

## CHAPTER II

### AUDIT OF TRANSACTIONS

*Fraud/misappropriation*

#### SCHOOL EDUCATION DEPARTMENT

##### 2.1 Fraudulent drawal of TA claims

**Drawal of Rs.15.52 lakh by Headmaster, Government High School, Baghty, against Traveling Allowance claims is suspected to be fraudulent.**

Information collected from the Senior Treasury Officer (STO), Wokha during audit (January 2008) of the establishment of Headmaster (HM), Government High School (GHS), Baghty revealed that the HM had drawn (February 2001 to March 2002) Rs.15.52 lakh in 136 bills against Traveling Allowance claims.

However, the HM could not produce any supporting records of the claims such as T.A bills, payment details, tour diaries and approved tour programme. Further, Cash Book and Bill Register for the period from July 2001 to June 2003 had not been maintained.

On this being pointed out, the present HM stated (July 2008) that since Cash Book, Bill Register or any other records for the relevant period was not maintained and as he was posted to that school only in July 2007, he was not in a position to reply.

Thus, Rs.15.52 lakh was fraudulently drawn by the HM, GHS, Baghty against traveling allowance claims.

The matter was reported to the Department and the Government (July 2009); replies have not been received (October 2009).

##### 2.2 Fraudulent drawal

**Headmaster, Government High School, Kiphire, fraudulently drew Rs.9.52 lakh as Traveling Allowance claims of 26 employees.**

Headmaster, Government High School (GHS), Kiphire drew Rs.9.52 lakh in four<sup>1</sup> bills (January and December 2007) as Traveling Allowance against 26 employees in 34 cases.

Scrutiny of vouchers in audit revealed that, claims for traveling allowance in 24 cases for 159 to 297 days (March 2006 to December 2006) and in 10 cases for 145 days (April 2007 to August 2007) were prepared and drawn by the Headmaster, though all

<sup>1</sup> TV No. 34 to 36 dated. 25/01/07 and 11 dated 4/12/07

these employees were actually on duty in the school during the period. The employees also stated (November 2008) that the above TA bills were drawn by the Headmaster without their knowledge.

Thus, the Headmaster, GHS, Kiphire fraudulently drew TA bills amounting to Rs.9.52 lakh by preparing and presenting claims against the employees.

On this being pointed out, the Headmaster stated (November 2008) that though the above TA bills were drawn by him against 24 employees, the amount is yet to be disbursed to them and is under his custody.

The reply is not relevant as the final TA bills in respect of employees who had not performed any official tour should not have been drawn in the first place.

The Government, in reply (July 2009) accepted the facts and stated that action has been initiated to recover the amount in 3 installments within two months i.e., September 2009. The details of actual recoveries made, if any, had not been intimated (October 2009). The reply was also silent on whether any disciplinary proceedings had been initiated against the Headmaster.

### **2.3 Short supply of rice under Mid Day Meal Scheme**

**2,237.07 quintals of rice valued at Rs.31.21 lakh issued by Director of School Education under Mid Day Meal scheme to Deputy Inspector of Schools, Aghunato was not delivered to him and is suspected to have been diverted to open market.**

Nutritional Support to Primary Education, commonly known as Mid Day Meal programme (MDM), was launched as a Centrally Sponsored Scheme in August 1995. The scheme was intended to boost the universalisation of primary education by increasing enrollment, retention and attendance and simultaneously improving the nutritional status of the students countrywide, in a phased manner. Central support is provided by way of supply of free food grains through Food Corporation of India (FCI) at the rate of 100 gram per child per school day in respect of Primary Schools where cooked meals are provided and at the rate of 3 kg per student per month where food grains are distributed.

The Director of School Education allotted/issued (March 2005 to January 2009) 3,511.22 quintals of rice to Deputy Inspector of Schools (DIS), Aghunato for distribution to 42 schools under his jurisdiction through an authorized stockist-cum-transporter<sup>2</sup>.

Scrutiny (February 2009) of records of DIS, Aghunato, however, revealed that though the transporter lifted the entire quantity of rice, the DIS received (March 2005 to

---

<sup>2</sup> M/S Vitoi Sumi, Dimapur

January 2009) only 1,274.15 quintals of rice resulting in short receipt of 2,237.07 quintals of rice valued at Rs.31.21 lakh<sup>3</sup>.

Thus, the short receipt of 2,237.07 quintals of rice affected the implementation of the scheme by depriving 22,37,070<sup>4</sup> mid day meals to the students during the period and the entire quantity of food grains is suspected to have been diverted to the open market.

The matter was reported to the Department and Government (May 2009), reply has not been received (October 2009).

## HEALTH AND FAMILY WELFARE DEPARTMENT

### 2.4 Fictitious drawals

#### **District Tuberculosis Officer, Zunheboto drew Rs.14.97 lakh by presenting fictitious claims on pay and allowances.**

District Tuberculosis (TB) Officer, Zunheboto drew (August 2006 to May 2007) Rs.17.88 lakh as arrears of pay, HRA, DA and Dearness Pay (DP) in 28 bills.

Scrutiny of these vouchers revealed that, Rs.14.97 lakh out of Rs.17.88 lakh, was drawn on the basis of false claims as detailed below:-

(i) Rs.10.62 lakh was drawn (October 2006 to May 2007) on 17 bills on account of pay arrears against Grade III and IV employees. Cross verification of these bills with the regular pay bills of the relevant period revealed that the basic pay of the employees taken for calculation of arrears was inflated. Scrutiny also revealed that arrears were drawn by granting inadmissible increments two to three times for the same period to these employees.

(ii) Rs.0.87 lakh was drawn on account of HRA arrears in four bills against 12 employees, although HRA was drawn at the admissible rate by these employees as per the regular pay bills. Hence, an inadmissible amount of Rs.0.87 lakh was drawn fraudulently.

(iii) Government of Nagaland raised the rate of DA from 21 *per cent* to 24 *per cent* from January 2006 and 24 *per cent* to 29 *per cent* from July 2006. The TB Officer, drew the resultant arrears amounting to Rs.0.88 lakh (December 2006) in two bills. However, Rs.1.33 lakh was again drawn (January 2007) as DA arrears for the same period against the same employees resulting in excess drawal of Rs1.33 lakh.

(iv) Government of Nagaland merged (December 2005) 50 *per cent* of DA with basic pay of employees' w.e.f 1 April 2004. The TB Officer drew (June 2006 to April 2007) an amount of Rs.4.18 lakh as DP arrears for the period April 2004 to February 2007 in

<sup>3</sup> Calculated at Rs.1395 (Economic cost of rice) per quintal

<sup>4</sup> 100 gm per student per school day (243 working days in a year)

4 bills against 14 Grade IV employees. Audit scrutiny (May 2007) revealed that arrears for 29 months amounting to Rs.2.15 lakh were drawn twice.

Thus, the District TB Officer had drawn Rs.14.97 lakh by presenting fictitious bills.

The matter was reported to the Department and the Government (April 2009); replies have not been received (October 2009).

## **HOME (GENERAL ADMINISTRATION)/HIGHER EDUCATION DEPARTMENTS**

### **2.5 Double drawals**

#### **Deputy Commissioner, Dimapur and Principal, Government College, Zunheboto drew Rs.8.02 lakh as pay and allowances of employees for the second time.**

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

(i) Scrutiny of pay bills of the Deputy Commissioner (DC), Dimapur revealed that Rs.5.83 lakh was drawn (March 2007) in four bills as pay and allowances (February 2007) of 66 employees.

Further scrutiny, however, revealed that the pay and allowance of all these employees for the month of February 2007 were already drawn by the Drawing and Disbursing Officer (DDO) in February 2007 itself. Thus, there was a double drawal of Rs.5.83 lakh as pay and allowances by the DC's office.

On this being pointed out (September 2008), the DC deposited an amount of Rs.5.46 lakh (October 2008), excluding deductions like GPF, Professional tax etc., into Government account. However, the source of recovery has not been communicated (November 2009).

(ii) Scrutiny of pay bills of the Principal, Government College, Zunheboto revealed that Rs.1.74 lakh was drawn (26 March 2007) as pay and allowances of Grade III and IV employees for February 2007 in two bills. Similarly, an amount of Rs.0.73 lakh was also drawn (26 March 2007) in two bills by the Principal as fixed pay (October 2006 to February 2007) of three Grade III employees.

Further scrutiny revealed that the pay and allowances of Grade III and IV employees for February 2007 amounting to Rs.1.69 lakh were already drawn by the DDO on 1 March 2007. Further, fixed pay amounting to Rs.0.45 lakh of these Grade III employees for October 2006 and December 2006 to February 2007 was also drawn in November 2006, January 2007, February 2007 and 1 March 2007 by the Principal. This resulted in a double drawal of Rs.2.19 lakh.

On this being pointed out (September 2008 and July 2008), the Principal deposited an amount of Rs.3.60 lakh<sup>5</sup> (November 2008) into Government account. On further inquiry (March 2009), the Principal stated that the amount had been recovered in cash from the concerned staff.

Thus, failure of the DC, Dimapur, the Principal, Government College Zunheboto and the Treasury Officer in exercising the statutory checks prescribed in rules resulted in double drawal of pay and allowances of Rs.8.02 lakh. Though the amount drawn in excess was refunded at the instance of audit, any deterrent action initiated against the employees involved has not been intimated (October 2009).

## FOOD AND CIVIL SUPPLIES DEPARTMENT

### 2.6 Diversion of PDS foodgrains

**2,760 MT of PDS rice valued at Rs.2.29 crore meant for distribution to APL beneficiaries of Kohima district is suspected to have been diverted to open market.**

Under the Public Distribution System (PDS), the population not covered under Below Poverty Line (BPL), Antyodaya Anna Yojana (AAY) and Annapurna Scheme are covered under Above Poverty Line (APL) segment and every APL household is entitled for 35 kilogram of food grains per month on the basis of transitory allocation made by Government of India.

Government of Nagaland (GON), Food and Civil Supplies Department (FCSD) appointed (July 2006) two Stockists-cum-Handling Agents<sup>6</sup> for lifting and distribution of APL Rice from Food Corporation of India (FCI), Dimapur to Fair Price Shops (FPS) located in different districts of the State. According to Clause seven of the Agreement, the stockists were required to submit detailed Utilisation Certificates (UC) against each allocation, duly countersigned by the Assistant Director of FCSD and the Deputy Commissioner/Additional Deputy Commissioner of the respective district.

Scrutiny of records (June 2008) of the Director, FCSD revealed that the Department had allotted (October 2006 to April 2008) 2,890 MT of APL rice to the authorised

<sup>5</sup> Including inadmissible arrears.

<sup>6</sup> 1. M/s Jemti Ao (Mon, Tuensang, Kiphire and Longleng) 2. M/s Vizhekho Angami (Kohima, Phek, Zunheboto, Wokha, Peren and Dimapur.

stockist<sup>7</sup> for distribution to APL beneficiaries of Kohima district through FPS. The Director, FCSD directed (May 2008) the stockist to submit the UCs immediately as he had lifted the entire allotment and had not submitted the UCs despite several letters issued earlier. The Assistant Director, FCSD, Kohima reported (June 2008) that the stockist had supplied (October 2006 to April 2008) only 130 MT of rice to FPS in Kohima. Thus, there was a short supply of 2,760 MT of APL rice valued at Rs.2.29 crore<sup>8</sup> by the stockist.

On this being pointed out, the Director, FCSD stated (April 2009) that the stockist supplied (August 2006 to April 2008) 2,690 MT of rice against the allocation of 2,890 MT and also produced the UCs forwarded by the Assistant Director, FCSD, Kohima on the following months of allocation/lifting. The reply is not tenable as it contradicts the facts stated by the Director, FCSD (May 2008) and the Assistant Director, FCSD (June 2008). Further, verification of FPSs revealed that they had not received the foodgrains stated to have been distributed to them.

Thus, the objective of PDS to distribute foodgrains to APL beneficiaries at subsidized rates was defeated as 2,760 MT of rice valued at Rs.2.29 crore is suspected to have been diverted to the open market.

The matter was reported to the Department and Government (May 2009), replies have not been received (May 2009).

## **2.7 Short receipt of PDS foodstuff**

**2,867.77 quintals of wheat meant for BPL beneficiaries and 1,254 quintals of levy sugar valued at Rs.37.25 lakh shown as issued/allotted by the Director of Food and Civil Supplies Department (FCSD) was not received by the Superintendent, FCSD, Kiphire and is suspected to have been diverted to the open market.**

Director, Food and Civil Supplies Department (FCSD) issued/allotted 21,766 quintals of wheat meant for distribution to BPL beneficiaries and 1254 quintals of levy sugar to the Superintendent of FCSD, Kiphire during 2004-05 to 2007-08.

Scrutiny (February 2009) of records of Superintendent of FCSD, Kiphire revealed that the Superintendent received only 18,898.23 quintals of wheat against 21,766 quintals shown as issued/allotted by the Director. It was also seen that 1,254 quintals of levy sugar shown as issued by the Director was not received by the Superintendent.

Thus, there was a short receipt of 2,867.77 quintals of wheat and 1,254 quintals of levy sugar valued at Rs.37.25<sup>9</sup> lakh and the same is suspected to have been diverted to the open market. Besides, the objective of PDS, i.e., to supply foodgrains to BPL beneficiaries at subsidised rates, was also not achieved.

---

<sup>7</sup> M/s Vizhekho Angami.

<sup>8</sup> 2,760 MT x Rs.830 per qtls. (Central Issue Price of APL rice)=Rs.2.29 crore

<sup>9</sup> BPL Wheat 28,67.77 quintals X Rs 665 =**Rs.19.07 lakh**+ Levy Sugar 1,254 quintals X 1,450= **Rs.18.18 lakh**

The matter was reported to the Department and the Government (July 2009); replies have not been received (October 2009).

***Excess payment/undue favour***

**URBAN DEVELOPMENT DEPARTMENT**

**2.8 Excess expenditure**

**The Executive Engineer, Town Planning Works Division, Kohima incurred excess expenditure of Rs.49 lakh due to non-acceptance of the lowest bid.**

Clause 293 of Nagaland Public Works Department Code stipulates that usually the lowest tender should be accepted, unless there be some objection to the capability of the contractor, the security offered by him or his execution of former work. When lowest tender is not accepted, the reasons may be furnished in the Comparative Statement duly attested for the audit purpose. As a general rule, negotiations should not be resorted to; but in cases, where it becomes necessary to do so, negotiations should be restricted only with the lowest tenderer. Further, the Central Vigilance Commissioner (CVC) had directed (November 1998) all officers concerned that no negotiations be resorted to with any tenderer other than the lowest tenderer.

Scrutiny of records (July 2008) of the Executive Engineer (EE), Town Planning Works Division (TPWD), Kohima revealed that NIT was floated (March 2006) for the work “Construction of Directorate Office Building of Town Planning Department at Kohima” with the approximate value of the work being Rs.3.28 crore as per NPWD (Housing) SOR 2004. Amongst seven bidders<sup>10</sup> who submitted (March 2006) their bids, 2 contractors<sup>11</sup> had quoted the lowest rates i.e., at par with NPWD, SOR 2004 and a third contractor<sup>12</sup> had quoted at 19 *per cent* above NPWD SOR 2004. The Division, in violation of CVC guidelines, negotiated (April 2006) with the third contractor as per directions received from the Chief Engineer (Housing). The Contractor agreed (April 2006) to take up the work at 15 *per cent* above NPWD SOR 2004. Work order was issued (April 2006) to him at Rs.3.77 crore, i.e., 15 *per cent* above SOR 2004. There was also nothing on record to suggest better work experience or expertise on the part of the third contractor. Reasons for rejecting/not negotiating with the two other bidders who had quoted the lowest rates at par with NPWD SOR 2004 i.e., Rs.3.28 crore was also not on record. Thus, the Division had incurred excess expenditure of Rs.49 lakh<sup>13</sup>.

The EE stated (September 2009) that the work could be executed only at 15-20 *per cent* above the NPWD SOR 2004 on the basis of analysis of major items of works as per prevailing market rates prepared by the Department. It was also stated that the

<sup>10</sup> All Registered Class I contractors

<sup>11</sup> 1. M/s RNDM Co. Pvt. Ltd., 2. M/s Pele Khezhe.

<sup>12</sup> Shri Atuolie Mepfho-u.

<sup>13</sup> Rs.3,76,66,833 – Rs.3,27,53,768

bids of the two contractors who had quoted the lowest were found to be technically deficient. The reply of the EE is not acceptable as no remarks were recorded in the comparative statement that the lowest bidders had submitted technically deficient bids. It was also seen that the analysis of major items of work were carried out on the basis of market rates of September 2006 though the tendering process was completed and work order was issued in March and April 2006 respectively.

The matter was reported to the Government (April 2009); replies have not been received (October 2009).

## **2.9 Undue financial aid to contractor**

**The Executive Engineer, Town Planning Works Division, Kohima paid Rs.3.75 crore as interest free mobilisation advance to four contractors resulting in loss of interest of Rs.23.92 lakh.**

As per CPWD Works Manual 2003, in respect of certain specialized and capital intensive works with estimated cost put to tender rupees two crore and above, provision of mobilisation advance may be kept in the tender documents. Mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest can be sanctioned against a Bank Guarantee (BG) to the contractors on specific request as per terms of the contract. The Central Vigilance Commission (CVC) had also directed (June 2004) that if mobilisation advance is to be given, it is to be expressly stated in the NIT/Bid documents, indicating the amount, rate of interest and submission of BG of equivalent amount.

Scrutiny (July 2008) of records of the Executive Engineer (EE), Town Planning Works Division, Kohima revealed that the EE paid (March 2006 to March 2007) Rs.3.75 crore to four contractors as mobilisation advance, though it was not included in the NIT. The EE neither insisted on BG nor did he charge interest on this mobilisation advance. This was in violation of codal provisions. The advances so allowed remained with the contractors for periods ranging from 3 to 7 months. Further, the advance granted exceeded 10 *per cent* of the tendered amount in two cases<sup>14</sup>.

Although the entire amount of mobilisation advance was subsequently adjusted, the Department cannot be absolved of the responsibility of providing undue financial aid of Rs.3.75 crore to the contractors resulting in loss of interest of Rs.23.92 lakh.

The Government in reply (June 2009) stated that there is no provision in the NPWD Code for Mobilisation Advance and the interest charges to be recovered from mobilisation advances and the entire advances have since been adjusted.

---

<sup>14</sup> M/s Aier Meren Enterprises: 21.71 *per cent*.  
M/s Vascon, Kohima: 26.80 *per cent*.



## PUBLIC WORKS (ROADS AND BRIDGES) DEPARTMENT

### 2.10 Excess payment to contractors

**Executive Engineer, Public Works Department (Roads and Bridges), Mokokchung Division extended undue benefit of Rs.17.35 lakh to eight contractors in violation to the provisions of the Work Orders.**

Executive Engineer (EE), Public Works Department (PWD), Roads and Bridges (R&B), Mokokchung Division awarded (November 2006 to January 2007) eight minor road construction works to different contractors at Nagaland Public Works Department (NPWD) Schedule of Rates (SOR) 2004 applicable to construction of Roads and Bridges. The works were executed by the contractors between November 2006 and May 2007 at a total cost of Rs.99.90 lakh.

Scrutiny (August 2008) of contractors' bills revealed that, the EE arbitrarily allowed higher rates, i.e. rates admissible as per SOR 2005, on several items of work instead of as per SOR 2004 resulting in an excess expenditure and undue benefit of Rs.17.35 lakh.

The matter was reported to the Department and Government (July 2009), replies have not been received (October 2009).

#### *Idle expenditure*

## SCHOOL EDUCATION DEPARTMENT

### 2.11 Idle expenditure

**Deputy Inspector of Schools, Niuland incurred idle expenditure of Rs.88.55 lakh on pay and allowances of 57 teachers posted against various Government Primary Schools/Government Middle Schools but attached to his office.**

During scrutiny (September 2008) of records (September 2006 to September 2008) of the Deputy Inspector of Schools (DIS), Niuland, Dimapur, it was seen that 57 teachers posted in various Government Primary Schools/Government Middle Schools were attached to the Office of the DIS, Niuland for periods ranging from 3 to 28 months and designated as Office Assistants (OAs). The expenditure on pay and allowances of these teachers during the period of attachment worked out to Rs.88.55 lakh.

The sanctioned strength of the DIS could not be furnished though called for. However, it was seen that 15 employees<sup>15</sup> other than the attached teachers were posted in the office of the DIS, Niuland. On query (September 2008), the DIS,

<sup>15</sup> 1 Head Assistant, 3 Upper Division Assistants, 6 Sub-Inspector of Schools, 1 Driver, 1 Asstt. Co-ordinator (EBRC), 2 peons and 1 sweeper.

Niuland could neither explain the reasons for deploying such a large number of teachers as OAs nor give the details of work entrusted to them.

Thus, the DIS, Niuland incurred idle expenditure of Rs.88.55 lakh on pay and allowances of these 57 attached teachers. Further, services of these teachers were not utilised for teaching students.

The matter was reported to the Department and Government (May 2009), reply has not been received (May 2009).

## **General**

### **2.12 Outstanding Inspection Reports and Audit Committee meetings**

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

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

As of March 2009, 6,739 paragraphs included in 1,205 IRs issued upto 2008-09 were pending settlement. The year-wise break up of the outstanding IRs and paragraphs is given below:

Table No.2.1

Year	Number of outstanding	
	Inspection Reports	Paragraphs
Upto 2002-03	519	2,230
2003-04	89	449
2004-05	132	695
2005-06	132	1,112
2006-07	122	873
2007-08	100	695
2008-09	111	685
<b>Total</b>	<b>1,205</b>	<b>6,739</b>

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

Table No.2.2

Name of the Department	Number of IRs	Number of paragraphs
Forest	85	371
Transport	55	246
School Education	291	1,322
Industries and Commerce	34	212
Rural Development	80	433
Police	200	1,084
Irrigation & Flood Control	18	103
Agriculture	70	380
<b>Total</b>	<b>833</b>	<b>4,151</b>

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

No Audit Committee Meeting was held during the year 2008-09.