

OVERVIEW

This Report contains 15 audit paragraphs (including three general paragraphs) and two performance reviews – ‘Jawaharlal Nehru National Urban Renewal Mission Schemes in Nagaland’ and ‘Utilisation of declaration forms in Interstate Trade’. There is a separate chapter on Integrated Audit of the Public Works Department (Roads & Bridges). According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of two paragraphs.

1. Performance Audits

1.1 Performance Audit of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) schemes in Nagaland.

Though the JNNURM guidelines provide for involvement of ULBs in the implementation, the activities under JNNURM had not been devolved to ULBs. The Department submitted the DPRs under BSUP and IHSDP projects without proper appraisal and approval of the SLNA and SLSC. The Department also did not conduct any survey to ensure availability of land and other resources before preparation of the DPRs. The State Government also did not release fully its share. As a result, the DPRs were revised, works relocated and items of works as per the DPRs were curtailed to the limit of available funds. Deficient contract management and lack of internal controls in the Department resulted in delays in award of contract, delay in execution of works, release of advance payments against rules and payment against unexecuted items of works. The prospect of successful implementation of JNNURM in the State of Nagaland is bleak as the Department had not identified the beneficiaries under BSUP and IHSDP and the dwelling units under construction were not constructed as per the approved specifications. Due to ineffective planning and inaction of the Department in taking remedial actions on the observations pointed out in the earlier audit report, there were instances of time overruns and cost overruns leading to non-achievement of the objectives of providing affordable housing facilities to the urban poor.

(Paragraph 1.1)

1.2 Integrated Audit of Public Works Department (Roads & Bridges)

Planning process in the Department was inadequate as Long Term Plan, State Action Plan or District Action Plans were not prepared resulting in lopsided planning and execution of projects. Financial Management was deficient as provision under salary head was inflated and utilised for payment of wages, travelling allowance and maintenance of vehicles. DPRs/estimates for several major projects were not based on proper survey and investigation resulting in wide deviations in the scope and cost of the work on actual execution. Several works were not executed as per DPRs/Estimates and escalation/deviation was admitted without any basis. There were delays in transfer of funds to the executing divisions, unauthorised deduction from scheme funds at source and diversion of funds in violation of scheme guidelines. Provision of rules in realisation and deposit of government revenue were

not followed in several divisions resulting in non/short realisation and non deposit/delays in deposit. Norms were not followed in the process of awarding works resulting in collusive bidding and allotment of work to bidders other than the lowest. Joint physical verification of selected projects revealed major shortcomings in execution. The existence of effective monitoring and evaluation of projects could not be established in the absence of records. Internal control was lax as several vital records were either not maintained properly as per norms or not maintained at all. Human Resource management was deficient as excess staff above sanctioned strength was retained. Over and above this, a large number of work charged employees were deployed. The existing system for transfer of funds to the divisions was not transparent and was vulnerable to fraud and corruption.

(Paragraph 3.1)

1.3 Performance Audit on “Utilisation of declaration forms in Interstate Trade”

In the absence of monitoring systems in the Department, there were lacunae in assessment of tax coupled with system deficiencies. The assessment of Central Sales Tax/Nagaland Value Added Tax in Nagaland is deficient as tax to the tune of ₹8.99 crore was evaded due to irregular import of goods and concealment of purchase and sale turnover valued at ₹85.69 crore. Besides, penalty of ₹8.10 crore were also leviable. The Department has not prescribed any procedures/instructions for safe custody and issue of declaration forms, as a result, there were instances of declaration forms being lost and misused by unregistered dealers. The Department declared all the declaration forms issued prior to June 2001 as obsolete and invalid rendering all the interstate transactions upto June 2001 irregular. The Department also did not call back the forms declared to be obsolete and invalid, as a result, the prospects of misutilisation of those forms for future transactions cannot be ruled out. As the assessing officers failed to cross check the utilisation statements furnished by the dealers/declaration forms and adhere to the provisions of the NVAT Act, instances of tax evasions and concealment of turnover were noticed. Out of 11 Districts, computers were installed only in seven districts under VCMS project and till date four districts are yet to be computerised.

(Paragraph 4.3)

2. Audit of Transactions

2.1 Civil

The Director General of Police, Nagaland, Kohima drew ₹4 crore for procurement of 1750 Fire Extinguishers on the basis of fictitious bill.

(Paragraph 2.1)

There was a fraudulent drawal of ₹21.58 lakh by 25 Drawing and Disbursing Officers (DDOs). Failure on the part of 8 Treasury Officers to exercise the statutory checks allowed these DDOs to draw two bills for the same employees for the period and inflating the total of the net drawals.

(Paragraph 2.2)

The Deputy Inspector of Schools, Longleng fraudulently drew ₹14 lakh by inflating the pay scales and the percentage of Additional Dearness Allowances in respect of 48 employees.

(Paragraph 2.3)

Deputy Inspector of Schools, Mongkolemba fraudulently drew ₹12.05 lakh by manipulating the pay bills of 92 employees.

(Paragraph 2.4)

The Executive Engineer (R&B), Tseminyu, drew ₹44.95 lakh in 18 pay bills against the admissible net salary of ₹33.43 lakh by inflating the gross total of the pay bills resulting in fraudulent drawal of ₹11.51 lakh.

(Paragraph 2.5)

The Director of Health and Family Welfare Department made an avoidable excess payment of ₹2.26 crore to a contractor by ignoring the recommendation of the Technical and Steering Committee coupled with faulty estimation of cost escalation.

(Paragraph 2.8)

2.2 Revenue Receipts

Due to selection of a bidder who had quoted a lesser price in respect of lease of Tourist Lodge Kohima, Government sustained revenue loss of ₹23.02 lakh. Revenue of ₹12.60 lakh remained unrealised as the Department failed to invoke specific clauses of the agreement. Besides security deposit of ₹4 lakh was also not forfeited.

(Paragraph 4.2)

3. Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of Companies Act, 1956. The accounts of the State 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 March 2011, the State of Nagaland had six PSUs (all Government companies), of which, one was non-working Company. Four out of five working Government companies employed 408 employees. The working PSUs registered a turnover of ₹18.06 crore for 2010-11 as per their latest finalised accounts. This turnover was a mere 0.15 *per cent* of State GDP.

(Paragraph 5.1)

3.1 Investments in PSUs

As on 31st March 2011, the Investment (Capital and Long term Loans) in six PSUs was ₹78.02 crore. It increased by over 20.57 *per cent* from ₹64.70 crore in 2006-07. Finance sector accounted for 66.45 *per cent* of the total investment in 2010-11. The Government contributed ₹99.79 crore towards Equity, Loans and Grants/Subsidies during 2010-11.

(Paragraph 5.4, 5.5, 5.6 and 5.7)

3.2 Performance of PSUs

The working PSUs incurred an overall Loss of ₹2.07 crore in 2010-11 and had Accumulated Losses amounting to ₹18.92 crore. Besides, the only one non-working PSU had the Accumulated Loss of ₹14.70 crore as per its latest finalised accounts which pertains to the year 1977-78.

(Paragraph 5.11 and 5.12)

3.3 Arrears in accounts

All the working PSUs had arrears of 75 accounts as of September 2011. The Government need to monitor and ensure timely finalisation of Accounts with special focus on liquidation of arrears. Accounts of one non-working Company was in arrears for 33 years. As no purpose was served by keeping this non-working Company in existence, Government need to expeditiously review its functioning and viability.

(Paragraph 5.13 and 5.15)