,36,33,808	37	37
37	39-Tourism (3452)	3,92,27,000	2,73,00,434	1,79,89,261	46	66
38	40-Employment and Training (2230)	2,69,10,000	2,34,75,660	48,24,239	18	21
39	41-Labour (2230,4250)	1,08,06,000	98,87,989	35,33,977	33	36
40	42-Rural Development (2216,2501,2505,2515,2801,4515,5054)	44,55,37,000	40,37,67,310	25,18,23,124	57	62
41	43-Social Security and Welfare (2235,2236,4235)	24,59,76,000	25,20,74,526	14,34,56,785	58	57
42	44-Evaluation Unit (3451)	78,77,000	1,17,99,570	42,08,619	53	36
43	45-Co-operation (2425,4425,6425)	17,39,61,000	10,53,39,460	4,62,51,176	27	44
44	46-Statistics (3454)	3,24,11,000	4,32,61,247	1,51,80,772	47	35
45	47-Weights and Measures (3475,5475)	1,15,90,000	1,07,27,787	28,99,838	25	27
46	48-Agriculture (2401,2415,2552,4401,4408,4415)	28,69,54,000	20,30,91,876	11,77,32,455	41	58
47	49-Soil and Water Conservation (2402,2415,2552,4402)	16,07,50,000	13,18,55,701	6,09,29,660	38	46
48	50-Animal Husbandry and Diary Development (2403,2404,2415,2552,4403,4404)	23,15,12,000	15,41,16,954	5,30,51,227	23	34
49	51-Fisheries (2405,2552,4405)	4,46,33,000	3,85,11,845	1,32,53,528	30	34
50	52-Forest (2406,2415,2552,4406)	17,25,59,000	11,62,52,353	4,96,12,393	29	43
51	53-Industries (2851,4859,4860)	37,37,83,000	23,51,46,389	8,20,46,896	22	35

Sl. No.	Grant number and name (Head of Account)	Total provision (Original and Supplementary)	Total expenditure	Expenditure during March 1999	Percentage of expenditure during March 1999 to	
					Total provision	Total Expenditure
(In Rupees)						
52.	55-Power Projects (2801,4552,4801)	85,21,13,000	78,02,46,354	35,75,93,469	42	45
53.	56-Road Transport (3055,4552,5055)	18,39,05,000	13,45,48,106	4,62,98,648	25	34
54.	58-Roads and Bridges (2059,3054,4552,5054)	64,64,65,000	65,10,61,033	15,38,28,438	24	24
55.	59-Irrigation and Flood Control (2702)	8,37,62,000	5,85,21,220	1,67,17,360	20	29
56.	60-Water Supply Schemes (2215,4215)	51,69,29,000	46,73,70,875	14,24,28,431	28	30
57.	63-Science, Technology, Ecology and Environment (2810,3425,3435)	61,92,000	26,66,388	12,77,668	21	48
58.	65-State Council of Educational Research and Training (2202,4202)	3,91,72,000	2,40,52,553	88,17,353	23	37
59.	66-Sericulture (2552,2851,4851)	2,91,19,000	2,98,01,252	99,13,747	34	33
60.	67-Home Guards (2070,4059)	4,11,32,000	3,79,01,134	89,85,407	22	24
61.	68-Police Engineering Project (2055,4059,4216)	23,55,00,000	13,49,37,822	7,86,71,782	33	58
62.	69-Fire Service (2070)	6,07,38,000	3,85,02,517	1,87,96,791	31	49
63.	70-Horticulture (2401,2415,2552,4401)	9,60,57,000	8,77,82,113	1,43,09,669	15	16
64.	72-Waste Land Development (2406)	15,80,66,000	5,35,47,237	2,98,74,373	19	56
65.	73-State Institute of Rural Development (2515)	1,12,00,000	94,42,354	21,54,714	19	23
66.	74-Mechanical Engineering (2059,5054)	12,25,66,000	7,32,10,591	1,35,71,142	11	19
67.	76-Servicing of Debt (2049,6003,6004)	4,47,88,01,000	6,71,89,75,995	1,15,09,54,672	26	17
<b>Total:-</b>		<b>16,63,97,40,229</b>	<b>4,50,89,02,662</b>			

**APPENDIX-XIV**  
**Statement showing drawal of Abstract Contingent Bills by various DDOs**  
**(Reference: Paragraph 2.5; page 30)**

Sl. No	Month	Voucher Number	Amount	Name of the Department	Name of the DDO
(1)	(2)	(3)	(4)	(5)	(6)
1.	4/98	105	22,50,000	Finance	Joint Director, Treasury & Accounts, Kohima
2.	3/98	01	2,40,00,000	Home	Special Officer (Accounts)
3.	5/98	176	6,25,000	-do-	Special Officer (Accounts), Home Commissioner, Kohima
4.	6/98	375	50,000	-do-	-do-
5.	7/98	314	1,21,000	-do-	-do-
6.	8/98	389	3,32,716	-do-	-do-
7.	9/98	333	82,000	-do-	-do-
8.	9/98	293	52,000	-do-	-do-
9.	10/98	371	12,000	-do-	-do-
10.	11/98	376	1,16,378	-do-	-do-
11.	11/98	377	26,715	-do-	-do-
12.	11/98	378	1,46,700	-do-	-do-
13.	11/98	2	1,26,46,656	-do-	-do-
14.	11/98	3	6,95,432	-do-	-do-
15.	11/98	4	14,91,124	-do-	-do-
16.	11/98	9	50,000	-do-	-do-
17.	11/98	440	8,43,778	-do-	-do-
18.	8/98	01	16,00,000	-do-	AIG of Police (A), Kohima (South)
19.	8/99	01	4,300	-do-	ADC, Peren
20.	9/98	01	2,300	-do-	ADC, Pughoboto
21.	2/99	16	76,20,000	-do-	ADC, Kohima
22.	9/98	296	15,300	-do-	Dy. Commissioner, Kohima
23.	3/98	01	51,86,950	-do-	Dy. Commissioner, Mokokchung
24.	2/99	35	6,00,000	-do-	Jt. Secretary, CM's Secretariat, Kohima
25.	6/98	21	508	Medical Services	Medical Officer, i/c Civil Hospital, Mon, Nagaland
26.	6/98	16	1,500	-do-	-do-
27.	6/98	17	1,500	-do-	-do-
28.	6/98	53	13,69,508	Transport	General Manager, Nagaland State Transport, Dimapur
29.	8/98	59	8,12,238	-do-	-do-
30.	8/98	60	66,976	-do-	-do-

Sl. No.	Month	Voucher Number	Amount	Name of the Department	Name of the DDO
(1)	(2)	(3)	(4)	(5)	(6)
31.	8/98	61	3,36,377	Transport	General Manager, Nagaland State Transport, Dimapur
32.	8/98	62	2,12,343	-do-	-do-
33.	8/98	63	66,976	-do-	-do-
34.	8/98	64	21,700	-do-	-do-
35.	8/98	65	73,680	-do-	-do-
36.	12/98	47	21,700	-do-	-do-
37.	12/98	48	6,49,790	-do-	-do-
38.	12/98	49	66,796	-do-	-do-
39.	12/98	50	1,33,680	-do-	-do-
40.	12/98	51	2,16,348	-do-	-do-
41.	12/98	52	66,796	-do-	-do-
42.	12/98	53	51,740	-do-	-do-
43.	12/98	54	3,79,398	-do-	-do-
44.	2/99	48	66,976	-do-	-do-
45.	2/99	49	66,976	-do-	-do-
46.	2/99	50	73,680	-do-	-do-
47.	2/99	51	21,700	-do-	-do-
48.	2/99	52	1,00,000	-do-	-do-
49.	2/99	53	5,81,240	-do-	-do-
50.	2/99	54	4,16,492	-do-	-do-
51.	2/99	58	2,45,474	-do-	-do-
52.	2/99	59	21,462	-do-	-do-
53.	1/99	50	6,000	-do-	-do-
54.	3/99	53	7,39,582	-do-	-do-
55.	3/99	54	20,030	-do-	-do-
56.	3/99	55	21,700	-do-	-do-
57.	3/99	56	66,976	-do-	-do-
58.	3/99	57	66,976	-do-	-do-
59.	3/99	58	30,000	-do-	-do-
60.	3/99	59	2,47,394	-do-	-do-
61.	3/99	60	73,680	-do-	-do-
62.	3/99	66	7,33,662	-do-	-do-
63.	3/98	15	36,042	-do-	-do-
64.	3/98	14	3,81,689	-do-	-do-

Sl. No.	Month	Voucher Number	Amount	Name of the Department	Name of the DDO
(1)	(2)	(3)	(4)	(5)	(6)
65.	3/98	13	22,44,658	Transport	-do-
66.	3/98	12	3,37,611	-do-	-do-
67.	2/99	228	11,75,000	Education	Principal, DIET, Tuensang
68.	3/99	365	99,000	-do-	Project Co-ordinator, SCERT, Kohima
69.	3/99	246 (221)	6,36,000	-do-	-do-
70.	3/99	654	3,50,000	-do-	-do-
71.	3/99	427	39,000	-do-	-do-
72.	3/99	108	30,000	-do-	Principal, Kohima Science College, Kohima
73.	3/99	692	1,00,000	-do-	Special Officer, Dir. of Higher & Technical Education, Kohima
74.	3/99	691	9,00,000	-do-	-do-
75.	3/98	232	2,00,000	-do-	Project Co-ordinator, SCERT, Kohima
76.	3/98	233	24,00,000	-do-	-do-
77.	3/99	24	95,00,000	Election	Dy. Chief Electoral Officer, Kohima
78.	3/99	5	4,00,00,000	Planning and Co-ordination	Planning Officer, Planning and Co-ordination Department, Kohima
79.	1/99	133	1,00,000	Publicity & Information	Dy. Director, Information & Publicity, Kohima
80.	3/99	88	2,75,000	Geology & Mining	Director of Geology & Mining, Dimapur
81.	3/98	148	2,40,000	-do-	-do-
82.	3/98	247	5,00,000	Art & Culture	Director, Art & Culture, Kohima
83.	3/98	01	40,00,000	-do-	-do-
84.	3/98	04	8,30,000	Food & Civil Supplies	Jt. Director, Food & Civil Supplies, Dimapur
85.	3/98	3	7,35,000	-do-	-do-
86.	3/98	3	1,84,735	-do-	-do-
		<b>Total:-</b>	<b>13,20,13,638</b>		

**APPENDIX-XV**

**Statement showing month-wise allocation, lifting and distribution of BPL food grains  
(Reference: Paragraph 3.1.5.3; page 37)**

(Quantity in quintal)

Months	Quantity allocated by GOI			Quantity lifted by the				Total	Quantity distributed		
				Directorate (FCSD)		Stockists					
	Rice	Wheat	Total	Rice	Wheat	Rice	Wheat		Rice	Wheat	Total
June 1997	7100	1800	8900	7100	---	---	1800	8900	6068	---	6068
July 1997	7100	1800	8900	7100	---	---	1800	8900	7100	---	7100
August 1997	7100	1800	8900	7100	1800	---	---	8900	7100	1800	8900
September 1997	7100	1800	8900	7100	1790	---	---	8890	7100	1790	8890
October 1997	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
November 1997	7700	1900	9600	7700	1900	---	---	9600	7484	1850	9334
December 1997	7700	1900	9600	7700	1900	---	---	9600	7700	1850	9550
January 1998	7700	1900	9600	7700	1890	---	---	9590	7443	1890	9333
February 1998	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
March 1998	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
	<b>74600</b>	<b>18600</b>	<b>93200</b>	<b>74600</b>	<b>14980</b>	---	<b>3600</b>	<b>93180</b>	<b>73095</b>	<b>14880</b>	<b>87975</b>
April 1998	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
May 1998	7700	1900	9600	7655	1900	---	---	9555	7655	1900	9555
June 1998	7700	1900	9600	7609	1900	---	---	9509	7609	1900	9509
July 1998	7700	1900	9600	7700	1700	---	---	9400	7700	1700	9400
August 1998	7700	1900	9600	7613	1660	---	---	9273	7613	1660	9273
September 1998	7700	1900	9600	7700	1880	---	---	9580	7700	1880	9580
October 1998	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
November 1998	7700	1900	9600	7700	1700	---	---	9400	7700	1700	9600
December 1998	7700	1900	9600	7673	1900	---	---	9573	7673	1900	9573
January 1999	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
February 1999	7700	1900	9600	7558	1900	---	---	9458	7558	1900	9458
March 1999	7700	1900	9600	7700	1900	---	---	9600	7700	1900	9600
<b>Total:-</b>	<b>167000</b>	<b>41400</b>	<b>208400</b>	<b>166608</b>	<b>37120</b>	---	<b>3600</b>	<b>207328</b>	<b>165103</b>	<b>37020</b>	<b>202123</b>



## APPENDIX-XVI

### Details of Fair Price Shops

(Reference: Paragraph 3.1.5.4.1; page 42)

Year	No. of FPS required	Total FPS opened	No. of FPS functioning	Population covered by the FPS (In lakh)	Average population served by each FPS	Shortfall in population coverage (In lakh)	Percentage of shortfall to total population
1995-96	605	288	288	7.59	2636	4.51	37.27
1996-97	605	328	289	7.61	2634	4.49	37.10
1997-98	605	351	351	7.62	2173	4.48	37.02
1998-99	605	323	323	6.66	2062	5.44	44.96
<b>Total:-</b>	<b>2420</b>	<b>1290</b>	<b>1290</b>	<b>29.48</b>	<b>2285</b>	<b>18.92</b>	<b>39.09</b>

**APPENDIX-XVII**

**Statement showing the details of expenditure against each category of non-priority and inadmissible works**

(Reference: Paragraph 3.2.7.6; page 59)

Serial number	Category of works	Total allocation of fund	Expenditure (In lakh of rupees)	Percentage of total allocation of fund	Remarks
1.	Fishery Ponds		151.50	5	Only excavation work was done. No provision for fish seed/fingerlings and subsequent maintenance etc., were made. Benefits accrued to the community was not on record. Assets created were not handed over to Fishery Department
2.	Play Grounds including Tennis/ Badminton Courts and Children's Park		31.91	1	Works not covered by the Scheme as the assets created were not income generating for the community.
3.	Ring Wells/Public Wells		123.87	4	Not covered by the Scheme. The wells were for drinking water purpose. Material component constituted 80-85 per cent against the norms of 40 per cent.
4.	<b>Other buildings</b> Rural Housing/Church building/Hostel/ Library building/Rest house/DB's Court/Head Master's residence		25.79	1	Works done outside the scope of EAS. These also did not constitute productive and income generating assets for rural people
5.	Latrine/Urinal		5.81	0.20	Works not covered by EAS Guidelines
6.	Repair/maintenance of School building		44.86	2	--do--
7.	Purchase of furniture/GI pipes and installation of filtration plant at ADC's quarter		7.27	0.25	--do--
8.	Dairy/Piggery farming		2.44	0.085	--do--
9.	Water Tank		24.05	1	Expenditure was incurred for drinking water purpose and thus not covered by the Scheme
<b>Total:-</b>		<b>2866.90</b>	<b>417.50</b>	<b>15</b>	

## APPENDIX-XVIII

Statement showing the position of immunisation of children (0-12 months) and pregnant women during 1994-95 to 1998-99

(Reference: Paragraph 3.3.5.4; page 67)

Sl. No.	Vaccines	1994-95	1995-96	1996-97	1997-98	1998-99
1.	B.C.G	7633	7594	12062	10376	8174
2.	D.P.T.	6652	7685	14206	12555	8630
3.	D.P.V.	6007	7942	14106	12883	8523
4.	Measles	4267	1214	1836	7163	6200
5.	D.T.	3230	7337	6753	6809	3053
6.	T.T. (P.W)	5936	10274	14621	3468	8433

## APPENDIX –XIX (A)

### Details of targets for coverage of schools and children

(Reference: Paragraph 3.4.1 and 3.4.5 (i), pages 73 & 74)

Year	Total Number of Districts in the State/ Union Territories	Total Number of districts covered under the Scheme (Year-wise)	Total number of blocks covered under the Scheme	Total number of schools covered under the Scheme (Year-wise)	Total number of children covered under the scheme (Year-wise)	Total provision and expenditure during the period (year-wise) for the State/ UT as a whole.	Expenditure (Rs. in lakh)
1	2	3	4	5	6	7	8
1995-96 (11/95 onwards)	7	7	28	1627	97,335 (d)	14,600.25 quintals (a)	116.80
1996-97	7	7	28	1627	97,335	29,200.00 quintals	230.73
1997-98	7	7	28	1627	97,335	29,200.00 quintals	282.88
1998-99	8	8	28	1627	97,335	20440.35 quintals (b)	214.62

- Note:- (a) Though the provision for the rice for the period from 15<sup>th</sup> August 1995 to October 1995 was released by Government of India and the same could not be lifted by the State due to non-finalisation of modalities. However, actually 1<sup>st</sup> lifting was made from November 1995 onwards.
- (b) Three months quota (7/98, 8/98 and 9/98) was not released by FCI.
- (c) Expenditure shown being the cost of food grain only claimed by FCI to Ministry of Education (HRD).
- (d) The figure based on 6<sup>th</sup> AIES report kept static, as stated by Government, due to poor/irregular feed-back of statistics from field level.

**APPENDIX—XIX (B)**

**Details of targets for coverage of Schools and children  
(Reference: Paragraph 3.4.1 and 3.4.5 (i); pages 73 & 74)**

Year	Target Fixed				Targets Achieved				
	No. of Districts	No. of Schools	No. of children	Quantity of food grains	No. of districts actually covered	No. of Schools actually covered	No. of children actually covered	Quantity lifted	Shortfall with reasons
1	2	3	4	5	6	7	8	9	10
1995-96	7	1627	97,335	21,900.37 quintals	7	1627	97,335	14,600.25 quintals	7300.12 quintals
1996-97	No target fixed								
1997-98									
1998-99									

- Quota for 1<sup>st</sup> quarter i.e. 15<sup>th</sup> August 1995 to 31<sup>st</sup> October 1995 could not be lifted by Government of Nagaland due to non-finalisation of modalities by Government.
- Allocation and lifting of food grains was found to be made based on enrolment of student beneficiaries, derived from 6<sup>th</sup> AEIS report and against which quota of rice released by Government of India/ Food Corporation of India for first quarter.

APPENDIX—XX (A)

Details of Blocks covered

(Reference: Paragraph 3.4.1 and 3.4.5 (i); pages 73 & 74)

Name of Districts test checked	Name of Blocks test checked in the District	Number of Schools test checked in the District	No of students
1. Kohima District	1. Kohima Block	10	561
2. Dimapur District	1. Medziphema Block 2. Kuhuboto Block	31	2169
3. Mokokchung District	1. Ongpangkong Block	18	1151
4. Wokha District	1. Wokha Block	3	280

APPENDIX—XX (B)

Details of Blocks targeted and covered

(Reference: Paragraph 3.4.1 and 3.4.5 (i); pages 73 & 74)

Year	Total No. of RPDS/EAS/LFL Blocks targeted.	No. of blocks covered	Shortfalls	Remarks
1995-96	28 Nos. of EAS Block	28 Nos. of EAS Block	Nil	Nil
1996-97	-do-	-do-	Nil	Nil
1997-98	-do-	-do-	Nil	Nil
1998-99	-do-	-do-	Nil	Nil

## APPENDIX—XXI

### Details of Coordination committees constituted at State , District and Village level

(Reference: Paragraph 3.4.2; page 73)

#### State Level Coordination Committee

Chief Secretary	:-	Chairman
Commissioner and Secretary (School Education).	:-	Member Secretary
Development Commissioner	:-	Member
Commissioner and Secretary (Food and Civil Supplies)	:-	Member
Secretary (Rural Development)	:-	Member
Secretary (Social Security and Welfare)	:-	Member
Director (Social Security and Welfare)	:-	Member
Director (Rural Development)	:-	Member
Director (School Education)	:-	Member

#### District Level Coordination Committee

Dy. Commissioner	:-	Chairman
Project Director (DRDA)	:-	Member
District Welfare Officer	:-	Member
Dy. Inspector of Schools	:-	Member
Members of Legislative Assembly	:-	Member
3 Public Representatives nominated by Dy. Commissioner	:-	Member
Asstt. Director of Supply	:-	Member
District Education Officer	:-	Member Secretary

#### Village Level Coordination Committee

Chairman, School Managing Board	:-	Chairman
Chairman, Village Council	:-	Member
Village Development Board Secretary	:-	Member
Village Head (GB)	:-	Member
Head Teacher	:-	Member Secretary



**APPENDIX—XXII**

**Details of District wise allocations and lifting of food grains under NSPE**

(Reference: Paragraph 3.4.6 (a); page 76)

Year	Name of District/Block	Quantity of food required per year in quintals	Balance quantity available (quintals)	Quantity of food grain allocated (quintals)	Quantity of food grains lifted (quintals)	Total (4+6) (quintals)	Quantity excess lifted (quintals)	Remarks
1995-96	1. <u>Kohima District</u>	<b>3869.4</b>	---	21,900.46	14,600.25	14,600.25	---	
	(i) Jalukie Block	1434.3						
	(ii) Kohima Block	1871.1						
	(iii) Tsemenyu Block	564.0						
	2. <u>Dimapur District</u>	<b>2578.8</b>						
	(i) Kuhuboto Block	1177.2						
	(ii) Medziphema Block	1401.6						
	3. <u>Phek District</u>	<b>3879.9</b>						
	(i) Kikruma Block	2499.9						
	(ii) Phek Block	606.3						
	(iii) Meluri Block	773.7						
4. <u>Zunheboto District</u>	<b>3582.9</b>							
(i) Ghatashi Block	531.6							
(ii) Zunheboto Block	1240.8							
(iii) Akhuloto Block	1158.6							
(iv) Tokiye Block	651.9							
5. <u>Wokha District</u>	<b>2657.4</b>							
(i) Baghty Block	1564.5							
(ii) Wokha Block	1092.9							
6. <u>Mon District</u>	<b>3366.0</b>							
(i) Tobu Block	322.2							
(ii) Chen Block	908.1							
(iii) Wakching Block	487.2							
(iv) Mon Block	1648.5							
7. <u>Tuensang District</u>	<b>5391.6</b>							
(i) Longleng Block	1464.3							
(ii) Longkim Block	709.5							
(iii) Sangsanyu Block	429.3							
(iv) Noklak Block	868.8							
(v) Kipherie Block	1086.0							
(vi) Sitimi Block	294.9							
(vii) Shamator Block	538.8							
8. <u>Mokochung District</u>	<b>3874.5</b>							
(i) Ongpangkong Block	1051.2							
(ii) Mangkolemba Block	1057.8							
(iii) Changtongya Block	1765.5							
	<b>Total</b>	<b>29200.5</b>						
1996-97	-do-	<b>29200.5</b>	---	29,200.50	29,200.00	29,200.00	----	
1997-98	-do-	<b>29200.5</b>	---	29,200.50	29,200.00	29,200.00	----	
1998-99	-do-	<b>29200.5</b>	---	29,200.50	20440.35	20440.35	----	

**APPENDIX—XXIII**  
**Details of short lifting / non-lifting of rice from FCI**  
**(Reference: Paragraph 3.4.6 (b); page 76)**

Year	Name of District/ No. of Block	Balance Quantity available	Quantity of food grain allotted during month	Quantity not lifted during the month as per allotment	Quantity lifted but not distributed	Reasons
1995-96 (15.08.95 to 31.10.95)	1. Kohima - 5 Blocks 2. Phek - 3 Blocks 3. Zunheboto - 4 Blocks 4. Wokha - 2 Blocks 5. Mokokchung - 3 Blocks 6. Tuensang - 7 Blocks 7. Mon - 4 Blocks	--	7300.12 quintals	7300.12 quintals	--	The allocation for the period 8/95 to 10/95 has lapsed due to non-finalisation of modalities of implementation programme by Government.
1998-99 (7/98, 8/98 & 9/98)	1. Kohima - 3 Blocks 2. Dimapur - 2 Blocks 3. Phek - 3 Blocks 4. Zunheboto - 4 Blocks 5. Wokha - 2 Blocks 6. Mokokchung - 3 Blocks 7. Tuensang - 7 Blocks 8. Mon - 4 Blocks	---	8760.15 quintals (2920.05 quintals per month x 3 months)	8760.15 quintals	---	The allocation for 7/98, 8/98 & 9/98 has been lapsed due to non-release of food grains by FCI due to non-clearance of outstanding liabilities by Department of Education, Ministry of Human Resources Development.

**APPENDIX-XXIV**

**Details showing delays in delivery of rice by carriage contractors**

**(Reference: Paragraph 3.4.7 (c) (i); page 77)**

Sl. No.	Month of Allocation	Lifting order & date	Month of lifting from FCI by Carriage Contractor	Delayed delivered quantity (in qtls.)	Reference to Delivery challan No. and date of delivery.	Delivered to	Period of delay	
							Months	Days
1.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	84.00	390 Dated 15.1.98	DC, Mon	1	15
2.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	84.25	391 Dated 15.1.98	-do-	1	15
3.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	83.25	393 Dated 25.2.98	-do-	1	25
4.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	84.00	392 Dated 15.1.98	-do-	1	15
5.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	83.50	394 Dated 25.2.98	-do-	1	25
6.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	84.25	395 Dated 15.3.98	-do-	1	25
7.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	84.25	396 Dated 15.3.98	-do-	1	15
8.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	83.25	397 Dated 15.3.98	-do-	1	15
9.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	83.50	398 Dated 15.3.98	-do-	1	15
10.	2/98	ED/PLN/A-17/95-96 Dated 24.2.98	2/98	84.00	399 Dated 10.4.98	-do-	1	10
11.	2/98	ED/PLN/A-17/95-96 Dated 22.2.98	2/98	84.20	400 Dated 10.4.98	-do-	1	10
12.	5/98	ED/PLN/A-17/95-96 Dated 25.5.98	5/98	84.00	404 Dated 5.8.98	-do-	2	5
13.	5/98	ED/PLN/A-17/95-96 Dated 28.5.97	5/98	71.68	405 Dated 5.8.98	-do-	2	5
14.	1/97	ED/PLN/A-17/95-96 Dated 21.1.97	1/97	82.30	07 Dated 13.5.97	-do-	3	13
15.	1/97	ED/PLN/A-17/95-96 Dated 21.1.97	1/97	83.90	08 Dated 13.5.97	-do-	3	15
16.	2/98	ED/PLN/A-17/95-96 Dated 24.2.98	2/98	89.20	40 Dated 27.4.98	DC, Wokha	1	27
17.	2/98	ED/PLN/A-17/95-96 Dated 24.2.98	2/98	91.20	41 Dated 27.4.98	-do-	1	27
18.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	83.50	364 Dated 5.1.98	DC, Tuensang	1	5
19.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	82.90	365 Dated 5.1.98	-do-	1	5
20.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	88.35	366 Dated 5.1.98	-do-	1	5
21.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	86.50	59 Dated 5.2.98	-do-	2	5
22.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	85.45	60 Dated 5.2.98	-do-	2	5
23.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	86.50	61 Dated 5.2.98	-do-	2	5
24.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	75.20	62 Dated 10.3.98	ADC, Samator	1	10

Sl. No	Month of Allocation	Lifting order & date	Month of lifting from FCI by Carriage Contractor	Delayed delivered quantity (in qtls.)	Reference to Delivery challan No. and date of delivery	Delivered to	Period of delay	
							Months	Days
25.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	75.25	63 Dated 10.3.98	-do-	1	10
26.	2/98	ED/PLN/A-17/95-96 Dated 24.2.98	2/98	74.80	64 Dated 5.4.98	-do-	1	5
27.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	82.35	106 Dated 4.2.98	ADC, Kipherie	1	4
28.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	83.15	107 Dated 14.2.98	-do-	1	14
29.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	81.50	108 Dated 14.2.98	-do-	1	14
30.	12/97	ED/PLN/A-17/95-96 Dated 16.12.97	12/97	81.35	109 Dated 14.2.98	-do-	1	14
31.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	83.25	110 Dated 5.3.98	-do-	1	5
32.	1/98	ED/PLN/A-17/95-96 Dated 27.1.98	1/98	81.65	111 Dated 5.3.98	-do-	1	5
33.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.50	103 Dated 27.1.98	-do-	1	27
34.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.25	104 Dated 27.1.98	-do-	1	27
35.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	86.80	105 Dated 27.1.98	-do-	1	27
36.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	88.60	207 Dated 28.1.98	ADC, Longleng	1	28
37.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.50	208 Dated 28.1.98	-do-	1	28
38.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.65	209 Dated 4.2.98	-do-	2	4
39.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.25	210 Dated 4.2.98	-do-	2	4
40.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	87.85	211 Dated 4.2.98	-do-	2	4
41.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	89.15	409 Dated 15.1.98	ADC, Noklak	1	15
42.	11/97	ED/PLN/A-17/95-96 Dated 26.11.97	11/97	84.20	410 Dated 15.1.98	-do-	1	15
43.	5/98	ED/PLN/A-17/97-98 Dated 25.5.98	5/98	75.00	341 Dated 3.10.98	DC, Mokochung	4	3
44.	5/98	ED/PLN/A-17/97-98 Dated 25.5.98	5/98	49.53	342 Dated 15.10.98	-do-	4	15
45.	6/98	ED/PLN/A-17/97-98 Dated 22.6.98	6/98	88.60	15 Dated 20.10.98	ADC, Tuli	3	20
46.	6/98	ED/PLN/A-17/97-98 Dated 22.6.98	6/98	87.95	16 Dated 20.10.98	-do-	3	20
47.	6/98	ED/PLN/A-17/97-98 Dated 22.6.98	6/98	71.22	08 Dated 5.8.98	ADC, Peren	1	5
48.	6/98	ED/PLN/A-17/97-98 Dated 22.6.98	6/98	86.80	11 Dated 9.9.98	DC, Kohima	2	9
49.	6/98	ED/PLN/A-17/97-98 Dated 22.6.98	6/98	24.78	13 Dated 3.10.98	ADC, Monkolamba	3	3
50.	11/97	ED/PLN/A-17/97-98 Dated 26.11.97	11/97	89.35	290 Dated 5.1.98	ADC, Mokochung	1	5
51.	11/97	ED/PLN/A-17/97-98 Dated 26.11.97	11/97	89.35	291 Dated 5.1.98	-do-	1	5
52.	11/97	ED/PLN/A-17/97-98 Dated 26.11.97	11/97	88.65	296 Dated 14.1.98	-do-	1	14
53.	11/97	ED/PLN/A-17/97-98 Dated 26.11.97	11/97	87.50	298 Dated 14.1.98	-do-	1	14
54.	3/98	ED/PLN/A-17/97-98 Dated 25.3.98	3/98	84.00	401 Dated 16.7.98	DC, Mon	3	16
55.	3/98	ED/PLN/A-17/97-98 Dated 25.3.98	3/98	83.40	403 Dated 23.7.98	-do-	3	23
56.	3/98	ED/PLN/A-17/97-98 Dated 25.3.98	3/98	83.45	130 Dated 10.6.98	ADC, Kipherie	2	10

**APPENDIX-XXV**

**Details of non-recovery of 412.15 quintals of rice from stockists/ carriage contractors**

**(Reference: Paragraph 3.4.7(c) (ii); page 77)**

Year of allocation	Name of Block/ District	Rice lifted by Handling agent from FCI as per allocation order against entitlement	Rice received by designated DCs/ADCs	Rice delivered Excess (+) Short(-)	Over all shortages/ excesses till 3/99
		(Quintals)	(Quintals)	(Quintals)	(Quintals)
1996-97 (10 months)	Kohima Block (Dist. Kohima)	1871.10 (@ 187.11 p.m.)	180.00	(-)1691.10	(-)5.10
1998-99 (10 months)		1871.10	2546.10	(+)675.00	
1998-99 (7 months)		-do- 1309.77	2320.77	(+)1011.00	
		-do-			
1996-97 -do- 1997-98 -do- 1998-99 -do-	Ongpangkong Block (Mokokchung District)	1051.20 (@ 105.12 p.m.) -do- 735.85 -do-	163.60  1742.10  859.97	(-)887.60  (+)690.90  (+)124.12	(-)72.58
1996-97 -do- 1997-98 -do- 1998-99 -do-	Wokha Block (Wokha district)	1092.90 (@ 109.29 p.m.) 1092.90 -do- 765.03 -do-	159.25  1934.36  522.75	(-)933.65 (+)841.46 (-)242.28	(-)334.47

**Short Delivered Total = (-) 412.15 quintals.**

**APPENDIX-XXVI**  
**Details of 84.79 quintals of rice received by 32 Schools**  
**(Reference: Paragraph 3.4.7 (d); page 78)**

Sl. No.	Name of GP Schools/ Middle Schools	Enrollment as per sixth All India Education Survey	Total Quantity of rice lifted against those school for the period from 11/95 to 3/99 (quintals)	Actual quantity of rice received by School during the period from 11/95 to 3/99 (quintals)	Short quantity of rice delivered to school (Quintals)	Cost of Rice Prevailing (Rs./Quintals)	Total Amount
1	2	3	4	5	6	7	8
1.	GPS (D Khel) Kohima village	92	74.52	22.50	52.02	1050	54,621.00
2.	GPS, Gariphe	11	8.91	---	8.91	1050	9,355.00
3.	GPS, Touphé L. Khel	17	13.77	---	13.77	1050	14,458.00
4.	Tsiesiebou GPS (Nerhema)	46	37.26	---	37.26	1050	39,123.00
5.	GPS, Diphupar (AO), Dimapur	91	73.71	2.25	71.46	1050	75,033.00
6.	GPS, Xekiye, Dimapur	38	30.78	---	30.78	1050	32,319.00
7.	GPS, Pishikhi village, Dimapur	34	27.54	1.97	25.57	1050	26,848.00
8.	GPS, Shitoi Village, Dimapur	51	41.31	1.80	39.51	1050	41,485.00
9.	GMS, Zakar, Dimapur	51	41.31	4.50	36.81	1050	38,651.00
10.	GPS, Seitheke Baoa	12	9.72	5.40	4.32	1050	4,536.00
11.	GPS, Dobagaon, Dimapur	82	66.42	2.70	63.72	1050	66,906.00
12.	GPS, Hovishe	42	34.02	1.50	32.52	1050	34,146.00
13.	GPs, Darogapather, 2½ mile, Dimapur	103	83.43	4.00	79.43	1050	83,401.00
14.	GPS, Purana Bazar, Dimapur	189	153.09	6.05	147.04	1050	1,54,392.00
15.	GPSNahar Barim Dimapur	17	13.77	0.90	12.87	1050	13,514.00
16.	GPS, Samaguri, Dimapur	11	8.91	1.60	7.31	1050	7,676.00
17.	GPS, Tuluvi Village, Dimapur	15	12.15	1.80	10.35	1050	10,868.00
18.	GPS, Chekiye Village, Dimpaur	33	26.73	3.60	23.13	1050	24,287.00
19.	GPS, Yetho Village, Dimapur	63	51.03	2.25	48.78	1050	51,219.00
20.	GPS, Signal Angami	37	29.97	---	29.97	1050	31,469.00
21.	GMS, Thahekhu	98	79.38	---	79.38	1050	83,349.00
22.	GPS, Mangkostonor (Ungma) Mokokchung	52	42.12	1.56	40.56	1050	42,588.00
23.	GPS, Shingangrogu, Ungma	43	34.83	1.29	33.54	1050	35,217.00
24.	GPS, Imrong, (Ungma) Mokokchung	56	45.36	1.68	43.68	1050	45,864.00
25.	GPS, Ungma Old, Mokokchung	75	60.75	2.25	58.50	1050	61,425.00
26.	GPS, Yimtisugda, Mokokchung Village	46	37.26	1.38	35.88	1050	37,674.00
27.	GPS, Arjumar, Mokokchung Village	41	33.21	1.15	32.06	1050	33,663.00
28.	GPS, Putirmeutem, Keum	30	24.30	0.50	23.80	1050	24,990.00
29.	GPS, Alisungkum, Mokokchung	113	91.53	2.25	89.28	1050	93,744.00
30.	GPS, Mount Moria School, Ungma	167	135.27	5.00	130.26	1050	1,36,773.00
31.	GPS, Amenyong, Khensa	18	14.58	0.50	14.08	1050	14,784.00
32.	GPS, Longsachang, Wokha	51	41.31	4.40	36.91	1050	38,756.00
		<b>1825</b>	<b>1478.25</b>	<b>84.79</b>	<b>1393.46</b>		<b>14,63,134.00</b>

APPENDIX--XXVII

Details of 3133.32 quintals of rice (value:Rs.32.90 lakh) diverted to open market  
(Reference: Paragraph 3.4.7 (e) (i); page 78)

Rice lifted during

96-97	-	10 months	
97-98	-	10 months	
98-99	-	7 months	
		27 months	@ Rs.140.16 quintals/month =3784.32 quintals

Less quantity received by

(i)	DIS, Dimapur	-	272 quintals	
(ii)	ADC, Dimapur	-	379 quintals	
	(13.5 +123+121)	-	652 quintals	(-) 651.00

Quantity undelivered 3133.32 quintals

Cost involved @ Rs.1050/- per quintals as per prevailing FCI rate:

3133.32 quintals x Rs.1050/- = Rs. 32,89,986.

**APPENDIX—XXVIII**

**Statement showing year-wise position of the outstanding IRs and Paras**

(Reference: Paragraph 3.15; page 92)

Year	Soil & Water Conservation Department		Food & Civil Supplies Department		Veterinary and Animal Husbandry Department		Total	
	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
1984-85	---	---	---	---	---	---	---	---
1985-86	1	2	4	21	1	7	6	30
1986-87	1	8	3	13	1	3	5	24
1987-88	2	12	2	17	2	3	6	32
1988-89	2	11	1	13	6	31	9	55
1989-90	---	---	---	---	4	19	4	19
1990-91	2	7	3	18	7	33	12	58
1991-92	1	12	3	17	3	19	7	48
1992-93	---	---	1	7	3	23	4	30
1993-94	3	18	4	38	8	42	15	98
1994-95	4	11	7	51	8	80	19	142
1995-96	2	17	4	28	6	32	12	77
1996-97	4	27	4	33	5	35	13	95
1997-98	---	---	1	5	5	41	6	46
1998-99	---	---	2	12	---	---	2	12
<b>Total:-</b>	<b>22</b>	<b>125</b>	<b>39</b>	<b>273</b>	<b>59</b>	<b>368</b>	<b>120</b>	<b>766</b>



**APPENDIX -XXIX**

**Statement showing the excess expenditure incurred over budget provisions during 1996-99**

**(Reference: Paragraph 5.1.5; page 105)**

Year	Sector	Budget Provisions	LOC released by Finance Department	Excess (+) Less (-) release of LOC (4-3)	Expenditure as per divisional records and Accounts <sup>4</sup>	Expenditure in	
						Excess over budget provisions (6-3)	Excess over LOC (6-4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1996-97	Non-plan	521.86	626.56	(+) 104.70	642.62 (580.72)	(+) 120.76	(+) 16.06
	Plan	390.00	328.63	(-) 61.37	326.93(311.03)	(-) 63.07	(-) 1.70
<b>Sub-Total:-</b>		<b>911.86</b>	<b>955.19</b>	<b>(+) 43.33</b>	<b>969.55(891.75)</b>	<b>(+) 57.69</b>	<b>(+) 14.36</b>
1997-98	Non-plan	175.42	173.39	(-) 2.03	173.21(186.89)	(-) 2.21	(-) 0.18
	Plan	395.00	442.36	(+) 47.36	442.34(420.81)	(+) 47.34	(-) 0.02
<b>Sub-Total:-</b>		<b>570.42</b>	<b>615.75</b>	<b>(+) 45.33</b>	<b>615.55(607.70)</b>	<b>(+) 45.13</b>	<b>(-) 0.20</b>
1998-99	Non-plan	33.66	90.13	(+) 56.47	82.40 (---)	(+) 48.74	(-) 7.73
	Plan	490.50	310.51	(-) 179.99	310.51 (---)	(-) 179.99	--
<b>Sub-Total:-</b>		<b>524.16</b>	<b>400.64</b>	<b>(-) 123.52</b>	<b>392.91 (---)</b>	<b>(-) 131.25</b>	<b>(-) 7.73</b>
<b>Total:-</b>	<b>Non-plan</b>	<b>730.94</b>	<b>890.08</b>	<b>159.14</b>	<b>898.23 (---)</b>	<b>167.29</b>	<b>(+) 8.15</b>
	<b>Plan</b>	<b>1,275.50</b>	<b>1,081.50</b>	<b>(-) 194.00</b>	<b>1,079.78 (---)</b>	<b>(-) 195.72</b>	<b>(-) 1.72</b>

<sup>4</sup> Figures in brackets indicate expenditure as booked in Appropriation Accounts.

**APPENDIX – XXX**

**Statement showing liabilities reported from time to time, funds released by Finance Department and payments made for outstanding supply bills**

(Reference: Paragraph 5.1.6.2; page 107)

(Rupees in lakh)

Report sent to Government (Home Department)	Amount of liability for supplies	Year of creation	Year of clearance	LOC released	Amount cleared		Balance outstanding	Remarks
					As per Audit	As per Division <sup>5</sup>		
Commissioner's letter dated 5.3.91	1,124.18	1985-90	1990-91 1991-92		633.97 404.15	} Not furnished	86.06	
	19.85	1990-91	---				19.85	
	70.08	1991-92	---		1620.06		70.08	
Total upto 1991-92 (a+b+c) Commissioner's letter dated 3.7.92	---	---	---		---		176.00	
Commissioner's letter dated 19.12.92 and 7.2.96	265.00						265.00	Additional amount disclosed from MB records but bills not submitted to Division.
Total upto 12/92(d+e)	441.00						441.00	
		1989-90	1992-93	198.34	190.00	198.34		
		1989-90	1993-94	} NA	100.30	100.75		
		1989-90	1994-95		33.17	28.89	117.53	
Commissioner's letter dated 9.6.95	408.18	---	1995-96		22.16	22.16	408.18	Liability increased by Rs.290.65 lakh but supporting statements not available.
LOC		---	1996-97 1997-98 1998-99	525.90 45.93 15.83	500.31 28.59 Rs.15.93 drawn but not paid upto 3/99	494.37		Release of funds and payments not corroborated by authenticated list of liability. Thus, the Department's claim of Rs.42.23 lakh remaining as liability at the end of March 1999 could not be substantiated.
<b>Total:-</b>						<b>3556.98</b>		

<sup>5</sup> This is as per information furnished by the Division (25.8.1999). The Division also indicated that liabilities aggregating Rs.941.63 lakh cleared between 1992-93 and 1997-98 also included current liabilities of Rs.191.26 lakh (1992-93: Rs.9.93 lakh, 1993-94: Rs.9.54 lakh, 1994-95: Rs.0.35 lakh, 1995-96: Rs.13.43 lakh, 1996-97: Rs.130.62 lakh and 1997-98: Rs.27.39 lakh). Liabilities at the end of 1997-98 was shown at Rs.42.23 lakh.

**APPENDIX – XXXI**

**Statement showing procurement of water supply materials by CAWD at rates higher than that of PHED leading to excess payment (Reference to Vrs. 227 to 231, 234, 240 to 249, 251 to 280, 284 to 293, 301, 303, 304, 308 to 313, 315, 316, 319, 321 and 322)**

**(Reference: Paragraph 5.1.6.5; page 109)**

Name of items	Quantity (Nos.)	Procurement rate per No (Rs.)	Amount paid (Rs.)	PHED approved rate per No. (Rs.)	Amount payable at approved rate (Rs.)	Excess payment (Rs.)
GI Elbow 15 mm	6,982	70	4,88,740			
	1,320	72	95,040			
	200	75	15,000			
<b>Sub-total:-</b>	<b>8,502</b>		<b>5,98,780</b>	<b>9.00</b>	<b>76,518</b>	<b>5,22,262</b>
GI Elbow 25 mm	150	55	8,250			
	100	96	9,600			
	10,050	98	9,84,900			
<b>Sub-total:-</b>	<b>10,300</b>		<b>10,02,750</b>	<b>20</b>	<b>2,06,000</b>	<b>7,96,750</b>
GI Socket 15 mm	600	35	21,000	7	4,200	16,800
25 mm	300	55	16,500	10	3,000	13,500
40 mm	600	65	39,000	30	18,000	21,000
GI Band 15 mm	1,200	36	43,200	26	31,200	12,000
GI Tee 25 mm	150	52.50	7,875			
	950	52.90	50,255			
<b>Sub-total:-</b>	<b>1,100</b>		<b>58,130</b>	<b>26</b>	<b>28,600</b>	<b>29,530</b>
<b>Total:-</b>			<b>17,79,360</b>		<b>3,67,518</b>	<b>14,11,842</b>
			Add Nagaland Sales Tax @ 8%			1,12,947
			Total (inclusive of tax)			15,24,789

**APPENDIX – XXXII**

**Statement showing the Division-wise breakup of surplus etc. stores, disposal value, amount deposited and stores lifted by firm 'Y'  
(Reference: Paragraph 5.1.8.1; page 111)**

Sl.No.	Name of store	Amount worked out as per latest list (original cost)	Amount worked out as per purchase rate approved by Government	Amount deposited by the purchaser 'Y'	Amount to be deposited and materials to be lifted
		Rs.	Rs.	Rs.	Rs.
1.	CAWD Central Store (Commissioner) Dimapur	6,32,78,000	14,09,614	9,30,474	4,79,140
2.	-Do- Kohima	4,23,77,000	10,61,694	3,27,602	7,34,092
3.	CAWD Store, DC, Kohima	11,61,000	33,472	33,472	---
4.	-Do- DC, Wokha	18,32,400	42,967	42,967	---
5.	-Do- DC, Mon	58,92,800	1,39,262	1,39,000	--- 262 (deposited short)
6.	-Do- DC, Phek	78,42,750	1,94,505	Nil	1,94,505
7.	-Do- DC, Zunheboto	1,64,99,118	3,73,287	Nil	3,73,287
8.	-Do- DC, Tuensang	2,81,90,399	4,91,389	Nil	4,91,389
9.	-Do- DC, Mokokchung	33,02,120	81,683	Nil	81,683
	<b>Total</b>	<b>17,03,75,587</b>	<b>38,27,873</b>	<b>14,73,515</b>	<b>23,54,358</b>

## APPENDIX—XXXIII

Details of year-wise grants sanctioned, released and utilised during 1993-94 to  
1998-99

(Reference: Paragraph 7.5.2; page 126)

<i>Year</i>	Grants received from CSWB	Grant received from State Government	Total grant received	Grants utilised by SSWAB	Excess (+) Savings (-)
(Rupees in lakh)					
O.B.	3.34				(-) 3.34
1993-94	51.01	19.84	70.85	72.18	(+ ) 1.33
1994-95	57.32	19.84	77.16	66.40	(-) 10.76
1995-96	69.95	19.00	88.95	90.19	(+ ) 1.24
1996-97	57.46	21.84	79.30	72.80	(-) 6.50
1997-98	46.12	21.84	67.96	63.11	(-) 4.85
1998-99	22.34	21.84	44.18	51.72	(+ ) 7.54
<b>Total:-</b>	<b>307.54</b>	<b>124.20</b>	<b>431.74</b>	<b>416.40</b>	<b>(-) 15.34</b>

## APPENDIX—XXXIV

Statement showing particulars of capital, loans/equity received out of budget, other loans outstanding as on 31 March 1999 in respect of Government companies (Figures in Col. 3 (a) to 4 (f) are Rupees in lakh) @

(Reference: Paragraph 8.1.2; page 130)

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 1998-99		Other loans received during the year	Loans** outstanding at the close of the year			Debt equity ratio for 1998-99 (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
<b>(A) Government companies sector</b>													
<b>Industries and Commerce</b>													
1.	Nagaland Industrial Development Corporation Ltd., Dimapur	1393.36	---	---	473.25	1866.61	---	---	212.21	110.00	1087.47	1197.47	0.64:1 (0.58:1)
2.	Nagaland Handloom and Handicrafts Development Corporation Ltd., Dimapur	399.50	84.22	---	---	483.72	35.00	---	---	---	73.30	73.30	0.15:1 (0.16:1)
3.	Nagaland Industrial Raw Materials and Supply Corporation Ltd.	102.40	---	---	---	102.40	---	---	---	---	10.00	10.00	0.10:1 (0.14:1)
4.	Nagaland Hotels Ltd.	6.00	---	40.00	---	46.00	---	55.01	---	---	993.14	993.14	21.59:1 (20.40:1)
5.	Nagaland Sugar Mills Company Ltd., Dimapur												
<b>Total of the sector</b>		<b>1901.26</b>	<b>84.22</b>	<b>40.00</b>	<b>473.25</b>	<b>2498.73</b>	<b>35.00</b>	<b>55.01</b>	<b>212.21</b>	<b>110.00</b>	<b>2163.91</b>	<b>2273.91</b>	<b>0.91:1 (0.88:1)</b>
<b>Geology and Mining</b>													
6.	Nagaland State Mineral Development Corporation Ltd., Kohima	160.00	---	---	---	160.00	80.00	---	---	54.39	---	54.39	0.34:1 (0.68:1)
<b>Total of the sector</b>		<b>160.00</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>160.00</b>	<b>80.00</b>	<b>---</b>	<b>---</b>	<b>54.39</b>	<b>---</b>	<b>54.39</b>	<b>0.34:1</b>
<b>Grand total:-</b>		<b>2061.26</b>	<b>84.22</b>	<b>40.00</b>	<b>473.25</b>	<b>2658.73</b>	<b>115.00</b>	<b>55.01</b>	<b>212.21</b>	<b>164.39</b>	<b>2163.91</b>	<b>2328.30</b>	<b>0.88:1 (0.87:1)</b>

@ Figures contained in the Appendix are as supplied by the concerned companies/departments.

\* Includes bonds, debentures, inter-corporate deposits etc.

\*\* Represents long term loans.

APPENDIX—XXXV

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, 8.1.7 and 8.1.8; pages 130,132 & 133)

(Figures in column 7 to 12 are in 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)
<b>A. Government Companies Sector</b>														
<b>1. Industries and Commerce</b>														
(i)	Nagaland Industrial Development Corporation Ltd., Dimapur	Industries and Commerce	26.03.1970	1989-90	1999-2000	(-) 46.75	Nil	1125.27	(-) 340.36	1913.38	(-) 47.74	---	9	Working
(ii)	Nagaland Industrial Raw Materials Development Corporation Ltd., Dimapur	--do--	28.03.1973	1978-79	1997-98	(+) 0.49	Nil	10.28	(+) 0.49	16.38	0.59	3.60	20	--do--
(iii)	Nagaland Handloom and handicrafts development corporation Ltd., Dimapur	--do--	27.02.1979	1981-82	1997-98	(-) 19.70	Nil	85.00	(-) 51.04	61.71	(-) 19.70	---	17	--do--
(iv)	Nagaland Sugar Mills Company Ltd., Dimapur	--do--	22.03.1973	Information not furnished										
(v)	Nagaland Hotels Ltd. (subsidiary to NIDC)	--do--	17.03.1982	1984-85	1999-2000	**	Nil	0.002	---	158.31	---	---	14	--do--
<b>Total of the Sector</b>						(-) 65.96	Nil	1220.552	(-) 390.91	2149.78	(-) 66.85			
<b>2. Geology and Mining</b>														
(i)	Nagaland State Mineral Development Corporation Ltd., Kohima	Geology and Mining	21.05.1981	1983-84	1997-98	Nil	Nil	0.004	Nil	36.74	Nil	Nil	15	--do--
<b>Total of the sector</b>							Nil	0.004	Nil	36.74	Nil	Nil		
<b>Grand total:-</b>						(-) 65.96		1220.556	(-) 390.91	2186.52	(-) 66.85			

\* 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).

\*\* Project under implementation.

## APPENDIX-XXXVI

**Statement showing Financial position and working results for the five years ending 31<sup>st</sup> March 1999 and receipt of loan applications, sanctions and disbursements made during the five years ending 1998-99.**

(Reference: Paragraph 8.2.5 & 8.2.6; page 137)

### (A) Financial position (Figures are provisional and unaudited)

Liabilities		1994-95	1995-96	1996-97	1997-98	1998-99
(Rupees in lakh)						
(a)	Paid up capital	1125.27	1125.27	1125.27	1125.27	1125.27
(b)	IDBI subsidy	3.38	3.38	3.38	3.38	3.38
(c)	Borrowings	1128.55	1280.99	1259.65	1368.68	1537.31
(d)	Trade dues and other current liabilities	77.07	61.90	89.24	146.55	164.15
(e)	* Share application money	442.00	515.34	595.34	639.34	741.34
	<b>Total</b>	<b>2776.27</b>	<b>2989.88</b>	<b>3072.88</b>	<b>3283.22</b>	<b>3571.45</b>
Assets						
(f)	Gross block	242.55	241.20	247.56	273.80	289.64
(g)	Depreciation (-)	97.93	103.76	107.71	107.75	120.50
(h)	Net fixed assets	144.62	137.44	139.85	166.05	169.14
(i)	Capital work-in-progress	NIL	NIL	NIL	NIL	4.45
(j)	Investments	236.64	253.76	298.64	281.64	404.39
(k)	Current assets loans and advances	1573.26	1643.71	1647.23	1782.30	1895.59
(l)	Miscellaneous expenses and losses	821.75	951.96	987.16	1053.22	1097.88
	<b>Total</b>	<b>2776.27</b>	<b>2989.88</b>	<b>3072.88</b>	<b>3283.22</b>	<b>3571.45</b>
	<b>**Capital employed</b>	<b>2665.81</b>	<b>2808.71</b>	<b>2950.93</b>	<b>3056.78</b>	<b>3268.61</b>
	<b>***Net worth</b>	<b>745.52</b>	<b>688.65</b>	<b>733.45</b>	<b>711.39</b>	<b>768.73</b>

- \* Represents amount received from Government of Nagaland as Equity share, used for payment of salaries to NIDC staff.
- \*\* Capital employed, represents, the mean aggregate of opening and closing balances of paid up capital, borrowings and share application money.
- \*\*\* Net worth represents paid-up capital, plus share application money less intangible assets.

### (B) Working Results

Particulars		1994-95	1995-96	1996-97	1997-98	1998-99
(Rupees in lakh)						
<b>A.</b>	<b>Income</b>					
(i)	Interest on loans and advances	61.38	40.32	54.26	49.17	137.98
(ii)	Other income	10.07	10.59	6.14	10.50	28.04
(iii)	Interest on fixed deposits	1.57	1.29	4.01	5.14	8.12
	<b>Total</b>	<b>73.02</b>	<b>52.20</b>	<b>64.41</b>	<b>64.81</b>	<b>174.14</b>
<b>B.</b>	<b>Expenditure</b>					
(i)	Salaries and other Administrative expenses	91.43	86.54	87.29	131.01	149.82
(ii)	Interest on borrowings	89.91	86.78	7.79	11.28	11.90
(iii)	Prior period adjustment	0.58	9.08	4.54	NIL	57.07
	<b>Total</b>	<b>181.92</b>	<b>182.40</b>	<b>99.62</b>	<b>142.29</b>	<b>218.79</b>
<b>C.</b>	<b>Profit (+)/Loss (-) (A-B)</b>	<b>(-) 108.90</b>	<b>(-) 130.20</b>	<b>(-) 35.21</b>	<b>(-) 77.48</b>	<b>(-) 44.65</b>



**C. Receipt of loan applications, sanctions and disbursements made during the five years ending 1998-99**

Sl. No.		Since inception to the end of 1993-94		During five years from 1994-95 to 1998-99		Total	
		Numbers	Amount	Numbers	Amount	Numbers	Amount
(Amounts in crore of rupees)							
1.	Applications received	NA	NA	1150	NA	NA	NA
2.	Applications sanctioned	NA	21.74	350	8.71	NA	30.45
3.	Loans disbursed	NA	20.44	310	7.98	NA	28.42
4.	Applications pending sanction and disbursement (1-2)	NA	NA	72 (728)	1.33 (14.96)	72	1.33
5.	Undisbursed sanctioned loan (2-3)	NA	1.30	20 (20)	0.34 (0.39)	20	1.64 (0.39)

**Note:- Figures within brackets denote rejections and cancellations.**

**APPENDIX-XXXVII**

**Statement showing the overdue amount against abandoned/unimplemented projects, misutilisation of loan by promoters, inadequate post disbursement appraisals/lack of monitoring of project implementation which awaited recovery from the loanees.**

**(Reference: Paragraph 8.2.8; page 138)**

Sl. No.	Name of the loanee/ assisted unit	Month of sanction	Amount sanctioned/ rate of interest	Month of release of loan	Repayment No. of instalments	Recoveries made so far	Overdue amount		Total	Observations	
(1)	(2)	(3)	(4)	(5)	(6)	(7)		(8)		(9)	(10)
<b>Abandoned/unimplemented projects</b>											
						Principal	Interest	Principal	Interest		
(i)	Shri Darhi Vakha, M/s Stone Crusher Unit	January 1987	1.00	February 1987	10 (Half-yearly)	NIL	NIL	1.00	2.69	3.69	The loanee reported (October 1989) that the Corporation had supplied defective stone crusher machine to him and therefore was not willing to pay his instalments. Moreover, legal documents were not available.
(ii)	Shri Kellehouned Nagi, M/s Furniture Unit, Kohima	July 1989	0.90	September 1989	12 (Half-yearly)	NIL	0.05	0.90	1.76	2.66	As per DGMC (R&F) note dated September 1995 machinery were not installed. No action was taken by the Corporation for seizure and disposal of the machinery till date (June 1999).
(iii)	Shri Kezhato Sema, M/s Kezhato Stone Crusher Unit, Zunheboto	May 1987	1.00	November 1988	10 (Half-yearly)	NIL	0.60 (As on 19.11.96)	1.00	0.40 (As on 13.11.96)	1.40	The machinery were seized and disposed of (November 1996) but no civil suit was filed for recovery of shortfall amount of Rs.1.40 lakh till date (June 1999).
(iv)	Smt. Hozheli Sema, M/s Greenland Weaving Unit, Dimapur	November 1991	0.50 (14%)	November 1991	20 <sup>th</sup> (Quarterly)	NIL	NIL	0.50	0.85	1.35	The loanee vide her letter dated September 1994 had stated that she had not received any machinery. Original sanction letter was missing.
(v)	Shri V.Kechu Angami, M/s Furniture Unit, Chumukedima	June 1990	1.00 (T/L) 0.20 (NEF assistance)	March 1991 (Both T/L & NEF)	12 (Quarterly) 8 (Half-yearly)	NIL NIL	NIL NIL	1.00 0.20	0.30 (Upto 30.09.93) 0.01	1.51	As per inspection cum recovery drive report 1992 of the Corporation the machinery were still lying idle without installation for the last two years. No action was taken by the Corporation for seizure and disposal of the machinery till date (June 1999).
(vi)	Shri Mokokt Sukshi Ao, M/s Sento Tyre Service, Dimapur	November 1988	0.50	December 1988	24 (Quarterly)	NIL	NIL	0.50	0.87	1.37	Loanee disappeared after availing of the loan. Unit was closed in March 1991.
(vii)	Smt. Garda Kauriuta, M/s Weaving Unit, Jalukie	December 1990	0.50 (10%)	March 1991	20 (Quarterly)	NIL	NIL	0.50	0.66	1.16	The loanee vide her letter dated August 1993 stated that she had not received any machinery from the supplier. There was also no indication as to whether Rs.40,000 was paid to the supplier or not.
	<b>Total:-</b>					<b>Nil</b>	<b>0.65</b>	<b>5.60</b>	<b>7.54</b>	<b>13.14</b>	
<b>2. Misutilisation of loan</b>											
(i)	Smt. Ritse, M/s Handloom Weaving Unit, Dimapur	April 1978	0.75 lakh (9.5%)	August 1979	11 (Half-yearly)	NIL	NIL	0.75	4.36	5.11	Unit was not in existence. Loanee expired in October 1993. Contrary to procedure and guidelines of IDBI for payment of value of machinery/equipment direct to the supplier after physical verification of assets purchased by the loanee, the entire loan amount was paid to the loanee. Original sanction letter was not available. No action was taken by the Corporation against the guarantors for recovery of overdues. No action was also taken by the Corporation for filing civil suit for recovery of overdues (June 1999).

(1)	(2)	(3)	(4)	(5)	(6)	(7)		(8)		(9)	(10)
(ii)	Shri Shashi Walling, M/s Hosiery Knitting Unit, Dimapur	January 1991	0.90 (T/L) 0.15 (NEF)	February to May 1991	28 (Quarterly) 8 (Half yearly)	NIL NIL	NIL NIL	0.80 0.15	1.55 0.02	2.35 0.17 2.52	As per physical verification report of November 1996 of the Corporation, the unit was not in existence.
(iii)	Shri T.Meren Imchen, M/s Furniture Unit, Dimapur	November 1991	0.90 0.15 (NEF assistance)	December 1991 (Both term loan & NEF assistance)	TL-24 (Quarterly) NEF-8 (Half yearly)	0.02 NEF-NIL	0.02 NEF-NIL	0.75 (T/L) NEF-0.15	139 (T/L) NEF-0.01	2.30	Contrary to procedure and guidelines of IDBI for payment of value of machinery direct to supplier after physical verification of assets purchased by the loanee, the Corporation disbursed loan to the loanee. Further, no post disbursement inspection was carried out by the Corporation.
(iv)	Shri Zukiye Kits, M/s Kits Photo Copier, Chumukedima	April 1990	1.00	January 1991 (disbursed 0.87)	24 (Quarterly)	NIL	NIL	0.76	1.43	2.19	The loanee was a Government servant while availing the loan but declared as unemployed youth for obtaining loan from the Corporation. The unit was not installed and commissioned (June 1999).
(v)	Shri Noket Ao, M/s Automobile Servicing Station, Dimapur	September 1986	1.10 (T/L) (including SCA) 0.25	October to November 1986	10 (Half yearly)	NIL	NIL	1.40 (As on 31.8.95)	0.65	2.05	As per inspection report (June 1989) of the Corporation the unit was operated by a third party without the approval of the Corporation. No action was taken by the Corporation for taking physical possession of the machinery and their disposal.
(vi)	Shri H.Mankhat Konyak, M/s Citronella Distillation Unit, Mon	May 1991	0.65 (T/L) 0.13 (NEF)	June 1991 June 1991	24 (Quarterly) 8 (Half yearly)	NIL NIL	NIL NIL	0.65 0.13	1.07 0.01	1.72 0.14 1.86	Contrary to procedure and guidelines of IDBI for payment of value of machinery equipment direct to the supplier after physical verification of assets purchased by the loanee, the Corporation released Rs.0.78 lakh to the promoter.
(vii)	Smt. Mazida, M/s Weaving Unit, Dimapur	October 1990	0.30 (10%)	February 1991	10 (Quarterly)	NIL	NIL	0.30	0.40	0.70	The loanee disappeared after availing of loan. The Corporation had failed to trace out the unit and the loanee. Legal notice issued for recovery of loan was returned undelivered.
(viii)	Smt. Sheneli Sema, M/s Weaving Unit, Dimapur	July 1989	0.25 (10%)	October 1989	28 (Quarterly)	NIL	NIL	0.25	0.41	0.66	Unit was not set up. No action was taken by the Corporation against the guarantors for recovery of overdues.
	<b>Total:-</b>					<b>0.02</b>	<b>0.02</b>	<b>6.09</b>	<b>11.30</b>	<b>17.39</b>	
<b>3.</b>	<b>Improper Pre-sanction Appraisal</b>										
(i)	Shri Zonyi Ritse, M/s Nagaland Bone Company (P) Ltd., Dimapur	September 1985	12.80	December 1985	14 (Half yearly)	3.80	1.00	9.00 (As on 31.1.98)	11.24 (As on 31.1.98)	20.24	Legal documents were not available. The unit was sick since inception. The unit was not likely to resume commercial production.
(ii)	Shri Temsukaba Ao, M/s Green Filed Food Products, Mokokchung	February 1988	1.00	October 1988 to May 1989	12 (Half yearly)	NIL	0.10	1.00	2.15	3.15	Owing to lack of market the unit was shifted from Mokokchung to Dimapur in December 1993. The unit at Dimapur was also not functioning.
(iii)	Shri P.Longrizung, M/s Rural Furniture Unit, Changtongya	March 1988	0.90	May 1988	12 (Half yearly)	0.17	0.17	0.78	1.29	2.07	As per recovery drive report (October 1998) of the Corporation, all the machinery were intact but not functional for want of electricity and market. No action was taken by the Corporation for seizure and disposal of machinery till date (June 1999).
	<b>Total</b>					<b>3.97</b>	<b>1.27</b>	<b>10.78</b>	<b>14.68</b>	<b>25.46</b>	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
4.	<b>Inadequate post disbursement appraisals/lack of monitoring of project implementation</b>										
(i)	Shri L.S.Apong Ao, M/s Hotel Valley View, Dimapur	July 1988	10.00	August 1988	10 (Half yearly)	0.50	2.32	9.50	11.22	20.72	No civil suit was filed by the Corporation against the loanee (June 1999).
(ii)	Shri Wetzulo Naro, M/s Eastern Timber Industry, Phek	August 1986	2.00	September 1986	6 (Half yearly)	NIL	0.28	2.00	5.43	7.43	The loanee expired in 1996. No action was taken against the guarantors for recovery of overdues.
(iii)	Shri Kanito, M/s Green Hill Timber, Dimapur	May 1986	2.00	June 1986	7 (Half yearly)	0.14	0.36	1.86	4.91	6.77	As per MD's inspection report, June 1989 of the Corporation, the unit was not functioning. No action was taken by the Corporation against the loanee for filing of civil suit for recovery of overdues (June 1999).
(iv)	Shri T.Chuba Ao, M/s Stone Crusher Unit, Dimapur	July 1989	2.15	December 1989	24 (Quarterly)	0.36	0.40	1.80	2.86	4.66	No response from the loanee till date (June 1999). No action was taken by the Corporation against the guarantors for recovery of overdues.
(v)	Shri L.Kappo, M/s Jupiter Exercise, Dimapur	April 1987	0.80	March to July 1981 (Disbursed 0.57)	11 (Half yearly)	NIL	0.10	0.57	3.15	3.72	No effective action was taken by the Corporation for seizure and disposal of plant and machinery and other security. No action was also taken by the Corporation against the guarantors for recovery of overdues.
(vi)	Shri Zunhepranyo Chakhesang, M/s Zuneppranyo Furniture Unit, Dimapur	July 1989	0.90	October 1989	24 (Quarterly)	NIL	0.10	0.90	1.62	2.52	Pre and post disbursement inspection was not carried out by the Corporation. No action was taken by the Corporation against the guarantors for recovery of overdues till date (June 1999).
(vii)	Shri Konchio Lotha, M/s Furniture Unit, Dimapur	April 1991	0.50	February 1992	20 (Quarterly)	NIL	NIL	0.50	0.77	1.27	Post disbursement inspection was not carried out by the Corporation. No action was taken by the Corporation against the guarantors for recovery of overdues till date (June 1999).
(viii)	Shri Tiameren Imsong, M/s Motor-Workshop, Mongkolemba	May 1990	0.50	July to October 1990	24 (Quarterly)	NIL	NIL	0.50	0.72	1.22	Loanee expired in August 1995. No action was taken by the Corporation either against the nominees or guarantors for recovery of overdues (June 1999).
(ix)	Smt. Kheneli Sema, M/s Weaving Unit, Dimapur	November 1990	0.50 (10%)	February 1991	20 (Quarterly)	NIL	NIL	0.50	0.67	1.17	Loan was availed by a group of four woman residing in the town. Repayment of the loan was highly doubtful since, there was misunderstanding among themselves. No civil suit was initiated till date (June 1999).
(x)	Shri Konchio Lotha, M/s Longso Stone Crusher Unit, Wokha	July 1989	3.00	November 1989	24 (Quarterly)	0.93	1.85	2.07	1.49	3.56	The loanee had purchased a new stone crusher machine and installed at the same spot of the old machinery. Out of the income derived from the loaned stone crusher. The unit was profitable and had captured about 50 to 60 per cent of the market at Wokha but the loanee was not willing to repay the loan. The Corporation had neither filed any civil suit against the loanee nor taken any action against the guarantors.
	<b>Total</b>					<b>1.93</b>	<b>5.38</b>	<b>20.20</b>	<b>32.84</b>	<b>53.94</b>	
	<b>Grand total</b>					<b>5.92</b>	<b>7.32</b>	<b>42.67</b>	<b>66.36</b>	<b>109.03</b>	

**APPENDIX-XXXVIII**

**Statement showing the loss of Rs.3.70 crore on one time settlement  
(Reference: Paragraph 8.2.11; page 144)**

Sl No.	Name of the loanee/assisted unit	Month of sanction	Amount sanctioned/ rate of interest	Month of release of loan	Repayment (No. of instalments)	Overdue amount as on the date of one time settlement			Recoveries made by OTS		Waived amount			Total Loss
						Principal	Interest		Principal	Interest	Principal	Interest		
							Nil	Penalty				Nil	Penalty	
(Rupees in lakh)														
1.	Shri Khehiho Zhimomi, M/s Nagaland Beverages (P) Ltd., Dimapur	March 1985 October 1986	58.00 <u>20.70</u> 78.70	July 1985 to January 1987 (Disbursed 74.50)	15 (Half yearly)	74.50 (As on 24.4.97)	98.30	80.24	50.00 (to be recovered 24.50)	5.50 (to be recovered)	Nil	92.80	80.24	173.04
2.	Shri Mayang Ao, M/s Changki Village Forest Products (P) Ltd., Mongkolamba	March 1987	24.00	April 1987 to November 1987	8 (Half yearly)	24.00 (As on 31.3.99)	25.90	20.08	10.00 (14.00 to be recovered)	Nil	Nil	25.90	20.08	45.98
3.	Shri C.Apok Jamir, M/s Medicare Pharmaceutical Works (P) Ltd., Dimapur	November 1988	35.81	June 1989 to April 1994	17 (Half yearly)	35.81 (As on 31.10.97)	32.24	11.10	30.81	Nil	5.00	32.24	11.10	48.34
4.	Shri K.Jakhalu, M/s Hotel Swagat, Dimapur	November 1988 July 1989 March 1994	25.00 (T/L) 15.00 (Addl.) <u>1.00 (Addl.)</u> 41.00	March 1989 to April 1994	15 (Half yearly)	41.00 (As on 30.9.97)	27.76	11.30	41.00 (to be recovered)	Nil	Nil	27.76	11.30	39.06
5.	Shri N.Baruah & Shri K.Atovi Sema, M/s Mercury Plastic (P) Ltd., Dimapur	February 1988 May 1989	22.00 (T/L) <u>2.50 (Addl.)</u> 24.50 1.50 (SCA)	September 1988 to November 1989 May 1988	12 (Half yearly) 12 (Half yearly)	24.50 (As on 30.4.98) 1.50	22.16 <u>0.02</u> (SC)	15.08	15.00 (9.50 lakh to be recovered)	5.54 (to be recovered)	Nil	16.64 (SC 0.02 waived)	15.08	31.70 <u>0.02</u> 31.72
6.	Smt. Sano Vamuzo, M/s Hotel Sato, Kohima	May 1988	12.00	January 1989 to February 1991	12 (Half yearly)	12.00 (As on 12.2.98)	10.15	6.49	10.00 (Rs.2.00 lakh to be recovered)	6.00 (to be recovered)	Nil	4.15	6.49	10.64
7.	Shri Kekheto Zhimomi, M/s Kakhu's Nursing Home, Dimapur	April 1990	9.70	March 1991 to May 1992	24 (Quarterly)	9.70 (As on 22.9.96)	7.97	1.41	9.70	2.25	Nil	5.72	1.41	7.13
8.	Shri L.Kuki, M/s Janata Hotel, Dimapur	May 1988	11.50	August 1988 to April 1989	15 (Half yearly)	11.50 (As on 15.3.98)	4.06	3.73	31.15 (4/99) (to be recovered Rs.8.35 lakh)	1.90	Nil	2.16	3.73	5.89
9.	Shri Kazhalakho Guric, M/s Stone Crusher, Jotsoma Village	April 1990	2.50 (T/L) <u>0.40 (NEF)</u> 2.90	January 1991 to August 1991 January 1991	24 (Quarterly) 8 (Half yearly)	2.50 (As on 18.8.98) <u>0.40</u> 2.90	2.20 <u>0.23 (SC)</u> 2.23	1.32	2.90 (T/L+NEF) (As on 18.8.98)	Nil	Nil	2.23 (T/L 2.20 NEF 0.03)	1.32	3.55
10.	Shri Rokonicha, Ex-MLA, M/s Mayur Hotel, Dimapur	May 1988 March 1990	19.00 <u>7.00 (Addl.)</u> 26.00	July 1988 to December 1990	15 (Half yearly)	26.00 (As on 31.12.95)	0.01	2.62	1.54 (Rs.24.46 lakh to be recovered in 13 half yearly instalments)	1.01	Nil	Nil	2.62	2.62
11.	Smt. Areni Lotha, M/s Chicko Crazy Chips, Dimapur	February 1991	7.00 (T/L) <u>1.15 (MUN)</u> 8.15	March 1991 August 1991	28 (Quarterly) 10 (Half yearly)	8.15 (T/L & MUN) (As on 31.3.96)	2.70	0.64	8.15	0.85	Nil	1.85	0.64	2.49
<b>Total:-</b>											<b>5.00</b>	<b>211.45</b>	<b>154.01</b>	<b>370.46</b>







**COMPTROLLER AND AUDITOR GENERAL OF INDIA**  
**2000**