

## OVERVIEW

This Report contains 16 audit paragraphs (including three general paragraphs) pertaining to Civil and Commercial portion and two performance reviews. There is a separate chapter on Integrated Audit of the Urban Development Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the department concerned in respect of ten paragraphs.

### **1. Performance Reviews (Civil Departments)**

#### **1.1 Modernisation of Police Force**

Performance Audit of the scheme 'Modernisation of Police Force' revealed that the scheme was implemented in the State without a long term Perspective Plan as envisaged in guidelines and distribution of vehicles was skewed in favour of Headquarters/officers to the detriment of the field units. Though the State had been declared 'A' category by the Government of India, being maximum security threat, the Department had not endeavoured to gear up its weaponry to face the threat. The satellite based integrated Police Communication Network and Common Integrated Police Application system were not functioning in the State and Forensic Science Laboratory was not functioning in a modern environment. The training and housing needs of the force had not been adequately addressed by the Department and there was lack of monitoring and evaluation mechanism.

*(Paragraph 1.1)*

#### **1.2 Implementation of Irrigation Schemes**

Performance Audit of irrigation schemes revealed that the schemes were implemented in the State without adequate planning leading to non-completion/abandonment of projects. Water charges were not collected from the users to meet the operation and maintenance cost of the projects. The records of the Department were also not reliable as projects stated to be completed were found to be incomplete/abandoned during physical verification of the sites. Hence, neither was impact assessment of the projects on agriculture undertaken by the Department nor could be ascertained in audit. Besides, there were several cases of fictitious, doubtful and unfruitful expenditure on the projects apart from inadequate monitoring of the implementation both at the State and Central Government levels. These issues indicate that irrigation projects in the State were not implemented efficiently.

*(Paragraph 1.2)*

## **2. Audit of Transactions (Civil Departments)**

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

*(Paragraph 2.1)*

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

*(Paragraph 2.2)*

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

*(Paragraph 2.4)*

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

*(Paragraph 2.5)*

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.

*(Paragraph 2.11)*

## **3. Integrated Audit of Urban Development Department**

Integrated Audit of Urban Development Department revealed that the Department did not have a long-term strategy due to which the works were implemented randomly. Financial management was beset with various deficiencies as also the controls associated with contract management and material management were inadequate. This coupled with vulnerability to fraud and lack of quality control in the Department resulted in various shortcomings in implementation of projects viz., delays in award of projects leading to cost overruns, non-completion/delays in completion of works, non-utilisation of created infrastructure etc.

*(Paragraph 3.1)*

## **4. Revenue Receipts**

### **1. Performance Reviews**

#### **Transition from Sales Tax to Value Added Tax**

Due to lack of training, all the modules available under the VAT management system could not be utilised fully, thus defeating the purpose of computerisation.

*(Paragraph 4.10.8)*

Though VAT has been implemented four years back, the department was yet to make the relevant forms under the VAT Act available with the units/dealers. As such, the dealers were using obsolete declaration forms. Test check revealed use of 53,711 obsolete declaration forms under the repealed Act to import goods into the State.

*(Paragraph 4.10.10)*

Filing of returns by dealers was not properly monitored. As a result, non-submission of returns by 75 per cent of the registered dealers during 2005-06 and 2008-09 could not be detected by the department.

*(Paragraph 4.10.14)*

Input tax credit claim of Rs.5.06 crore by 35 assesses were allowed by the assessing authorities without prescribed input tax credit statements and abstract statement of the VAT account in support of the claim. Mandatory audit assessment was also not carried out to examine the admissibility of the claim which resulted in non-realisation of the revenue to that extent.

*(Paragraph 4.10.18 (i) & (ii))*

Penalty of Rs.6.50 crore was not levied on the dealers whose turnover exceeded Rs.40 lakh in a year for non-furnishing of audited accounts for the year 2005-06 to 2007-08.

*(Paragraph 4.10.20)*

## **2. Audit of Transactions**

Assistant Commissioner of Taxes, Dimapur did not realise Rs.3.20 lakh towards interest leviable for delay in payment of tax.

*(Paragraph 4.12)*

The management of Nagaland Hotels Limited did not deposit Rs.19.04 lakh collected as tax from customers during 2005-06 to 2007-08.

*(Paragraph 4.13)*

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

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Nagaland had six PSUs (all Government companies) of which, one was non-working company. Three out of five working Government companies employed 245 employees. The working PSUs registered a turnover of Rs.3.51 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 0.05 per cent of State GDP indicating an insignificant role played by State PSUs in the economy.

### **Investments in PSUs**

As on 31 March 2009, the investment (Capital and long term loans) in six PSUs was Rs.73.36 crore. It increased by over 15 per cent from Rs.63.30 crore in 2004-05. Finance

Sector accounted for 50.50 per cent of total investment in 2008-09. The Government contributed Rs.20.42 crore towards equity, loans and grants/subsidies during 2008-09.

#### ***Performance of PSUs***

The working PSUs incurred overall loss of Rs.1.36 crore in 2008-09 and had accumulated losses of Rs.13.93 crore. Besides, the only non-working PSU had the accumulated loss of Rs.14.70 crore as per its latest finalised accounts.

#### ***Quality of accounts***

The quality of accounts of PSUs needs improvement. All the three accounts finalised by working companies during October 2008 to September 2009 received qualified certificates.

#### ***Arrears in accounts***

All the five working PSUs had arrears of 92 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise. There was one non-working company. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closing down of this company.

#### ***Discussion of Audit Reports by COPU***

The commercial chapters included in the Audit Reports (Civil) from 2002-03 onwards containing three reviews and four paras are yet to be discussed by COPU.