CHAPTER - II

ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Economic Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Economic Sector during 2011-12 are given below:

Table No. 2.1.1

(₹ in crore)

Name of Departments	Total Budget Provision	Expenditure
Agriculture	154.56	145.29
Horticulture	31.66	24.60
Soil and Water Conservation	45.39	44.90
Veterinary and Animal Husbandry	86.00	89.99
Fisheries	27.27	28.87
Land Resources	22.46	14.15
Cooperation	28.86	23.69
Civil Supplies	15.02	14.87
SIRD	8.68	6.82
Sericulture	16.11	13.29
Land Records and Survey	18.25	17.59
Irrigation and Flood Control	189.73	135.02
Power	396.36	376.69
New and Renewable Energy	14.10	5.83
Industries and Commerce	91.30	69.86
Geology and Mining	29.06	29.42
Roads and Bridges	519.63	546.18
Science & Technology	3.39	2.39
Tourism	28.32	28.25
Economics and Statistics	27.31	25.10
Legal Metrology and Consumer Protection	13.12	12.87
Planning and Coordination Department	449.24	180.58
Evaluation	6.53	6.06
Department of Under Developed Areas	72.98	41.53
Information Technology & Communication	32.38	6.45
Forest, Ecology, Environment and Wildlife	91.72	76.85
Road Transport	70.37	63.86
Total number of departments=27	**2489.80**	**2031.00**

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the Implementing agencies under Social Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed in the following table:

Table No. 2.1.2

(₹ in crore)

Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
Roads and Bridges	Pradhan Mantri Gram Sadak Yojana (PMGSY)	Nagaland Rural Roads Development Agency	11.00
Power	Rajiv Gandhi Grameen Vidyuteekaran Yojana (RGGVY)	Department of Power	28.14
Land Resources	National Bamboo Mission	Nagaland Bamboo Development Agency (NBDA)	17.00

(Source: Central Plan Scheme Monitoring System)

2.2 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stake holders.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit reports, which are submitted to the Governor of State under Article 151 of the constitution of India for laying on the table of the Legislature.

During the year, test check of audits involving expenditure of ₹ 1192.02 crore (including funds pertaining to previous years audited during the year) of the State Government under Economic Sector were conducted. The chapter contains one Performance Audit, one Chief Controlling Officer centric Audit and one transaction audit paragraph as given below:

VETERINARY AND ANIMAL HUSBANDRY DEPARTMENT

2.3 Integrated Audit of Veterinary and Animal Husbandry Department

The Department of Veterinary and Animal Husbandry functions with the objectives of developing livestock and poultry, dairy, feed and fodder, conservation of indigenous breeds, animal health and veterinary services and creation of employment opportunities in the State. To achieve these objectives, various schemes/projects, centrally sponsored as well as under State Plan, are implemented by the Department. Chief Controlling Officer based audit of the Department revealed several weaknesses in the planning process, financial management, project/scheme management and internal controls including vulnerabilities to fraud and corruption. The important audit findings are highlighted below.

Highlights

Planning was unrealistic and formulated without proper study or analysis of ground realities. Targets set for production of meat, milk and eggs in the 11^{th} Plan with projected expenditure of ₹ 64 crore could not be achieved despite expenditure of ₹ 149.99 crore under Plan during the period.

(Paragraph 2.3.7)

Balances in the bank account operated by the Directorate were lower by amounts ranging from ₹ 5.56 crore to ₹ 8.79 crore than the monthly closing balance recorded in the Cash Book indicating misappropriation/misuse of Government money.

(Paragraph 2.3.9.1)

An amount of ₹ 1.56 crore was paid to a contractor against fictitious works on the basis of fabricated records.

(Paragraph 2.3.10.1 (iii))

Targets set for the Integrated Livestock Development and White Revolution Project could not be achieved due to improper selection of beneficiaries and supply of inferior quality cattle to them.

(Paragraph 2.3.10.2)

₹ 3.45 crore sanctioned for implementation of 'Assistance to States for Control of Animal Diseases' could not be availed by the Department due to delays in submission of action plans, release of funds by the State Government and submission of Utilisation Certificates.

(Paragraph 2.3.10.5)

Actual execution of works was not consistent with the estimates and entries made in the MBs resulting in excess payments to contractors and there was idle investment of ₹ 22.25 crore on creation of infrastructure for two projects which had not taken off.

(Paragraph 2.3.10.8)

Joint physical verification of institutions run by the Department viz., State Farms, Veterinary Hospitals, Veterinary Dispensaries, Disease Diagnostic Laboratories, Stockman Centres, Veterinary Outposts, Veterinary Health Centres and Quarantine Check Posts revealed that several of them were non-functional.

(Paragraph 2.3.11)

2.3.1 Introduction

The Department of Veterinary & Animal Husbandry was bifurcated from Department of Agriculture in 1965. The Department is responsible for developing livestock and poultry, dairy, feed and fodder, conservation of indigenous breeds, animal health and veterinary services. The Department implements various schemes/projects with the objectives of achieving self sufficiency in animal husbandry products viz., milk, meat and eggs through enhancing production.

2.3.2 Organisational set up

The Department is headed by Secretary (Veterinary and Animal Husbandry) at the administrative level. At the executive level, the Department is headed by the Director assisted by one Addl. Director and 14 Deputy Directors in the Directorate. There are eleven district offices headed by District Veterinary and Animal Husbandry Officers and two sub-divisions (Tseminyu and Mangkolemba) headed by Sub-divisional District Veterinary Officers. The other subordinate offices under the Department are Bacteriologist, Disease Investigation Unit, Dimapur; Manager, Regional Swiss Breed Cattle Breeding Farm (RSBCBF), Jalukie; Principal, Veterinary Field Assistants Training Institute (VFATI), Medziphema; Executive Engineer (EE), Veterinary & Animal Husbandry Division, Kohima and two Veterinary Asstt. Surgeons (Pfutsero & Chozuba). The Department also runs 10 State Cattle Breeding Farms (SCBFs)/upgrading centres, 13 State Poultry Farms (SPFs)/hatcheries, 9 Pig Breeding Farms (PBCs), 11 Veterinary Hospitals, 17 Veterinary Dispensaries, 14 Disease Diagnostic Laboratories, 62 Stockman Centres (SMCs), 59 Veterinary Outposts (VOPs) and 16 Quarantine Check Posts (QCPs).

2.3.3 Scope of Audit

The integrated audit of the Department was conducted during May to October 2012 covering the period 2007-12. Out of 20 Drawing and Disbursing Officers (DDOs) under the Department, 8 DDOs (in four[1] selected districts) including the Directorate and the Executive Engineer (EE), Veterinary & Animal Husbandry Division was covered in audit. Out of 20 major schemes/projects implemented by the Department, 9 major projects/schemes executed in the selected districts were taken up for detailed analysis and joint physical verification along with the departmental officers. Institutions under the Department *viz*., 16 out of 32 State Farms, 3 out of 11 Veterinary Hospitals, 5 out of 17 Dispensaries, 5 out of 14 Disease Diagnostic Laboratories, 13 out of 121 Stockman Centres/Veterinary Outposts and 5 out of 16 Quarantine Check Posts in the selected districts were also taken up for joint physical verification. The list of DDOs/projects/institutions selected for test check and joint physical verification are shown in ***Appendix 2.3.1***.

2.3.4 Audit objectives

The objectives of the integrated audit were to assess whether

- The Department had a proper system for planning;
- The budget estimates were reliable and financial management was adequate and effective;
- The process of tendering, contract, and project management were carried out efficiently and effectively in an economical manner;
- Proper monitoring and internal control mechanisms existed in the Department; and

[1] Kohima, Dimapur, Peren and Mokokchung

- The control systems in the Department were vulnerable to Fraud and Corruption.

2.3.5 Audit criteria

The major criteria applied were drawn from the following sources:

- Plan documents
- Guidelines of schemes/projects covered in audit
- Detailed Project Reports of schemes/projects covered in audit
- General Financial Rules/Central Treasury Rules
- Departmental Codes and Manuals, Policies, Rules and Regulations

2.3.6 Audit methodology

An 'Entry Conference' was held (14 June 2012) with the Secretary and Director to convey the audit objectives and the audit criteria. Records pertaining to the period from April 2007 to March 2012 were examined in the Directorate and units in the four selected districts. The audit findings were discussed with the Secretary (Veterinary & Animal Husbandry Department) in an exit conference (21st November 2012) and the views of the Department along with their replies have been incorporated in the report at appropriate places.

Audit findings

2.3.7 Planning

The Department did not have any long term perspective plan other than the Five Year Plan prepared for the 11th Plan period (2007-12). As per the plan, the Department had envisioned achievement of 25 *per cent* annual growth in State Domestic Product during the 11th Plan period by increasing productivity and production of livestock and poultry. The Department had also formulated vision, approaches and objectives including strategies in the light of objectives, policies and programme thrust indicated in the Eleventh Plan Approach by the Planning Commission, Government of India. The vision of the Department included (i) self sufficiency in Animal Husbandry products-milk, meat and eggs; (ii) mass production through peoples participation; (iii) focus on white revolution in the State; (iv) creation of employment avenues through livestock and poultry farming; (v) creating marketing network for the rural producers; (vi) provision of intensive health care services at the farmers doorstep; (vii) genetic improvement of livestock and poultry breeds through selective breeding; (viii) enhanced feed and fodder production and (ix) conservation and propagation of indigenous breeds of the State. In order to achieve the above vision, the Department had formulated approach, objectives and strategies. Targets were also set in respect of production of milk, meat and eggs.

Annual Plans were also prepared during the period. Scrutiny, however, revealed that the annual plans were not consistent with the five year plan and were not aimed at achieving the targets set. While some activities in the five year plan were abandoned, new activities were included in the annual plans. It was further seen that budget provisions were also not made with a view to take up activities outlined in the five year plan or the annual plans. The sector-wise activities proposed to be taken up as per five year plan, annual plans, budget provision made and actual expenditure was as shown in ***Appendix 2.3.2***.

It can be seen from the Appendix that while the proposed outlay for the 11th Plan was ₹ 64 crore, the total agreed outlay during the period as per the annual plans was ₹ 114.90 crore, total budget provision made during the period was ₹ 140.83 crore and the actual expenditure was ₹ 149.99 crore.

Thus, it is evident that the activities of the Department were not consistent with the five year plan or the annual plans indicating that the plans were unrealistic and formulated without proper study/analysis of ground realities.

2.3.7.1 Non-achievement of targets

The Department had outlined the targets to be achieved in production of meat, milk and eggs during the 11th Five Year Plan with a view to achieve self sufficiency and decrease the import burden. Scrutiny of records revealed that the targets remained unachieved as shown in the table below:

Table 2.3.1: Targets and achievements

Sl No.	Particulars	2007-08		2008-09		2009-10		2010-11		2011-12	
		Targets	***Achievement***	**Targets**	***Achievement***	**Targets**	***Achievement***	**Targets**	***Achievement***	**Targets**	***Achievement***
1.	Milk ('000 tonne)	79	*70*	90	*74.67*	115	*77.80*	115	*77.84*	129	*81*
2.	Meat ('000 tonne)	65	*55.21*	76	*63.26*	87	*65.58*	95	*65.67*	101	*72.80*
3.	Eggs (in lakh)	840	*802*	880	*832.02*	920	*833*	960	*800*	1000	*832*

(Source: Departmental records)

Though the Department had taken up several schemes/projects to achieve the targets, the targets were not achieved and the production of milk, meat and eggs remained almost constant throughout the 11th Plan despite incurring an expenditure of ₹ 149.99 crore against the projected outlay of ₹ 64 crore.

2.3.8 Financial Management

The budget allocation for Veterinary & Animal Husbandry Department is made under 'Grant No.50-Animal Husbandry and Dairy Development'. Budget allocation, expenditure there against and savings/excess during the period from 2007-08 to 2011-12 are given in the following table:

Table 2.3.2: Details of revenue and capital expenditure

(₹in crore)

Year		Revenue		Capital		Total		
		Budget Provision	Expenditure	Budget Provision	Expenditure	Budget Provision	Expenditure	Savings (-)/ Excess (+)
2007-08	*Plan*	13.11	13.11	3.53	3.79	16.64	16.90	0.26
	Non-plan	23.03	23.03	0.00	0.00	23.03	23.03	0.00
	Total	**36.14**	**36.14**	**3.53**	**3.79**	**39.67**	**39.93**	**0.26**
2008-09	*Plan*	13.51	13.51	5.00	4.77	18.51	18.28	(-) 0.23
	Non-plan	25.14	25.12	0.00	0.00	25.14	25.12	(-) 0.02
	Total	**38.65**	**38.63**	**5.00**	**4.77**	**43.65**	**43.40**	**(-) 0.25**
2009-10	*Plan*	32.62	32.62	1.27	0.70	33.89	33.32	(-) 0.57
	Non-plan	27.61	28.02	0.00	0.00	27.61	28.02	0.41
	Total	**60.23**	**60.64**	**1.27**	**0.70**	**61.50**	**61.34**	**(-) 0.16**
2010-11	*Plan*	30.21	30.10	4.07	4.62	34.28	34.72	0.44
	Non-plan	40.61	40.61	0.00	0.00	40.61	40.61	0.00
	Total	**70.82**	**70.71**	**4.07**	**4.62**	**74.89**	**75.33**	**0.44**
2011-12	*Plan*	20.22	20.22	17.29	26.55	37.51	46.77	9.26
	Non-plan	44.49	43.22	0.00	0.00	44.49	43.22	(-) 1.27
	Total	**64.71**	**63.44**	**17.29**	**26.55**	**82.00**	**89.99**	**7.99**
Total	***Plan***	***109.67***	***109.56***	***31.16***	***40.43***	***140.83***	***149.99***	***9.16***
	Non-plan	***160.88***	***160.00***	***0.00***	***0.00***	***160.88***	***160.00***	***(-) 0.88***
Grand total		**270.55**	**269.56**	**31.16**	**40.43**	**301.71**	**309.99**	**8.28**

(Source: Detailed Appropriation Accounts)

Scrutiny of records revealed that there was an excess expenditure of ₹ 9.26 crore under Plan/Capital during 2011-12. This was due to the fact that though the amount had already been shown as expenditure in previous years, it was once again shown as expenditure in the Divisional Monthly Accounts of EE, V&AH Division as the Directorate released the funds to the EE only during 2011-12. The other important findings on review of budget provision and expenditure during the period are discussed in the following paragraphs.

2.3.9 Financial irregularities:

The financial irregularities noticed in audit are discussed in the following paragraphs**:**

2.3.9.1 Discrepancy between Cash Book and Bank Account

The Directorate is maintaining a current bank account (A/c No.10277120294 at SBI, Lerie Branch, Kohima). Despite requisition and several reminders, the Department furnished (October 2012) only the Bank Account Statement for the year 2011-12. On test-check, only a few transactions in the Cash Book could be traced back to the Bank Account. It was further seen that the balance in the bank account was lower by amounts ranging from ₹ 5.56 crore to ₹ 8.79 crore than the monthly closing balance recorded in the Cash Book as shown in the following table:

Table 2.3.3: Difference between Cash Book and Bank Account of Directorate

(₹in crore)

Month	Closing balance as per Cash Book (Main & Subsidiary)	Closing balance as per Bank Account	Difference
April 2011	27.59	20.68	6.91
May 2011	23.35	16.97	6.38
June 2011	18.07	9.88	8.19
July 2011	11.45	5.02	6.43
August 2011	11.34	4.64	6.70
September 2011	9.16	2.56	6.60
October 2011	9.04	2.42	6.62
November 2011	10.41	3.25	7.16
December 2011	10.25	2.76	7.49
January 2012	10.75	2.66	8.09
February 2012	11.64	2.85	8.79
March 2012	26.10	20.54	5.56

Further, cross check of Cash Book maintained by the EE, V&AH Division with Bank Account Statement (A/c No.10277120589 at SBI, Lerie, Kohima) revealed that the payments shown in the Cash Book did not match with the debits in the Bank Account and cheque Nos. were not recorded in the Cash Book during the period. Further, there were wide variations in the closing balance recorded in the Cash Book and balance in Bank Account during 2007-12. Instances of major variations noticed are shown in the table below.

Table 2.3.4: Difference between Cash Book and Bank Account of EE, V&AH Division

(₹in crore)

Month	Closing balance as per Cash Book	Closing balance as per Bank Account	Difference
March 2009	1.82	0.79	1.03
April 2009	1.85	0.65	1.20
May 2009	2.08	0.62	1.46
June 2009	1.52	0.67	0.85
August 2009	2.22	0.55	1.67
July 2010	0.91	0.25	0.66
August 2010	0.81	0.20	0.61
September 2010	0.68	0.07	0.61
June 2011	3.93	3.28	0.65
February 2012	1.44	0.78	0.66
March 2012	4.45	3.68	0.77

The following discrepancies were also noticed during test-check of Cash Book and Bank Accounts of the EE, V&AH Division.

- During August 2009, the total payments made as per the Cash Book was ₹ 0.78 lakh while the total debits during the month in the Bank Account was ₹ 2.17 crore which indicates that payments were made without recording them in the Cash Book.
- An amount of ₹ 1.63 crore was recorded as received on 16.05.2009 from the Directorate against strengthening of Pig Breeding Farms under NABARD. However, the amount was not seen credited in the Bank Account of the EE. On further scrutiny, it was seen that the EE had not actually received the amount but had only given an Actual Payee Receipt (APR) for the amount.

- An amount of ₹ 0.20 crore was recorded as received on 26.10.2009 from the Directorate against construction of Security Fencing at Veterinary College, Jalukie. However, the amount was not seen credited in the Bank Account of the EE. Further, APRs or cheque received from the Directorate could not be furnished to audit.

Thus, it is evident that actual payments were not reflected in the Cash Book of the Directorate and the EE. Further, the huge deficit in the Bank Account points to probable misappropriation/misuse of Government money and needs further investigation.

The Department stated (November 2012) that the discrepancy was due to inevitable advances for programmes/schemes etc. and that all the advances will be recovered/adjusted at the time of final payments. But the fact remains that the relevant records in respect of advances made could not be furnished to audit and therefore, misappropriation/misuse of the funds cannot be ruled out.

2.3.10 Scheme/project Management

The Department is implementing various Schemes/Programmes/Projects, Centrally Sponsored as well as under State Plan. Of these, Mithun Project, Integrated Livestock Development and White Revolution, Setting up of Veterinary College and Setting up of Nagaland Composite Pig Project all under Special Plan Assistance (SPA), Assistance to States for Control of Animal Diseases (CSS), Strengthening of State Farms (Pig and Cattle) under NABARD (negotiated loan), Strengthening of State Pig Breeding Farms sponsored by North Eastern Council, Procurement of livestock and poultry feeds under State Plan and Non-Plan and Entrepreneur Development under State Plan implemented during the period 2007-12 were taken up for detailed analysis and joint physical verification. The important audit findings are discussed in the following paragraphs.

2.3.10.1 Mithun Project

Mithun (*Bos frontalis*), the domesticated free-range bovine species, is an important component of the livestock production system of North-Eastern hilly region of India. Mithun, the State Animal of Nagaland, is used as a ceremonial animal and plays an important role in the economical, social and cultural life of the people of the State.

The Mithun Project was implemented during the period from 2009-10 to 2011-12 for conservation, propagation and development of the Mithun. The main objectives of the project were to conserve, develop and propagate in-situ mithuns in a particular area by providing fencing and trenches in strategic locations, to provide them shelter, to develop good salt feeding areas, to enable proper medical care, to prevent inbreeding, to discourage jhum cultivation and to uplift the rural economy.

The Project was approved (February 2010) by the Planning Commission and an amount of ₹ 7 crore was earmarked for implementation of the scheme under one time SPA during 2009-10. The Project was continued in the subsequent years as well with funding under SPA. The funds released by GOI and the State Government and expenditure are detailed in the table below:

Table 2.3.5: Funds released and expenditure

(₹ in crore)

Year	Gross amount released by GOI/GON	Net amount drawn by Department	Expenditure as per Cash Book	Balance as on 31.03.2012
2009-10	7.00	6.92	6.27	0.65
2010-11	2.00	1.98	1.98	0.00
2011-12	4.00[2]	1.97	0.00	1.97
Total:	**13.00**	**10.87**	**8.25**	**2.62**

Out of 25[3] projects implemented in the four selected districts during 2009-12, 12[4] projects were taken up for detailed analysis and joint physical verification. The major findings of audit are discussed in the following paragraphs.

(i) Selection of villages:

As per DPRs, the beneficiary villages were selected by a Committee including the respective District Veterinary Officers after verifying the total Mithun population and availability of forest land. The project was to be implemented through the village councils of the selected villages with the Department being the implementing agency.

A total of 89[5] villages were selected for implementation of the project during the period from 2009-12. However, reports of the Selection Committee or any other records relating to selection of the villages were not furnished to audit. It was further seen that the list of beneficiary villages were forwarded to the Department by the Government during 2010-11 and 2011-12 indicating that selection of villages were carried out at the Government level.

Thus, the possibility of selection of beneficiary villages at the Government level without proper feasibility studies and survey cannot be ruled out.

The Department stated (November 2012) that the project villages were selected after proper feasibility studies. However, no records were furnished to substantiate their claim.

(ii) Irregularities in disbursement of assistance to beneficiary villages

During 2009-10, a total amount of ₹ 4.64 crore[6] was shown as paid to the village councils of the 24 project villages against bills submitted by them for construction of bio-fencing, purchase of elite mithuns, general meeting and training, capacity

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2 ₹ 2 crore transfer credited to Civil Deposit and drawn in August 2012.

3 11 in Kohima, 12 in Peren and 2 in Dimapur.

4 ***Kohima***: (i) Jotsoma, (ii) Tuophema, (iii) Khonoma, (iv) Tuophephezu, (v) Gariphema, (vi) Chedema and (vii) Zhadima; ***Peren***: (i) Mbaupunchi (including Mbaupungwa, Nkiailwa and Azailong), (ii) Punglwa and (iii) Gaili and ***Dimapur***: (i) Tsuuma and (ii) Tsiepama.

5 24 villages (1 major project, 3 medium projects and 20 minor projects) in 2009-10, 25 villages in 2010-11 and 40 in 2011-12

6 One major project:₹ 1.17 crore, three medium projects: ₹ 0.62 crore and 20 minor projects: ₹ 2.85 crore.

building, construction of grilled iron foot trap and incentive for supervision and stationeries. Physical verification and interaction with the members of the Village Council/Mithun Committee, however, revealed that actual implementation was not as per departmental records *viz.*, Detailed Project Reports, Fully Vouched Contingent bills drawn and Actual Payee Receipts.

- As per departmental records, an amount of ₹ 1.17 crore[7] was shown as paid to the Village Councils of the four villages[8] in Peren district where the major project was implemented. However, interaction with the Chairmen/members[9] of the village councils during joint physical verification revealed that they had received only five mithuns (valued at ₹ 5.50 lakh) and two calves under the project.
- Interaction with the beneficiaries of one medium project[10] revealed that they had received cash amounting to only ₹ 1.50 lakh against ₹ 20.77 lakh[11] shown as paid to them.

Thus, it is evident that vouchers/APRs attached with the FVC bills were fictitious and used for the sole purpose of drawing funds from Government Account.

The Department stated (November 2012) that the reports and figures stated by the villages during joint physical verification were not fully correct due to frequent change of guard in the Village Councils and Mithun Committees and clarification obtained from the Village Councils of the five villages were also enclosed. The Jotsoma Village Council stated that they had received ₹ 15 lakh along with other items such as medicine, salt, etc. The Village Councils of the four villages in Peren District stated that they had mis-informed the joint physical verification team due to grievances on not getting anticipated assistance from the Department. However, the fact remains that the projects were not implemented as per records and disbursement of assistance to beneficiary villages needs further investigation.

(iii) Payment made for fictitious works

During 2009-10, an amount of ₹ 1.56 crore was drawn by the Directorate against civil works[12] certified to have been completed (March 2010) through a contractor[13] in the 24 project villages. Scrutiny of records of the EE, V&AH Division revealed that technical estimates for the 69 works was prepared and approved by the EE after

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7 Bio-fencing: ₹ 20 lakh; 160 Elite heifers (3 year old) @ ₹ 50,000 each: ₹ 80 lakh; 25 Elite Bulls @ ₹ 50,000 each: ₹ 12.50 lakh; General meeting and training: ₹ 0.90 lakh; Capacity Building: ₹ 0.13 lakh; Grilled iron foot trap: ₹ 2.00 lakh; Incentive for supervision works: ₹ 1.50 lakh and Stationeries: ₹ 0.24 lakh.

8 Mbaupungchi, Mbaupungwa, Nkialwa and Azailong.

9 Village Council Chairmen of Mbaupungchi, Mbaupungwa, Nkialwa and Azailong villages

10 Jotsoma Village

11 Bio-fencing: ₹ 4.50 lakh; 20 Elite heifers (3 year old) @ ₹ 50,000 each: ₹ 10 lakh; 4 Elite Bulls @ ₹ 50,000 each: ₹ 2 lakh; General meeting and training: ₹ 0.90 lakh; Capacity Building: ₹ 0.13 lakh; Grilled iron foot trap: ₹ 1.50 lakh; Incentive for supervision works: ₹ 1.50 lakh and Stationeries: ₹ 0.24 lakh.

12 Construction of trenches and stone pitching, construction of water reservoir and trough, construction of shelter house for Mithun boys and construction of salt feeding area.

13 M/s Multi Builders

splitting one item of work[14] to avoid sanction of higher authority. Thereafter, all the works were allotted (June 2010) to a different contractor[15] without giving wide publicity to the Notice Inviting Tender (June 2010) as required under Rules.

Further scrutiny of tender papers and comparative statements furnished to audit revealed that for all the 69 works, only three contractors *viz.*, M/s Hi-tech Constructions, Adam Zeliang and R. Angami had submitted bids. The first bidder quoted at par with SOR 2008, the second at 20 *per cent* and the third at 30 *per cent* above SOR. The third bid was rejected on the grounds that earnest money was not deposited and all the works were allotted to M/s Hi-tech Constructions being the lowest bidder. MBs/Bills were prepared showing the works to have been executed as per the approved estimates and payments amounting to ₹ 1.51 crore were made (October 2010) to the contractor.

Joint physical verification of projects implemented in 2009-10 and interaction with the beneficiaries revealed that civil works were never taken up or executed by contractors.

Thus, it is evident that records were fabricated to draw funds from Government Account, to favour a specific contractor and to make payments for works not actually executed.

The Department stated (November 2012) that a major portion of the civil works was taken up and implemented successfully in line with the Village Council/Mithun Committee's input and payment made to the contractor. But the fact remains that the beneficiaries have specifically stated during physical verification that works had never been taken up or executed which substantiates the fact that records were fabricated to facilitate drawal and disbursement of funds from Government account.

2.3.10.2 Integrated Livestock Development and White Revolution project

The Scheme, funded under SPA, was implemented jointly by the Department and Nagaland State Dairy Co-operative Federation Ltd. (NSDF) during the three years from 2007-10. The main objectives of the project were to promote increased milk production through induction of milch cattle to achieve White Revolution and to create sustainable productive rural employment to a good number of households.

Funds under the scheme were drawn by the Directorate and transferred to the NSDF. The funds released by GOI/GON and utilised by the Department during the period are shown in the following table:

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14 Construction of Trenches and Stone Pitching at Mithun Project, Mbaupungchi (0-10,000 m) with approximate cost of ₹ 70 lakh—Split into 14 works of 714.28 m with estimated cost of ₹ 5 lakh each.

15 M/s Hi-tech Constructions

Table 2.3.6: Funds released and transferred to NSDF

(₹in crore)

Year	Gross amount released by GOI/GON	Net amount drawn by Department and transferred to the NSDF	Expenditure as per Cash Book of NSDF
2007-08	1.00	1.00	1.00
2008-09	2.00	2.00	2.00
2009-10	3.00	2.97	2.97
Total:	**6.00**	**5.97**	**5.97**

To achieve the objectives of the Scheme, activities such as induction of cattle (dairy units), setting up of Community Dairy Projects (CDPs), setting up of Model Dairy Projects (MDPs), feed and fodder development and training & capacity building were taken up.

The records relating to implementation of the Scheme in the Department and the NSDF were scrutinized in audit. Joint physical verification of 14 CDPs and 4 MDPs *(**Appendix 2.3.1 (d)**)* were also conducted. The major audit findings are discussed in the following paragraphs.

(i) Shortfall in achievement of targets

As per DPR, 620 dairy units, 30 CDPs and 4 MDPs were targeted to be taken up for implementation during 2007-10 and ₹ 4.28 crore was earmarked for procurement of 1400[16] milch cows/pregnant heifers to be supplied to these projects. However, only 1208 cows could be procured at a cost of ₹ 4.34 crore due to the arbitrary increase in the quoted price by Government at the time of approval of tender as mentioned in Paragraph 2.10 of the Report of the Comptroller and Auditor General of India-2010-11. As a result, the Department could take up only 524 dairy units instead of the targeted 620 units.

The Department while accepting (November 2012) the fact stated that the matter reported in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011 stands referred to the Public Accounts Committee.

(ii) Induction of cattle (Dairy Units)

As per DPR, 300 diary units (DUs) at a cost of ₹ 1 crore[17] was to be taken up during the first year (2007-08) and another 320 DUs[18] at a cost of ₹ 2.40 crore[19] was to be

[16] Dairy Units: 940 cows *{300 cows (1 each for 300 units) during 2007-08, 320 cows (2 each for 160 units) during 2008-09 and 320 cows (2 each for 160 units)} during 2009-10*; CDPs: 300 cows *{10 each for 30 units}* and MDPs: 160 cows *{40 each for 4 units}*=1400 cows (1320 @ ₹ 30,000 each and 80 @ ₹ 40,000 each)=₹ 4.28 crore.

[17] One cow @ ₹30,000 inclusive of transportation, Training and capacity building @ ₹2,000 per unit along with 50 *per cent* basic insurance premium for 3 years amounting to ₹ 1000 (Unit cost:₹ 33,000 x 300 units=₹ 99 lakh + Training and capacity building=₹ 1 lakh)=₹ 1 crore.

[18] 160 units each during 2008-09 and 2009-10.

[19] Two milch cows/heifers @ ₹ 25,000 per cow and transportation upto destination @ ₹ 5,000 per animal=₹ 60,000 per unit. ₹ 15,000 per unit for insurance premium, training and capacity building, supervision and monitoring expenses, utensils, feed and fodder development. Total cost=₹ 240 lakh (₹75,000 x 320 units)

taken up during the subsequent two years (2008-10). However, only 524 units[20] could be taken up as a result of the arbitrary increase by the Government in the price of milch cows/pregnant heifers, as mentioned above, resulting in shortfall of 96 units[21]. Scrutiny of records further revealed that:

- As per the criteria set in the DPR, beneficiaries for DUs were to be selected from districts where milk processing/chilling facilities were created and they should preferably be a member of Dairy Co-operative Societies/Self Help Groups in the operational area of District Milk Co-operative Unions/Milk Chilling Units. The Department also stated that selection of beneficiaries was done in consultation with the District Officers and the Milk Unions. Scrutiny of records revealed that the 300 beneficiaries selected during 2007-08 were based on the recommendation of the milk unions/chilling plants of the respective districts[22]. However, out of 224 DUs selected during 2008-09 and 2009-10, 120 units were selected by the respective milk unions, 74 were recommended by VIPs, 25 were not in any of the lists and 5 were recommended by other officials. Thus, norms for selection of beneficiaries were not followed.

  The Department stated (November 2012) that there were deviations in selection of beneficiaries due to unavoidable reasons despite their best efforts.

(iii) Community Dairy Projects (CDPs)

As per DPR, the CDPs were conceptualised to promote increased milk production through setting up of organised dairy farms at the village level with the main focus being to produce quality and clean milk to feed the dairy processing plants. Each beneficiary community was to be provided with 10 milch cows, housing, godown, furniture, equipment and working capital etc., amounting to ₹ 4 lakh per beneficiary.
30 CDPs at a cost of ₹ 1.20 crore[23] were to be set up during 2008-09 and 2009-10. Detailed analysis and joint physical verification of 14 CDPs in the selected district revealed that:

- As per DPR, 300 milch cows (10 each) of specified[24] quality were to be delivered to the beneficiaries of the 30 CDPs through two suppliers[25]. Joint physical verification revealed that none of the 14 CDPs had received the cows as specified in the supply order resulting in most of the projects being abandoned as detailed in ***Appendix-2.3.3 (a)***. The failure of the projects can be attributed to the lapse of the Department in not enforcing the terms and conditions contained in the supply

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[20] 300 units in 2007-08, 117 units in 2008-09 and 107 units in 2009-10.

[21] Major shortfall being 21 units in Mokokchung, 22 units in Phek, 21 units in Wokha, 13 units in Mon, 7 units in Dimapur, 6 units in Zunheboto and 5 units in Tuensang.

[22] Kohima, Dimapur, Mokokchung, Wokha and Phek.

[23] 10 milch cows at ₹ 3 lakh (₹ 30,000 per cow), housing, godown, furniture, MTEs, equipments, working capital at ₹ 1 lakh=₹ 4 lakh per unit x 30 units=₹ 1.20 crore.

[24] *Milch Breed:* Holstein Friesian/Jersey cross; *Pregnant Heifers:* 2 to 3 years; *Status of pregnancy:* Minimum 5 months; *Milch cows:* 1st and 2nd Lactation and *Dam's milk yield for Holstein-Friesian/Jersey*: 4000 to 5000 litres.

[25] M/s Ngulie Solo, Kohima and Evergreen Trading Co., Dimapur.

order. It was further seen that no action was taken against suppliers and payments in full were made despite receiving several complaints from the beneficiaries.

The Department stated (November 2012) that there were no complaints when the supply was made and payments were released on recommendations by the delivery board.

- The main objective of setting up CDPs was to produce milk to feed the dairy processing plants of the Department. One of the criteria for selection of the beneficiaries was that they should be willing to pour all the milk produced to the processing plants of the Department. It was, however, seen that the total milk produced by the 14 CDPs was only 120 litres per day (average daily production at present) and most of these were being sold by the beneficiaries in the local market ***(Appendix-2.3.3 (a))***. Thus, the objective of increasing production and feeding the milk processing plants could not be achieved.

  The Department stated (November 2012) that it is expected that the production of the CDPs would improve in due course of time.

(iv) Model Dairy Projects (MDPs)

The project for setting up Model Dairy Farms of 40 cows per unit, one each under Kohima, Peren, Mokokchung and Dimapur Districts during 2009-10 was conceptualised with a view to increase the milk production in the State by 6.40 lakh litres per year as well as create substantial economic venture under PPP mode. The scheme was to be implemented on 50:50 cost sharing basis amounting to ₹ 40 lakh (Government: ₹ 20 lakh and Beneficiary: ₹ 20 lakh) per unit.

As per departmental records, four MDPs at a cost of ₹ 0.80 crore[26] was set up during 2009-10. Detailed analysis and joint physical verification of four MDPs[27] in the selected districts revealed that actual implementation was totally at variance with the departmental records. The main points noticed in audit are detailed below:

- As per DPR, 160 milch cows (40 each) of the same specification as for the CDPs were to be delivered to the beneficiaries of the MDPs through the same two suppliers. Joint physical verification revealed that none of the projects had received the cows as specified in the supply order as detailed in ***Appendix-2.3.3 (b)***. Further, it was stated by the beneficiary of MDP, Dimapur that he had received cash (₹ 13 lakh) from the Department for procurement of cows. Thus, it is evident that the bills and other records showing procurement and supply of cows to all the projects were fictitious.

  The Department stated (November 2012) that the beneficiary may have negotiated with the supplier and received cash which was without the knowledge of the Department. This substantiates the fact that the Department paid the bills to the

[26] 40 cows each in Kohima, Dimapur, Peren and Mokokchung @ ₹ 40 lakh (to be equally shared between the Department and the entrepreneur)-- ₹ 20 lakh x 4 units= ₹ 0.80 crore.

[27] The MDP stated to be set up in Peren District could not be physically verified as it could not be traced by the departmental officers.

supplier without ensuring supply of the cows thereby frustrating the whole objective of the project.

- The main objective of setting up of MDPs was to produce milk to feed the dairy processing plants of the Department. One of the criteria for selection of the beneficiaries was that they should be willing to follow all clean milk production protocols and pour all the milk produced into the dairy processing plants of the Department. Annual average lactation yield per cow was also worked out as 4000 litres in the DPR i.e., 438 litres[28] per day per MDP. It was, however, seen that the total milk produced by the three MDPs was only 330 litres per day (average daily production at present) with the MDP in Dimapur accounting for 250 litres per day. It was also seen that only the MDP at Dimapur was selling all the milk produced to the dairy processing plant of the Department. While the MDP at Mokokchung was selling only half of their production to the dairy processing plant, the milk produced by the MDP at Kohima was being sold locally ***(Appendix-2.3.3 (b))***. Further, it was seen that the beneficiary of MDP at Dimapur was an experienced dairy farmer who had been running the farm on a commercial basis for the last 15 years.

In view of the above, the objectives of setting up the CDPs and MDPs could not be achieved due to lack of proper monitoring by the Department and supply of inferior quality cattle to the beneficiaries.

The Department stated (November 2012) that despite numerous constraints and compulsions the CDPs and MDPs were implemented to the extent possible and that though deviations took place in the selection and supply aspects, the overall spirit and objective of the project was not completely sacrificed.

2.3.10.3 Setting up of Veterinary College

The Department had initiated (2008) the process of setting up a Veterinary College in the State with a view to develop sufficient manpower in Veterinary practices.

Scrutiny of records revealed that an MOU was drawn up (15.12.2008) between the Government of Nagaland and M/s Aegis International & Associates (a building Consultant) for rendering Project Management Consultancy Services for setting up the Veterinary College at Jalukie, Peren. The procedure followed for appointment of the Consultant could not be verified as records were not furnished. It was stated by the Department that the appointment was done in the Secretariat. It was further seen that an amount of ₹ 22.12 lakh was paid to the consultant against Pre-feasibility Report submitted (May 2010) by them. However, the project had not taken off even after a lapse of more than two years. It was seen that the Department had sought (13.05.2010) approval from the Government to terminate the MOU with the Consultant. However, the MOU was not terminated till October 2012.

[28] 4000 litres x 40 cows=1.60 lakh litres per year i.e., 438 litres per day per MDP (1.60 lakh litres÷365 days).

It was also seen that the Department has gone ahead with creation of infrastructure for setting up the College and had obtained funding under Special Plan Assistance.

The funds released, drawn by the Directorate and transferred to the EE, V&AH Division for execution of works in respect of the Veterinary College as shown in the Directorate Cash Book was as follows:

Table 2.3.7: Funds released and transferred to EE, V&AH Division

(₹in crore)

Year	Gross amount released by GOI/GON	Net amount drawn by Directorate	Expenditure incurred in Directorate	Amount transferred to EE	Balance as on 31.03.2012
2008-09	1.25	1.18	0.31	0.78	0.09
2009-10	5.00	4.83[29]	0.00	4.83	0.00
2010-11	5.00	4.25	0.00	4.25	0.00
2011-12	1.00	0.93	0.00	0.00	0.93
Total:	**12.25**	**11.19**	**0.31**	**9.86**	**1.02**

It was seen that a major portion of the funds was utilised for Civil Works *viz.*, construction of security fencing, rest house, approach road, internal roads etc., at the proposed site of the Veterinary College executed by EE, V&AH Division through contractors. The important findings on scrutiny of records related to execution of the major works under the project are discussed in ***Paragraph 2.3.10.8***. Thus, the expenditure of ₹ 22.12 lakh paid to the Consultant had become unfruitful.

The Department stated (November 2012) that payment to the Consultant was made against the pre-feasibility report submitted by them. It was further stated that the Central Agricultural University had been approached for implementing the project and the MOU with the Consultant was under process of termination.

2.3.10.4 Setting up of Nagaland Composite Pig Project (NCPP)

The State Government, with a view to increase pig production decided to set up a Composite Pig Project with two main components viz., Pig Breeding Unit and Slaughter House. Approval was obtained (June 2008) from the Government to appoint a Consultant (M/s Management Solutions, Business Planning Consultants, Kolkata) for preparation of the Concept Notes. The original proposal or the manner in which the Consultant was appointed was not on record. An MOU was signed (27.08.2008) and the firm was appointed (28.08.2008) as Consultant for the preparation of Feasibility Report and DPR for setting up the Pig Breeding Farm and Pork Processing Plant in Nagaland. Thereafter, based on proposal submitted (29.08.2008) by the Department, the Government gave expenditure sanction (05.11.2008) and drawal authority (05.11.2008) for an amount of ₹ 99.75 lakh against consultant fee for preparation of the DPR. The amount was drawn (17.11.2008) and transferred to a separate Subsidiary Cash Book. Scrutiny of the Subsidiary Cash Book revealed that:

[29] Out of this, ₹ 0.80 crore drawn by EE.

- A total amount of ₹ 75.51 lakh was spent on payment of consultation fees, accommodation of consultant and included ₹ 1.90 lakh for the Consultant's trip to Europe. It was also seen that a payment of ₹ 6.50 lakh was made to the Consultant on 18.11.08 against their bill dated 01.10.2007 (before appointment-being cost and expenses for initial development activities).
- An amount of ₹ 15.75 lakh was recorded as spent for visit outside country without details such as the purpose or to whom the payment was made. No other records in respect of the expenditure were also furnished.

  The Department stated (November 2012) that the expenditure was incurred for trip to Germany undertaken by the Hon'ble Minister accompanied by the Consultant and two officers for physical verification of the equipment which were proposed to be imported from Germany.

Though the final DPRs with project cost of ₹ 157.31 crore was submitted by the Consultant in October 2010, no further progress towards establishing the NCPP or identifying the source of funding for the project after a lapse of almost two years was seen on record.

Scrutiny of records further revealed that the Department had submitted (01.10.2010) a concept note to the Government for establishment of Pig Breeding Farm and Slaughter House (Nagaland Composite Pig Project) under SPA amounting to ₹ 10 crore during 2010. Expenditure Sanction and Drawal Authority for ₹ 10 crore (gross) and ₹ 8.85 crore (net after deduction of 11.50 *per cent* departmental charges) was received from the Government and Finance Department on 31 March 2011. Out of this, ₹ 4.43 crore was to be drawn in cash and ₹ 4.43 crore was to be deposited in CD. As per expenditure sanction, ₹ 9.50 crore was earmarked for civil works and ₹ 0.50 crore for power supply. The funds drawn by the Directorate and released to the EE, V&AH Division was as shown in the table below:

Table 2.3.8: Funds drawn and transferred to EE, V&AH Division

(₹in crore)

Date	Net amount drawn by Directorate	Date of release to EE	Amount transferred to EE	Balance as on 31.03.2012
31.03.2011	4.25	13.06.2011	2.00	-
		19.07.2011	2.25	-
23.11.2011	4.31	23.11.2011	2.00	-
		22.02.2012	0.15	-
		01.03.2012	1.00	1.16
Total:	**8.56**		**7.40**	**1.16**

It was seen that a major portion of the funds were utilized for Civil Works *viz.*, provision of security fencing, rest house, internal roads, godown etc., at the proposed site of Slaughter House, Khopanala, Dimapur and construction of security fencing, rest house, approach road, overhead water tanks, godown etc., at the proposed site of Pig Breeding Farm, Jalukie executed by the EE, V&AH Division through contractors.

The important findings on scrutiny of records related to execution of the major works under the project are discussed in *Paragraph 2.3.10.8.* Thus, the possibility of the expenditure of ₹ 99.75 lakh becoming infructuous cannot be ruled out.

2.3.10.5 Assistance to States for Control of Animal Diseases

"Assistance to States for Control of Animal Diseases" (ASCAD) - a component of Centrally Sponsored Macro-Management Scheme "Livestock Health and Disease Control (LH & DC)" is being implemented in the State since 2003-04 of the 10th Plan. The Scheme was continued in the 11th Plan as well. The funding pattern was 75:25 between GOI and the State.

The main objectives of the Scheme was to provide prophylactic vaccination against major animal diseases prevalent in the State *viz.,* Swine Fever, Foot and Mouth Disease, Ranikhet disease, HS, BQ, Enterotoxaemia and Fowl Pox.

As per the scheme, Annual Action Plans (AAPs), showing component-wise requirement of funds during the year, are to be submitted by the State before the beginning of each financial year. The AAPs are examined and approved by GOI and funds sanctioned in one to three installments as per the utilisation. The position of funds approved by GOI as per AAPs and funds actually received and available for implementation of the Scheme (GOI and State share) during the 11th Plan period (2007-12) was as follows:

Table 2.3.9: Short release of funds from GOI/State

(₹in lakh)

Year	Amount to be released as per approved AAP		Amount actually released		Short release	
	GOI (75%)	State (25%)	GOI	State	GOI	State
2007-08			150.00	--		
			50.00	--		
			110.00	100.00		
Total:[30]	***325.81***	***103.87***	***310.00***	***100.00***	***15.81***	***3.87***
2008-09			150.00	45.27		
			123.00	41.00		
Total:	***273.55***	***86.45***	***273.00***	***86.27***	***0.55***	***0.18***
2009-10			150.00	45.29		
Total:	***259.22***	***81.67***	***150.00***	***45.29***	***109.22***	***36.38***
2010-11			100.00	33.33		
			--	24.67		
Total:	***219.43***	***68.40***	***100.00***	***58.00***	***119.43***	***10.40***
2011-12			175.00	54.93		
Total:	***212.53***	***66.12***	***175.00***	***54.93***	***37.53***	***11.19***
Grand total:	**1290.54**	**406.51**	**1008.00**	**344.49**	**282.54**	**62.02**

It can be seen from the table above that the Department could not avail a total amount of ₹ 3.45 crore sanctioned (₹ 2.83 crore from the GOI and ₹ 0.62 crore from the State Government) during the 11th Plan. This was due to delays in submission of AAPs, delays in release of funds by the State Government to the Department and delays in submission of Utilisation Certificates by the Department to GOI.

[30] Proposed by the State Government. Approved AAP not on record.

(i) Procurement and distribution of vaccines

Scrutiny of records revealed that a large quantity of vaccines valued at ₹ 5.82 crore were procured under the scheme during 2007-12. The quantity and cost of the major vaccines procured was as shown in the table below:

Table 2.3.10: Quantity and cost of vaccines procured

Sl No.	Name of vaccine	Quantity procured	Amount (₹ in crore)
1.	Swine Fever Vaccine	17,85,633 doses	3.43
2.	Foot and Mouth Disease Vaccine	11,76,317 vials of 15 doses each	1.44
3.	BQ Vaccine	10,90,998 doses	0.26
4.	Enterotoxaemia Vaccine	8,15,205 doses	0.14
5.	Fowl Pox Vaccine	85,66,999 doses	0.18
Total			**5.45**

The animals to be vaccinated each year and vaccines required were worked out on the basis of animal population as per the 18th Livestock Census conducted in 2007 and procured in bulk from local suppliers without requirement or indents from the districts. All the vaccines thus procured were shown as received and issued to the District Veterinary Officers (DVOs) in the records of the Directorate. Test-check of records in the selected districts revealed that the vaccines were shown as fully received and then issued to the various hospitals, dispensaries, stockman centres/Veterinary Outposts/Veterinary Health Centres under the DVOs. It was, however, seen during joint physical verification that most of those Institutions were defunct and were not in a position to either receive or store the vaccines as discussed in ***Paragraph 2.3.11***. As such, procurement and distribution of such a huge quantity of vaccines to those Institutions was doubtful and needs further investigation.

(ii) Purchase of refrigerators without requirement

Scrutiny of records revealed that 132 refrigerators valued at ₹ 0.28 crore were procured under the scheme during 2007-12 as shown in the following table:

Table 2.3.11: Details of refrigerators procured

Year	Particulars	No. and rate	Amount (₹)
2007-08	Refrigerators from Nagaland General Stores	15 Nos. @ ₹19400 each	291000
	Refrigerator 263 ltrs from Nagaland General stores	25 Nos @ ₹19400 each	485000
2008-09	Refrigerator 263 ltrs from Nagaland General Store	18 Nos. @ ₹19400 each	349200
	Refrigerator (240 ltrs) from Nagaland General Stores	12 Nos. @ ₹18640 each	223680
	Refrigerator from Kuotsu Enterprises	18 Nos @ ₹19400 each	349200
2010-11	Refrigerator from Kuotsu Enterprises	56 Nos @ ₹20000 each	1120000
Total:		**132 Nos**	**2818080**

However, it was seen from records that the 56 refrigerators procured in 2010-11 (received in February 2011) had not been utilised and were kept (July 2012) in the store of the Directorate. Thus, refrigerators were procured without actual requirement. The Department stated (November 2012) that the refrigerators would be issued to Institutions with proper infrastructure and power supply.

2.3.10.6 Strengthening of State Farms (Pig and Cattle) under NABARD

Scrutiny of records revealed that NABARD had sanctioned loan of ₹ 11.75 crore during 2007-10 for strengthening of State Pig Breeding Farms and ₹ 8 crore during 2010-12 for strengthening of State Cattle Breeding Farms as shown in the table below:

Table 2.3.12: Funds released by NABARD and expenditure

(₹ in crore)

Year	Loan sanctioned and released	State share	In eligible cost (to be borne by State)	Expenditure
2007-08	3.00	-	-	3.00
2008-09	4.50	-	-	4.50
2009-10	4.25	0.62	2.20	4.25
Total	**11.75**	**0.62**	**2.20**	**11.75**
2010-11	3.00	-	-	3.00
2011-12	5.00	0.64	1.26	5.00[31]
Total	**8.00**	**0.64**	**1.26**	**8.00**
Grand total:	**19.75**	**1.26**	**3.46**	**19.75**

The amount of ₹ 19.75 crore released by NABARD for strengthening of State Pig Breeding Farms and State Cattle Breeding Farms was on loan basis @ 6.50 % per annum. The State Share amounting to ₹ 1.26 crore and ineligible cost (to be borne by State) of ₹ 3.46 crore was not released by the State Government.

Thus, ₹ 4.72 crore (State Share *plus* ineligible cost) was not available for carrying out the planned activities under the scheme.

The important findings on scrutiny of records related to execution of the major works under the project are discussed in ***Paragraph 2.3.10.8 (e)***.

2.3.10.7 Strengthening of State Pig Breeding Farms under NEC

Strengthening of State Pig Breeding Farms in Nagaland was taken up during 2009-10 with funding from the North Eastern Council (NEC) and the State Government (90:10) at a total cost of ₹ 3.98 crore (NEC contribution: ₹ 3.59 crore and State share: ₹ 0.40 crore). The Scheme was implemented with the objectives of producing sufficient quality seed stock for farmers at an affordable price, to assist them in raising/fattening pigs and to promote and develop piggery in a cluster approach so as to reduce the import cost. The project was to be taken up in Medziphema and Jalukie with the target of producing 3600 no. of quality weaners with a turnover of 360 tonnes of pork worth ₹ 3.96 crore per year. The funds received from NEC and State Government for implementation of the Scheme was as shown in the following table:

[31] Drawn and parked in current bank account

Table 2.3.13: Funds released by NEC/State and expenditure

(₹ in crore)

Year	NEC share	State share	Total	Expenditure
2009-10	1.27	0.00	1.27	1.27
2010-11	1.10	0.12	1.22	1.22
Total:	**2.37**	**0.12**	**2.49**	**2.49**

The major audit findings after scrutiny of records and joint physical verification of the State Pig Breeding Farms (Medziphema and Jalukie) are discussed in the following paragraphs.

(i) Non-release of State Share and third installment from NEC

NECs share in the Scheme was 90 *per cent* of the total approved project cost of ₹ 3.98 crore i.e., ₹ 3.59 crore which was to be released by NEC in three installments (two installment of 40 *per cent* each and the third installment of 20 *per cent*) on receipt of Utilisation Certificate (UC) from the Department. Though the Scheme was to be completed by 31 March 2012, the third installment of ₹ 1.22 crore was not released by NEC as the Utilisation Certificate for the 2nd installment was not submitted by the Department.

The State mandatory contribution of 10 *per cent* i.e., ₹ 0.40 crore was to be borne by the State Government through mobilisation of its own resources. Out of this, only 0.12 crore was released by the State Government. Though NEC had released the 1st installment of ₹ 1.27 crore in March 2010, the State Government had not released its share of ₹ 0.16 crore till July 2012.

Thus, due to non-availability of ₹ 1.50 crore, the implementation of the Scheme was adversely impacted.

The Department stated (November 2012) that Utilisation Certificate could not be submitted to NEC due to non-release of State share. It was also stated that the third installment of ₹ 1.22 crore could not be availed as it was mandatory that the State share of ₹ 0.12 crore had to be released in advance.

The important findings on scrutiny of records related to execution of the major works under the project are discussed in ***Paragraph 2.3.10.8 (f)***.

2.3.10.8 Infrastructure support for different projects

Creation and maintenance of infrastructure for the Department is the responsibility of the Executive Engineer, Veterinary and Animal Husbandry Division (EE, V&AH), Kohima. The important audit findings on execution of civil works for the major projects *viz.,* setting up of Veterinary College, setting up of Nagaland Composite Pig Project and strengthening of State Farms under NABARD and NEC during 2007-12 are discussed in the following paragraphs.

(a) Construction of security fencing

A major portion of the funds (₹ 8.75 crore) under setting up of Veterinary College and Nagaland Composite Pig Project were utilised for construction of security fencing at the project sites (Jalukie and Khopanala). Scrutiny of records and physical verification revealed that the process of awarding the works was not transparent and that the works actually executed were not consistent with the estimates and entries in the MBs as detailed in the following paragraphs.

(i) Security fencing for Veterinary College at Jalukie

The amount sanctioned for construction of Security Fencing at the proposed site of Veterinary College and payments made to the contractor were as follows:

Table 2.3.14: Funds sanctioned and payment made to contractor

(₹in crore)

Sl No.	Particulars	Amount sanctioned	Net amount paid to contractor
1.	Construction of security fencing- 630.50 m (in 10 groups of 62 m @ ₹ 4.93 lakh and one group of 10.50 m @ ₹88,000) during 2008-09	0.50	0.40
2.	Construction of security fencing-460 m (in 4 groups of 115 m @ ₹ 4.24 lakh) during 2008-09	0.00	0.16
3.	Construction of chain link fencing-86 m during 2008-09	0.00	0.03
4.	Construction of security fencing—4482 m (in 54 groups of 83 m @ ₹ 5 lakh each) during 2009-10	2.70	2.18
5.	Construction of security fencing—4407 m during 2010-11	2.23	1.67
	Total:	**5.43**	**4.44**

The more important points noticed in audit are detailed in the following paragraphs:

- Scrutiny revealed that works of security fencing were split up into 69 groups with estimated cost of ₹ 5 lakh or less during 2008-09 and 2009-10. During 2008-09, work with approximate cost of ₹ 50.18 lakh was split into 11 groups[32] and work with approximate cost of ₹ 16.95 lakh was split into 4 groups[33]. Again, during 2009-10, work with approximate cost of ₹ 2.29 crore was split into 54 groups[34]. Technical estimates were framed for each group separately and approved by the Executive Engineer, V&AH Division. Bids were also invited separately for all the groups. Further, it was seen that all the works were allotted to one particular contractor as discussed in the next paragraph. Thus, it is evident that works were split up to avoid sanction of higher authority (CE, Housing). Splitting up of works also prevented the Department from obtaining more competitive offers and exercising better quality control of the works executed.

  The Department stated (November 2012) that works were split up to avoid procedural delays and complete the work in time. However, the fact remains that this practice is a clear violation of the Financial and Cognate powers delegated to officers at different levels under Nagaland PWD.

- NITs were not published or given wide coverage as required under Rules. Bids for all the works (total of 69 groups) were received from the same contractors[35] (3 bids for each work) and all the works were awarded to M/s Hi-tech Constructions except for the 4 groups during 2008-09, which were awarded to M/s N.R. Zeliang.

32 @ ₹ 4.93 lakh for 10 groups and ₹ 88,000 for one.
33 @ ₹ 4.24 lakh for each group.
34 @ ₹ 4.24 lakh for 44 groups and ₹ 4.23 lakh for 10 groups
35 M/s Hi-tech Constructions, M/s N.R. Zeliang, Gaubeu Rangkau, Dennis Zeliang, Adam Zeliang, Platinum Enterprises Pvt Ltd, and Jordan Constructions.

Further, it was seen that M/s N.R. Zeliang and M/s Hi-tech Constructions had the same registration numbers and were in fact one and the same firm[36]. Thus, it is evident that NITs, tender papers, bids etc., were fabricated to favour a particular contractor.

The Department stated (November 2012) that the lowest bidder was selected as per prevailing SOR. It was further stated that the partners of the firms had separated and registered in separate names in March 2011. However, the fact remains that the firm was one and the same when they had bid for the work.

- As per estimates and entries made in the MBs, the total length of security fencing constructed during 2008-11 was 9980 m with pillars at a distance of 2.96 m at a total cost of ₹ 4.81 crore. During joint physical verification (07.09.2012), it was seen that the actual execution of work was not as per the estimate and the entries in the MB resulting in excess payment to the contractor. The difference in the work as per estimates and entries in the MB and actual execution was as shown in the table below:

Table 2.3.15: Difference between measurements in MB and actual execution

Sl No.	Component	Measurements as per estimates and entries in MBs	Actual execution	Difference
1.	Height of wall	2.43 m	6 ft (1.83 m)	0.60 m
2.	Height of pillar	2.13 m	6 ft (1.83 m)	0.30 m
3.	No of pillars	3372 Nos	2495 Nos.	877 Nos.
4.	Breadth of wall	0.25 m	5.5 inch (0.13 m)	0.12 m
5.	No. of barbed wire (lines)	8 lines (6 horizontal and two diagonal)	4 lines (all horizontal)	4 lines
6.	Plastering on walls	Both sides	One side (outside wall)	One side

Thus, it is evident that the measurements entered in the MBs, on the basis of which payments were made to the contractor, were fictitious.

The Department stated (November 2012) that the measurements for the walls and pillars recorded in the MBs include wall constructed below ground level. However, the facts remains that the measurements recorded in the MB were not consistent with the actual work executed and needs further investigation.

(ii) Provision of security fencing for Slaughter House at Khopanala

Though ₹ 2.90 crore was earmarked in the expenditure sanction for provision of security fencing along the boundary at Slaughter House, Khopanala, technical estimates for only an amount of ₹ 1.00 crore (1600 m) was prepared by the EE and approved by the CE (Housing). Thereafter, NIT, on item rate basis, was issued (29.06.11) for the work with approximate cost of ₹ 0.84 crore with the date for opening of bids being 07.07.2011. NIT was not advertised or given wide publicity as required under Rules and no time was given for submission of bids as per CVC

[36] Name changed from M/s N.R. Zeliang to M/s Hi-tech Construction with the same registration number (NPW/Class I/220) vide Government Notification PWD/E-in-C/Accts-1/Pt (1) dated 25.06.2008.

guidelines (4 to 6 weeks) to ensure fair and adequate competition. Bids were received from three firms and work was awarded (17.08.2011) to M/s Ruokuo Angami on the basis of recommendation by a VVIP. The work was certified to have been completed and payment of ₹ 0.74 crore was made to the contractor on the basis of entries made in the MB which was exactly as per the estimates.

Joint physical verification (21.08.2012) revealed that the actual execution of work was not as per the estimates/measurement recorded in the MB as can be seen from the table below:

Table 2.3.16: Difference between measurements in MB and actual execution

Sl No.	Component	Measurements as per estimates and entries in MBs	Actual execution	Difference
1.	Height of wall	2.43 m (7.97 ft)	1.98 m (6.50 ft)	0.45 m
2.	Angle post (45x45x6mm)	472 Nos	Nil	472
3.	No. of barbed wire (lines)	6 lines	Nil	6 lines

Thus, it is evident that the measurements entered in the MB were fictitious.

The Department stated (November 2012) that measurement of walls recorded in the MB include the portion below ground level and that angle posts were replaced by placing brick on top with mortar U Neal. However, the fact remains that measurements in the MB were not consistent with the actual work executed and needs further investigation.

(b) Construction of Guest/Rest Houses

A total amount of ₹ 2.16 crore was spent for construction of three guest/rest houses at the proposed sites for Veterinary College at Jalukie and Nagaland Composite Pig Project (Khopanala and Jalukie). Scrutiny of records and joint physical verification revealed that the process of awarding the works was not transparent and actual execution was not consistent with the estimates and entries in the MBs as discussed in the following paragraphs.

(i) Construction of Guest House for Veterinary College at Jalukie

The Government had given administrative approval of ₹ 3 crore for construction of Guest House-cum-office during 2010-11. However, it was seen that technical estimates were approved by CE (Housing) for an estimated amount of ₹ 1.60 crore including centage charges[37] of ₹ 60.85 lakh. Thereafter, NIT was issued for the work with approximate cost of ₹ 99.15 lakh. As in all cases, it was seen that NIT was not advertised or given wide coverage. Bids were received from three firms[38] and work was allotted (April 2011) to M/s Jordan Construction. The work was certified to have been completed (January 2012) and payment of ₹ 0.95 crore was made to the

[37] Site leveling, water supply, electrification, consultation fee, contingency, departmental charges etc.

[38] M/s Platinum Enterprise Pvt. Ltd. (15% above SOR 2010); M/s Jordan Construction (at par with SOR) and M/s Kedou Enterprise (10% above SOR).

contractor on the basis of measurements entered in the MB which was exactly as per the estimates.

Joint physical verification (07 September 2012) revealed that the actual execution of work was not as per estimates or measurements recorded in the MB. Though payment in full was made, keys were stated to be in the custody of the contractor and number of rooms and their size could not be verified. As per the drawings, two rooms, a dormitory and two toilets at either ends of a closed corridor were to be constructed in the basement floor. It was, however, seen that only two rooms and two toilets at one end with an open verandah was constructed. Further, the front elevation of the building was also not as per the drawings enclosed with the estimates as can be seen from the photographs below.

Photograph 2.3.1

Guest House at Veterinary College, Jalukie

Elevation of Guest House as per estimates

Basement of Guest House as per estimate

Basement of Guest House actually constructed

Thus, measurements recorded in the MBs, on the basis of which payments were made to the contractor, were fictitious.

The Department stated (November 2012) that deviations/ rearrangements were done on instruction of VIP for better utility. However, the fact remains that measurements entered in the MB were not consistent with the actual work executed.

(ii) Construction of Rest House for Slaughter House at Khopanala

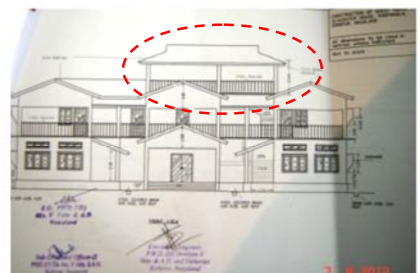
Although, only ₹ 0.50 crore was earmarked for the work in the expenditure sanction, technical estimate for an amount of ₹ 1.43 crore was prepared by the EE, V&AH and approved by the CE (Housing) during May 2011. Thereafter, NIT, on item rate basis, was issued (29.06.11) for the work with approximate cost of ₹ 0.89 crore with the date for opening of bids being 07.07.2011. NIT was not advertised or given wide publicity as required under rules and no time was given for submission of bids as per

CVC guidelines (4 to 6 weeks) to ensure fair and adequate competition. Three bids[39] were received and work was awarded (17.08.2011) to M/s Solo Engineering on the basis of recommendation of a VVIP. All measurements were entered in the MB as per the estimates, work was certified as completed and an amount of ₹ 0.79 crore was paid to the contractor in two Running Account Bills in November 2011 and May 2012.

Joint physical verification (21.08.2012) revealed that the actual execution of work was not as per estimates/measurements recorded in the MB. Though payment in full was made, the rooms were locked and the keys were stated to be in the custody of the contractor. Therefore, the number of rooms and their size could not be verified. It was, however, seen that the actual construction was not as per the drawings enclosed with the estimates as can be seen from the photographs below:

Photograph 2.3.2


Rest House at of Slaughter House at Khopanala, Dimapur


Elevation of Rest House of Slaughter House, Khopanala,

Thus, measurements recorded in the MBs, on the basis of which payment was made, were fictitious.

The Department stated (November 2012) that the deviation occurred as the contractor was requested to construct RCC slab to keep water tank instead of CGI sheet roofing. However, the fact remains that measurements recorded in the MBs were not consistent with the actual work executed.

(c) Construction of overhead water tanks

A total amount of ₹ 25.16 lakh was spent for construction of rolled steel unequal angle overhead tanks for the guest/rest houses for Veterinary College at Jalukie and the Nagaland Composite Pig Project (Jalukie and Khopanala). Scrutiny of records and physical verification revealed that the works were not actually executed and payments were made to the contractors on the basis of fictitious entries made in the MBs as detailed in the following paragraphs.

(i) Construction of overhead water tanks for Guest House for Veterinary College at Jalukie.

NIT was issued (March 2011) for construction of two separate rolled steel unequal angle overhead water tanks for the Guest House at an estimated cost of ₹ 8.40 lakh and work was awarded (April 2011) to M/s H. Ikishe Sukhalu. As per entries made in

[39] (i) M/s Hi-tech Constructions (10% above item rate), (ii) M/s I. Lima Ao (15% above item rate) and (iii) M/s Solo Engineering (at par with item rate).

the MB, the work was certified to have been completed in May 2011 and payment of ₹ 8.04 lakh was made to the contractor in July 2011. It was, however, seen during joint physical verification (07 September 2012) that the work was not executed and only one water tank (Sintex-1000 litres) was fitted on the roof of the Guest House building. Thus, payment of ₹ 8.04 lakh was made to the contractor on the basis of fictitious entries made in the MB.

(ii) Construction of overhead water tanks for Slaughter House at Khopanala

NIT was issued (28.03.11) for construction of two rolled steel unequal angle overhead water tanks with estimated cost of ₹ 8.38 lakh after splitting up the work into two equal groups and work was awarded (April 2011) separately to M/s H.B. Enterprises. As per entries made in the MB, the work was certified to have been completed in August 2011 and payment of ₹ 8.03 lakh was made to the contractor in August 2011. It was, however, seen during joint physical verification (21.08.12) that the work was not executed and two water tanks (2 Sintex tanks of 2000 litres each) were fitted on the roof of the Rest House building.

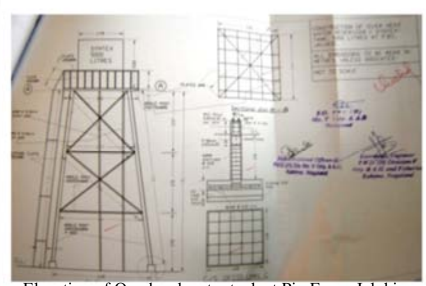
Thus, payment of ₹ 8.03 lakh was made to the contractor on the basis of fictitious entries made in the MB.

(iii) Construction of overhead water tanks for Rest House for NCPP at Jalukie

NIT was issued (07.03.11) for construction of two rolled steel unequal angle overhead water tanks with estimated cost of ₹ 8.38 lakh after splitting up the work into two equal groups and work was awarded (April 2011) separately to M/s H. Ikishe Sukhalu. As per entries made in the MB, the work was certified to have been completed in June 2011 and payment of ₹ 8.04 lakh was made to the contractor in July 2011. It was, however, seen during joint physical verification (07.09.12) that the work was not executed and two water tanks were fitted on the roof of the Rest House building as can be seen from the photograph below.

Photograph 2.3.3

Water tanks on the roof of Rest House at Jalukie



Elevation of Overhead water tank at Pig Farm, Jalukie

Thus, payment of ₹ 8.03 lakh was made to the contractor on the basis of fictitious entries made in the MB.

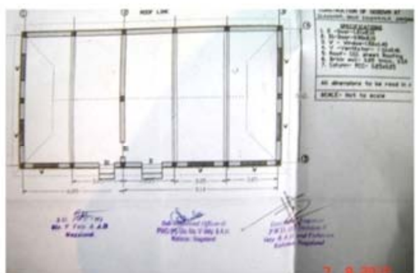
The Department stated (November 2012) that it was decided to place water tanks on top of the buildings as it was felt that steel structure will be less durable due to heavy iron content in the water available at the site. However, the fact remains that measurements for work not executed were recorded in the MBs and payment made to the contractor on that basis.

(d) Construction of godown for Slaughter House at Khopanala

Though an amount of ₹ 0.30 crore was earmarked for construction of godown, technical estimates for only an amount of ₹ 0.26 crore was prepared by the EE and approved by the CE (Housing). Thereafter, NIT was issued (24.05.11) with approximate cost of ₹ 0.17 crore. NIT was not advertised or given wide publicity as required under Rules. Bids were received from 3 contractors and work was awarded (17.08.11) to M/s Ruokuo Angami on the basis of recommendation of a VVIP. The work was certified to have been completed and payment of ₹ 0.15 crore was made (25.11.11) to the contractor on the basis of entries made in the MB which was exactly as per the estimates.

Joint physical verification (21.08.12) revealed that the actual execution was not as per the estimates or the measurements recorded in the MB. Though two doors and 7 windows were shown as executed, it was seen that only one door with shutter on one side was made without any windows as shown in the photograph below:

Photograph 2.3.4



Plan of Godown at Slaughter House, Khopanala

Godown at Slaughter House, Khopanala, Dimapur

Thus, entries made in the MB, on the basis of which payments were made to the contractor, were fictitious.

The Department stated (November 2012) that the two small doors were replaced by one big door with shutter for the sake of convenience and that windows were avoided for safety reasons and proper ventilation had been provided. The fact, however, remains that measurements recorded in the MB were not consistent with the work actually executed.

(e) Payments made against works not executed under NABARD

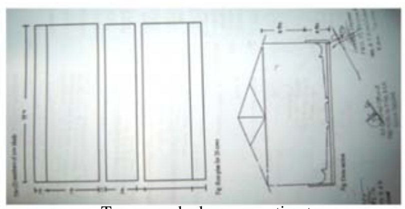
The major component of the scheme was strengthening of infrastructure of the farms i.e., renovation of existing sheds and construction of new ones. Scrutiny of records relating to works executed under the scheme and joint physical verification in 7 State farms (4 Pig Farms[40] and 3 Cattle Farms[41]) revealed that works valued at ₹ 3.71 crore shown as executed as per entries in the MBs were not actually taken up as detailed in

[40] Merangkong, Lerie, Jalukie and Medziphema
[41] Lerie, Medziphema and Jalukie

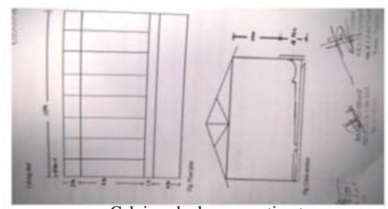
Appendix-2.3.4. Payments were also released to the contractors based on fictitious entries in the MBs for works not executed.

Further, it was seen that estimates were framed for construction of four separate sheds at an estimated cost of ₹ 0.78 crore during 2010-11 at Cattle Breeding Farm, Medziphema. Entries were also made in the MBs as per the estimates and payments released to the contractor. Joint physical verification, however, revealed that only one combined shed was constructed instead of four separate sheds as can be seen from the photograph below:

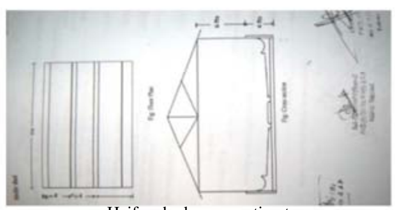
Photograph 2.3.5



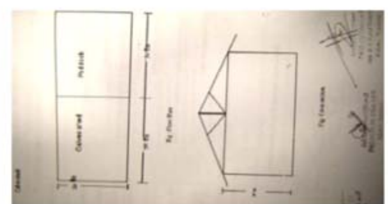
Two cow sheds as per estimates



Calving shed as per estimates



Heifer shed as per estimates



Calve shed as per estimate

Actual Work executed

Thus, actual execution was not commensurate with the expenditure incurred and inconsistent with the records maintained by the EE.

The Department stated (November 2012) that the sheds were combined to avoid wastage of land and that there was no deviation in the area and specifications. The fact, however, remains that the measurements entered in the MB were not consistent with the actual work executed.

(f) Fictitious expenditure under NEC

During 2009-10, ₹ 0.18 crore was shown as spent for construction of pen caging in two pig sheds (1 & 2) at Pig Breeding Farm, Jalukie. However, the same work had already been completed during 2009-10 under NABARD at a cost of ₹ 0.52 lakh. Thus, payment of ₹ 0.18 crore was made on the basis of fictitious entries recorded in the MBs and needs further investigation.

Thus, the process of award of works was not transparent and consistent with the estimates/entries in the MBs resulting in excess payments to the contractors. Further, the possibility of the investment of ₹ 22.25 crore[42] for setting up the Veterinary College at Jalukie and the Nagaland Composite Pig Farm (Khopanala and Jalukie) becoming infructuous and idle cannot be ruled out as the projects have not taken off even after a lapse of four years after it was initiated. The expenditure incurred towards creation of infrastructure for the projects had only benefitted the contractors.

2.3.10.9 Procurement of livestock and poultry feeds

Scrutiny of records in the Directorate revealed that an amount of ₹ 5.92 crore was spent on procurement of livestock and poultry feed during 2008-12. The funds received and expenditure incurred for procurement of livestock and poultry feed during 2008-12 was as shown in the table below:

Table 2.3.17: Funds released and expenditure

(₹ in crore)

Year	State plan	Non-plan	Total	Expenditure
2008-09	0.65	0.35	1.00	1.00
2009-10	0.80	0.35	1.15	1.15
2010-11	1.57	0.35	1.92	1.92
2011-12	1.50	0.35	1.85	1.85
Total:	**4.52**	**1.40**	**5.92**	**5.92**

The major findings of audit regarding procurement of livestock and poultry feeds are discussed in the following paragraphs:

(i) Avoidable excess expenditure and undue favour to supplier

Scrutiny of records revealed that a VVIP had directed (March 2010) the Department to award supply order to a firm[43] for supply of various items of feeds. It was also seen that the Department had approached (June 2010) the Government with a proposal to procure the feeds directly from the market at prevailing market rates with the justification that cost would be reduced by almost 40 to 50 *per cent* with better quality of feeds. However, the Government rejected (July 2010) the proposal of the Department and issued Administrative Approval reiterating that supply order be issued to the firm recommended by the VVIP. Accordingly, the Department issued (03 August 2010) supply order to the firm with the terms and conditions that the feed should be delivered to the respective farms and transportation of the feeds to the farms shall be the sole responsibility of the supplier. Further, it was also stated that the approved rates of the feeds shall remain effective till March 2011 and no enhancement of rate will be entertained under any circumstances. These terms and conditions were also accepted by the supplier (03 August 2010).

However, it was seen that the supplier had approached (August 2010) the Department to incorporate transportation cost for delivery of feeds to the farms and that ₹ 0.31 crore was subsequently paid to the firm against transportation cost.

42 Veterinary College: ₹ 12.25 crore and Nagaland Composite Pig Project: ₹ 10 crore.

43 M/s Vikiye Sema, Dimapur

Though the supplier had applied (23 August 2010) for enhancement of rate by 15 *per cent,* it was rejected (October 2010) by the Department. It was, however, seen that the Department had subsequently allowed (December 2010) enhancement of rate by 30 *per cent* with the approval of a VVIP and had made an excess payment (February 2011) of ₹ 0.27 crore to the supplier.

Thus, there was undue favour in selection of the supplier and an excess payment of ₹ 0.58 crore was also made to the supplier due to allowance of transportation cost and enhancement of rates.

The Department stated (November 2012) that enhancement of rate could not be avoided due to the abrupt increase in the price of feed items and fuel.

2.3.10.10 Entrepreneur Development

The project 'Integrated Livestock Development for Piggery and Poultry Production through peoples' participation' was implemented at a cost of ₹ 2 crore during 2008-09 with the objective of enhancing production of pork and chicken, providing direct and indirect employment and preventing rural migration to urban areas. The beneficiaries of the project were to be progressive piggery and poultry farmers, educated unemployed youth and self help groups.

Records relating to the implementation of the project under 'Poultry Development' were scrutinised in audit. 16 beneficiaries ***(Appendix-2.3.1 (h))*** under the project in the four selected districts were also taken up for joint physical verification.

As per the proposal, a total of 800 Low Input Technology birds, 40-50 days old, were to be given to 50 beneficiaries in the State for production of chicken. The total expenditure for the poultry project was ₹ 0.53 crore as shown in the table below:

Table 2.3.18: Component-wise expenditure

Sl No.	Particulars	Amount (₹ in lakh)
1.	Cash component (poultry shed, equipments & feeds) @ ₹27,587 per beneficiary	13.79
2.	Low input technology growers (Kurioler) 40-50 days old including transportation	34.80
3.	Transit cost (feeds & feed supplements, medicines etc.)	4.17
Total:		**52.76**

The important audit findings in respect of implementation of the Scheme are discussed in the paragraphs that follow:

(i) Selection of beneficiaries

The beneficiaries for the project were to be selected through conducting interviews from amongst 143 applicants. However, it was seen that 38 out of the 50 beneficiaries were selected on the basis of recommendations received from VVIPs/VIPs. Thus, the selection of beneficiaries was not on the basis of feasibility or capability of the candidates.

(ii) Non-achievement of targets

The Department intended to produce 2160 chickens in 3 production cycles per annum at 750 chicks per cycle through implementation of the Scheme. The target set was to produce 90 tonnes of chicken meat worth ₹ 0.99 crore per annum. Joint physical verification, however, revealed that most of the beneficiaries had either abandoned the project altogether or had shifted over to piggery as detailed in ***Appendix 2.3.5***.

Thus, the objectives of implementing the Scheme or the targets set by the Department could not be achieved.

The Department stated (November 2012) that the poultry farms could not succeed due to increase in feed prices and most of the beneficiaries had shifted to piggery.

2.3.11 Joint Physical Verification of institutions under the Department

Results of joint physical verification of selected major projects/schemes executed under Mithun Project, White Revolution, Establishment of Veterinary College, Nagaland Composite Piggery Farm, Entrepreneur Development, NABARD and NEC have been incorporated in the respective paragraphs. Joint physical verification of the State Farms, Veterinary Hospitals, Dispensaries, Disease Diagnostic Laboratories, Quarantine Check Posts and Stockman Centres/Veterinary Outposts/Veterinary Health Centres in the selected districts was also carried out along with the departmental officers. It was found that many of these units were either defunct or functioning from very old and dilapidated buildings as discussed in the following paragraphs.

2.3.11.1 State Cattle Breeding Farms

There were 10 State run Cattle Breeding/Dairy Farms in Nagaland. The farms were functioning with the objective of disseminating superior germplasm of high yielding breeds of cattle to dairy farmers through artificial insemination and also to produce quality heifers. Joint physical verification of six[44] farms in the selected districts, however, revealed that they were in very poor condition despite an amount of ₹ 8 crore being spent for strengthening during 2010-12 under NABARD.

Information could not be collected from SCBF, Medziphema as only an attendant was present during physical verification and it was stated that the post of Farm Manager was lying vacant since 2010.

Further, it was seen during joint physical verification that the farms, with the exception of SCBF, Lerie was not involved in any breeding activity but were functioning as dairy farms with very negligible production/revenue generation as detailed in ***Appendix-2.3.3 (a)***.

[44] (i) SCBF, Lerie; (ii) SCBF, Medziphema, Dimapur; (iii) SCBF, Aliba, Mokokchung; (iv) Dairy Upgradation Centre, Peren; (v) Regional Brown Swiss Cattle Breeding Farm, Jalukie, Peren; (vi) Surti Buffalo Farm, Jalukie, Peren.

2.3.11.2 State Poultry Farms/Hatchery Units

There were 13 State run poultry farms/hatchery units/chick rearing centres in Nagaland. The farms were to play a major role in providing quality chicks to poultry entrepreneurs and also upgrade the local birds through crossing. Joint physical verification of six[45] farms in the selected districts, however, revealed that the infrastructure of these farms were very old and dilapidated as can be seen from the photographs below.

Photograph 2.3.6


Poultry Farm, Kohima


Poultry Farm, Dimapur


Poultry Upgradation Centre, Peren


Poultry Farm, Mokokchung

All the farms physically verified were found to be functioning independently on self sustaining basis with negligible output/revenue generation as detailed in ***Appendix-2.3.6 (b)***. Thus, the objectives of the Department in running the farms were not achieved.

Further, the Poultry Farm shown as functioning at Jalukie, Peren in the records of the Department could not be physically verified as it was non-existent.

2.3.11.3 State Pig Breeding Farms

There were 9 State Pig Breeding Farms in Nagaland. The main aim of these farms was to produce and supply quality breeding stock for the rural farmers with a view to enhance pork production. These farms were to supply piglets to farmers under various piggery development schemes. Joint physical verification of four[46] farms in the selected districts, however, revealed that they were functioning from very old and dilapidated buildings, especially Merangkong, despite an amount of ₹ 11.75 crore

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[45] (i) Poultry farm, Kohima; (ii) Poultry farm, Dimapur; (iii) Chick Rearing Centre, Medziphema, Dimapur; (iv) Poultry farm, Mokokchung; (v) Poultry Upgrading Centre, Peren; (vi) Poultry farm, Jalukie, Peren

[46] (i) PBF, Lerie, Kohima; (ii) PBF, Medziphema, Dimapur; (iii) PBF, Jalukie, Peren; and (iv) PBF, Merangkong, Mokokchung.

being spent for strengthening under NABARD and ₹ 2.49 crore under NEC (Medziphema and Jalukie).

It was also noticed that the infrastructure of these farms, especially in Merangkong, were very old and dilapidated as can be seen from the following photographs.

Photograph 2.3.7

Pig Breeding Farm, Merangkong

Feed Godown, Pig Breeding Farm,

It was seen that the total number of pigs at present was only 33 and the revenue generated during 2007-11 was only ₹ 5.91 lakh and 'nil' during 2011-12. Further, it was seen that 15 staff were posted against the farm.

2.3.11.4 Veterinary Hospitals

There were 11 Veterinary Hospitals in the State as per departmental records. Joint physical verification of three ***(Appendix-2.3.1 (i))*** hospitals in the selected districts revealed that all, except Kohima, were poorly equipped with number of cases attended being very low as detailed in ***Appendix-2.3.6 (c)***.

The Veterinary Hospital shown as functioning at Peren in the records of the Department was found to be only a Dispensary and it was stated by the Doctor in-charge that it was yet to be upgraded.

2.3.11.5 Veterinary Dispensaries

Out of 17 Veterinary Dispensaries in the State, six ***(Appendix-2.3.1 (j))*** were selected for joint physical verification. Joint physical verification of the five dispensaries revealed that all of them were poorly equipped. It was further seen that the Dispensary in Changtongya, Mokokchung was in very poor condition and abandoned as can be seen from the photographs below.

Photograph 2.3.8

Veterinary Dispensary, Jalukie

Veterinary Dispensary, Peren


Veterinary Dispensary, Niuland, Dimapur


Veterinary Dispensary, Changtongya, Mokokchung

The Dispensary shown as functioning at Khuzama in Kohima District in the records of the Department could not be traced by the departmental officers during physical verification and its existence is doubtful. Further, most of the dispensaries were without medicines/equipment and number of cases attended was also very low as detailed in ***Appendix-2.3.6 (d)***.

2.3.11.6 Disease Diagnostic Laboratories

Out of 14 DDLs in the State, five ***(Appendix-2.3.1 (k))*** were selected for joint physical verification. It was found that all of them, except DDL, Peren, were located in new buildings and had few laboratory equipment as seen from the photographs below.

Photograph 2.3.9


DDL, Dimapur


DDL, Mokokchung


DDL, Peren


DDL, Mangkolemba, Mokokchung

It was, however, seen that these labs were non-functional despite an amount of ₹ 0.45 crore spent on their maintenance during 2007-12 under ASCAD due to absence of staff as detailed in ***Appendix-2.3.6 (e)***.

The Department stated (November 2012) that the DDLs were not fully functional due to lack of manpower and assured that efforts would be made to deploy trained personnel in all the DDLs.

2.3.11.7 Quarantine Check Posts

Quarantine Check Posts in the State were established under provisions of the Nagaland Contagious Disease Act, 1980 to provide for the prevention and spread of contagious diseases of livestock including poultry birds. The duties and function of the QCPs include detention of animals at quarantine for the purpose of inspection, vaccination and marking, issue of vaccination certificate and reporting any contagious disease detected to the authority. For this purpose, facilities for feeding and caring for the animals in quarantine have to be in place.

Out of 16 QCPs in the State, five ***(Appendix-2.3.1 (m))*** were selected for joint physical verification. It was seen that three of them were functioning from temporary thatched accommodation on the roadside and a new building constructed for QCP, Kedima was abandoned and covered with vegetation as can be seen from the photographs below.

Photograph 2.3.10

QCP, Old Golaghat Road,

QCP, New Golaghat Road, Dimapur

QCP, Tuli, Mokokchung

Condition of building constructed for QCP, Kedima

It was also seen that the only activity carried out in the QCPs were collection of entry/token fees and facilities for quarantining the animals or conducting tests etc. were non-existent as detailed in ***Appendix-2.3.6 (f)***. Thus, the purpose of establishing the QCPs i.e., prevention of spread of contagious diseases of livestock in the State was not achieved.

Further, it was seen that there was no system for proper monitoring of the working of the QCPs and the revenue collected by them. Receipt books were collected from the Directorate by the officers in-charge of the QCPs. However, stock register of receipt books or other records showing receipt and utilization of the receipts books were not maintained by them. There was also no mention of receipt and utilisation of receipt books in the monthly/yearly progress reports submitted to the Directorate through the DVOs (District Veterinary Officers).

Further, receipt book No.451 was shown as not issued and 472 shown as issued to Dimapur as per records furnished by the Directorate. However, it was seen both these receipt books were used in Tuli QCP during September 2009 and April 2010 respectively.

Thus, in the absence of proper monitoring of the QCPs by the DVOs and the Directorate, the possibility of pilferage of Government revenue cannot be ruled out.

2.3.11.8 Stockman Centres/Veterinary Outposts/Veterinary Health Centres

Out of 121 SMCs/VOPs/VHCs in the State, 13 ***(Appendix-2.3.1 (l))*** in the selected districts were taken up for joint physical verification. It was found that most of the centres/posts were defunct with very old and dilapidated buildings as can be seen from the photographs below.

Photograph 2.3.11


VOP, Athibung, Peren


VHC, Mhainamtsi, Peren


VOP, Merangkong, Mokokchung

SMC, Sabangya, Mokokchung


SMC, Longnak, Mokokchung


VOP, Kigwema, Kohima

It was further seen that the centres were non-functional despite staff being posted against them as detailed in ***Appendix-2.3.6 (g)***.

2.3.12 Monitoring

The Department could not furnish information regarding system in place to monitor the effective implementation of schemes/projects despite requisition (April 2012) and several reminders. Thus, audit was not able to study the effectiveness of the monitoring mechanism in the Department.

The NABARD Consultancy Services (NABCONS) had been appointed by the Planning Commission as a Third Party Monitoring Agency to assess effective implementation of projects funded under Special Plan Assistance (SPA) in the State. However, except of asking for some reports from the Department, the Agency had not conducted any monitoring of the projects implemented by the Department under SPA viz., Mithun Project, Integrated Livestock Development and White Revolution, Setting up of Veterinary College and Setting up of Nagaland Composite Pig Project. No system also existed in the Department for monitoring the activities of the veterinary institutions.

Thus, lack of proper monitoring, both by NABCONS and the Department, opened the system to several gaps in implementation of the schemes which ultimately culminated in frauds and mis-appropriation as detailed in the paragraphs above. Therefore, the objectives of the schemes could not be fully achieved.

2.3.13 Internal control

Internal controls in a Department are intended to give reasonable assurance that its operations are carried out according to laid down rules and regulations in an economic, efficient and effective manner. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help the Department to achieve its objects with optimum use of its resources.

The Department could not furnish any information on internal control system despite requisition (April 2012) and several reminders. Thus, audit could not study the effectiveness of internal control system in the Department.

However, it was seen that no Departmental Manual had been prepared indicating lack of accountability at various levels. Further, no internal audit either by the Department or the Directorate of Treasuries and Accounts had been carried out in the Directorate or in any of the districts during the period covered by Audit.

2.3.14 Human Resource Management

The Department could not furnish information on demarcation of functional responsibilities of various categories of staff, the procedure followed for their deployment and training conducted despite requisition (April 2012) and several reminders. Thus, audit could not study the effectiveness of human resource management in the Department.

It was, however, seen that 36 staff were deployed in SMCs/VOPs/VHCs which were non-functional.

2.3.15 Vulnerability to fraud and corruption

2.3.15.1 Drawal of funds from Government Account

According to Rule 290 of the Central Treasury Rules (CTRs) Vol-I, no money shall be drawn unless required for immediate disbursement. Also, as per the said Rule, no money should be drawn at the fag end of the financial year to avoid lapse of budget grants.

It was, however, seen that the Department had been drawing most of the funds at the fag end of the year and parking it in Bank Account or Civil Deposit and utilising it during the subsequent year or in some cases, after several years. Further, all the funds were drawn through Fully Vouched Contingent (FVC) bills enclosing fictitious bills/actual payee receipts. Test-check of the bills amounting to ₹ 10.64 crore drawn by the Department during March 2012 revealed that most of the vouchers enclosed were fictitious and were used with the sole intention of drawing funds from Government Account as detailed in ***Appendix 2.3.7.***

It was further seen that works were not actually executed as per the work orders and bills (First & Final and Running Account Bills) enclosed along with the FVC bills through which the amount were drawn. Scrutiny revealed that NITs were issued at a later date, work orders with different value of work were awarded to different contractors and work was actually completed at a later date as detailed in ***Appendix 2.3.8***. Thus, it is evident that work orders and bills certifying that the works were completed were fabricated and enclosed with the FVC bills with the sole intention of drawing funds from Government Account.

2.3.15.2 Suspected misappropriation of Government Revenue

Scrutiny of records maintained by the EE, V&AH Division revealed that an amount of ₹ 18.51 lakh was shown as collected (16.05.2009) from contractors against Sales Tax, Forest Royalty and Work Contract Tax in the receipt side of the Cash Book without including the amount in the total. The same amount was shown as deposited into treasury on the payment side but was seen to be erased using correction fluid. The amount was also reflected in the Monthly Accounts (June 2009) as revenue deposited into treasury.

Scrutiny also revealed that the closing cash balance as per Monthly Accounts of April 2009 was ₹ 1,96,99,300 but the opening cash balance was shown as ₹ 1,95,47,080 in the Monthly Accounts of May 2009 resulting in shortfall of ₹ 1.52 lakh. Further, as per Schedule of Deposits attached with the Monthly Accounts of August 2009, the closing balance of revenue was ₹ 7,28,441 whereas the opening balance in the Monthly Accounts of September 2009 was shown as ₹ 72,841 resulting in shortfall of ₹ 6.56 lakh. Thus, Government revenue amounting to ₹ 26.59 lakh is suspected to have been misappropriated and needs further investigation.

2.3.16 Conclusion

Planning was unrealistic and formulated without proper study or analysis as was evident from the major variations in the activities envisaged in the 11th Plan with the

Annual Plans and the activities actually taken up. Targets set for production of meat, milk and eggs in the 11th Plan with projected expenditure of ₹ 64 crore could not be achieved despite plan expenditure of ₹ 149.99 crore during the period. Monthly balances in the bank account operated by the Directorate and Executive Engineer, V&AH Division were lower than the monthly closing balance recorded in their Cash Books pointing to misappropriation/misuse of Government money. Targets set for the Schemes/Projects could not be achieved due to deficiencies in actual implementation and payments were made against fictitious works. The process of awarding works was not transparent and works were awarded to a few select contractors. Further, works were not executed as per estimates/entries in the MBs resulting in excess payments and undue favour to contractors. The investment of ₹ 22.25 crore for setting up the Veterinary College at Jalukie and the Nagaland Composite Pig Project proved to be idle as these projects had not taken off even after four years after it was initiated. The institutions under the Department were in very poor condition and several of them were non-functional.

2.3.17 Recommendations

- The activities of the Department should be planned after proper study/analysis of ground realities and should also be consistent with the overall five year plans of the Department;
- The discrepancies between Cash Books and bank accounts should be reconciled forthwith in order to avoid the possibility of frauds taking place;
- The probable instances of fraud and mis-appropriation mentioned in the Report should be investigated at the earliest and responsibility fixed ;
- Monitoring mechanisms and internal controls prevalent in the Department should be reviewed and strengthened; and
- Proper control systems should be introduced in the Department to reduce vulnerability to fraud and corruption.

DEPARTMENTS OF AGRICULTURE/LAND RESOURCES/SOIL AND WATER CONSERVATION AND NAGALAND EMPOWERMENT OF PEOPLE THROUGH ECONOMIC DEVELOPMENT (NEPED)

2.4 Implementation of Watershed Development Programmes in Nagaland

Watershed[47] Development programmes aimed to achieve sustained growth in agriculture productivity through prevention of drought and soil degradation and by bringing about improvement in soil fertility. Reduction in shifting cultivation practice was also an objective of the programme. The success in these initiatives was expected to improve living conditions of people dependent on agriculture and allied activities.

A Performance Audit of the Watershed Development Schemes in the State revealed that the stated objectives could not be achieved due to lack of effective planning,

[47] Watershed is a geo-hydrological unit or an area that drains at common point

paucity of funds and absence of infrastructure to ensure proper maintenance and operation of the assets created. Impact of the activities under the programmes was not assessed to determine the extent of change in socio-economic environment and need for mid-course correction. The major audit findings noticed in implementing the programmes are as follows:

Highlights

Expenditure to the tune of ₹ 9020.20 lakh was incurred on account of treating land already treated under other programmes.

(Paragraph 2.4.7.1.1)

An amount of ₹ 259.43 lakh claimed to have been disbursed by the Programme Implementing Agencies to the Watershed Committees were not actually received by the WCs.

(Paragraph 2.4.7.2.4)

Payments of ₹ 133.42 lakh were released against works not executed.

(Paragraph 2.4.7.3.4)

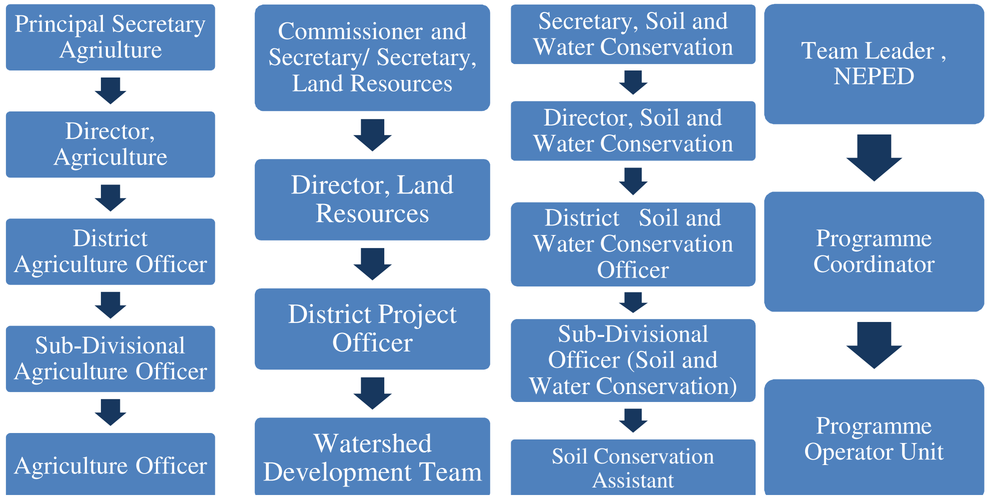
2.4.1 Introduction

The State of Nagaland has an area of 16,579 sq. km. with a total population of 20 lakh (2011 census) and more than 60 *per cent* of population is engaged in agriculture. In view of the hilly terrain, terrace farming and shifting cultivation (jhum) is widely practiced.

Implementation of Watershed Development Programmes was to improve rural livelihood through participatory watershed development with focus on integrated farming systems for enhancing income, productivity and livelihood security in a sustainable manner. In order to overcome the problems of drought, land degradation and to improve the socio-economic condition of economically weaker sections, following Watershed Development Projects were taken up in the State: (i) Watershed Development Projects in Shifting Cultivation Areas (WDPSCA) implemented by Department of Soil and Water Conservation (DSWC) and Nagaland Empowerment of People through Economic Development (NEPED), (ii) National Watershed Development Programme for Rainfed Areas (NWDPRA) implemented by Department of Agriculture (DA), (iii) Integrated Watershed Development Programme (IWDP) and (iv) Integrated Watershed Management Programme (IWMP) implemented by Department of Land Resources (DLR). The primary objectives of the programmes *inter-alia* included conservation of soil, water and other natural resources through watershed approach with the help of low cost and locally accessible technologies such as *insitu* soil and moisture conservation, afforestation, pasture development etc.

2.4.2 Organisational setup

In the State, no Department was created for implementation or coordination of Watershed Management Programmes. All the three Departments mentioned at paragraph 1 above were functioning independently from each other and were having separate Administrative Heads of Department (AHoD). A diagram depicting the organisational set up of each of the Department is given below:



At the Government level, each of the Departments were headed by Principal Secretary/ Commissioner and Secretary/ Secretary to the Government of Nagaland (GoN). The NEPED is headed by Team Leader (TL) who is also a serving Commissioner and Secretary to the Government of Nagaland.

The Director of Department of Agriculture (DoA) is the Head of the Department (HoD) of DA and is assisted by 8 [48] District Agriculture Officers (DAO) and 21 Sub-Divisional Agriculture Officers (SDAO). At the project level, Agriculture Officers (AO) were in-charge of individual projects.

The Director of Department of Soil and Water Conservation (DoSWC) is the HoD of DSWC and is assisted by 11 District Soil and Water Conservation Officers (DSCO) and 21 Sub Divisional Soil and Water Conservation Officers (SDO). At the project level, Soil Conservation Assistants (SCA) were entrusted with the responsibility of individual projects.

The Director of Land Resources (DoLR) is the HoD of DLR and is assisted by 11 District Project Officers (DPO) who were discharging the functions of Project Implementing Agency (PIA) in their respective districts. DPO was assisted by Watershed Development Team (WDT) in each of the project.

The Team Leader, NEPED is assisted by one Programme Coordinator & Administrator in Headquarter and a 10 member Programme Operator Unit (POU). NEPED projects were implemented in 10 Districts of Nagaland except Dimapur. Members of the POU were entrusted with the responsibility of implementation of the Projects in a District.

District level officers of the Departments discharged the functions of Programme Implementing Agency (PIA) in respect of projects in the district.

[48] Three Districts viz. Peren, Longleng and Kiphire did not have sanctioned posts of DAOs

2.4.3 Scope of Audit

The implementation of the Watershed Development Programmes (Programmes) during 2007-12 was reviewed through a test-check (May- September 2012) of the records maintained by the DoLR, DoSWC, DoA and TL, NEPED and four[49] out of 11 District level functionaries of the three Departments. A total of 323 projects[50] with a total expenditure of ₹ 272.76 crore were implemented in the State during the period covered by audit.

Records of four out of 11 Districts covering 139 projects in the State involving an expenditure of ₹ 117.03 crore (42.90 *per cent*) were covered in the Performance Audit. Out of 139 projects in the test checked districts, 40 projects (6 IWDP[51], 8 IWMP[52], 13 WDPSCA[53] and 13 NWDPRA[54]) were taken up for physical verification.

2.4.4 Audit objectives

The performance audit was carried out to assess whether:

- The project formulation and process of selection of watershed projects were done in accordance with the laid down guidelines and after carrying out required studies and analysis.
- Adequate funds were released in time and were properly utilised.
- The projects were implemented in an economic, efficient and effective manner.
- Post project operations were properly organised for continued operation and maintenance of assets created.
- Adequate and effective mechanisms at different levels were available for monitoring the project implementation and evaluation of the outcomes

2.4.5 Audit Criteria

Audit conclusions were benchmarked against criteria derived from the following sources:

- Receipt and Payment Rules and General Financial Rules
- Guidelines issued by the Government of India (GoI) for implementation of various watershed projects.
- Circulars and orders issued by GoN
- Detailed Project Reports (DPRs) prepared for implementation of the projects
- Perspective Plan and Annual Action Plans of the implementing Departments
- Prescribed monitoring and evaluation mechanism

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[49] Kohima, Mokokchung, Tuensang and Dimapur

[50] 35 IWDP, 61 IWMP, 107 WDPSCA and 120 NWDPRA

[51] Kohima VII & VIII, Dimapur III, Tuensang IV & VI, Mokokchung III (projects ended during 2009-10)

[52] Kohima I & II, Dimapur I &II, Tuensang II & III, Mokokchung. II & III (projects started in 2009-10)

[53] Muliangza, Aomao, Narolengdeng, Atashinu, Azukediwa, and Chanhie under DSWC; Dzuleke, Nadichieva, Nyenshwenru, Makutongzong,Mutungwong, Arimen and Ompamg under NEPED

[54] Tsulalu, Teyongko, Thangpang, Dzuvaru, Pughubo, Hekharu, Kechetang, Sangro, Boktowong, Mezaru, Baru, Dzonzon and Sanuoru

2.4.6 Audit methodology

An entry conference was held on 19 May 2012 with the AHoDs, HoDs and senior officers of DLR, DA, DSWC and NEPED, wherein the audit objectives, criteria, scope of audit and methodology were explained. The performance audit was carried out by collecting information through questionnaires, examination of records and conducting joint physical verification of selected projects. An exit conference was held with the Departments concerned on 26 November 2012 wherein audit findings were discussed. The report was finalised after incorporating the replies and views of the Departments.

2.4.7. Audit findings

2.4.7.1 Project formulation

Guidelines stipulated that the watershed area of the projects should not overlap with any other developed/ongoing watershed projects funded by any Government agency. Further, areas irrigated under various Irrigation schemes were not eligible for selection under watershed projects.

The District Planning and Development Boards (DPDB) were the apex bodies in the Districts for preparation of developmental plans in the district. The DPDBs were not consulted in planning and selection of watershed areas. District Perspective Plans were not prepared for implementation of watershed projects. Apart from strategic plan the DPR did not contain details of works to be executed with location, beneficiary details etc.

Audit scrutiny revealed that none of the three Departments test-checked had complete data or information about developmental activities undertaken by other Departments in the same area. This resulted in the Programmes being implemented in ineligible villages and duplication of works.

A few illustrative cases in this regard are discussed in the succeeding paragraphs.

2.4.7.1.1 Duplication of works

(i) Watershed Development Programmes were to be implemented on land available for cultivation only. Major components[55] were same in all the Programmes.

Details of land already treated under Watershed Development Programmes or were command areas of earlier irrigation projects as of 2009-10 were as follows:

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[55] (i) Construction of contour bunds, bench terraces, water harvesting and irrigation structures, (ii) Afforestation, (iii) Plantation, (iv) Livelihood activities such as piggery, poultry, goat rearing, bee keeping, carpentry etc., (v) Horticulture

Table No. 2.4.1: Net area available for cultivation and gross area developed/ being taken up for development in the State of Nagaland as of 2009-10

Sl. No.	Particulars	Area (ha)
1.	Geographical area of the State	1657900
2.	Forest area	862930
3.	Area not available for cultivation (including land put on non-agriculture uses and barren and uncultivable land	89470
4.	Net area available for cultivation (Sl. No. 1-(2+3))	705500 **(A)**
5.	Developed under NWDPRA Upto X[th] Plan	90308
6.	Developed under WDPSCA Upto X[th] Plan	88300
7.	Developed under IWDP	380430
8.	Total area developed (Sl No. 5+6+7)	559038 **(B)**
9.	Taken up for development under NWDPRA (XI [th] Plan)	56378
10.	Taken up for development under WDPSCA (DSWC) (XI [th] Plan)	35000
11.	Taken up for development under WDPSCA (NEPED)	18112
12.	Total area being developed (Sl. No. 9+10+11)	109490 **(C)**
13.	Under schemes implemented by Department of Irrigation and Flood Control	127379 (**D**)
14.	Gross area developed/ being developed/ command area of irrigation schemes (B+C+D)	795907 **(E)**
15.	**Net area available for development (A-E)**	**(-) 90407**

(Source: Statistical hand book of Nagaland and Departmental data)

As could be seen from the table above, only 7,05,500 ha of cultivable land was available for treatment under Watershed Development Programmes in the State of Nagaland. Against this, 7,95,907 ha of land were treated or being treated under various watershed development programs or under command areas of earlier irrigation projects as of 2009-10. Thus, as of 2009-10, 90,407 ha (7,95,907-7,05,500) of land was treated in excess of total land available for cultivation. Thus, there was a likelihood of programmes being implemented in ineligible areas and duplication of works.

(ii) The Scheme IWMP was first introduced in Nagaland during 2008-09. The project activities and preparation of DPRs in the State were started during 2009-10. As per the DPRs for the implementation of IWMP, Gross area targeted for development was 2,74,810 ha.

As could be seen from the table No. 2.4.1 above, as of 2009-10 there were no cultivable land left in the State for development under new watershed development projects. However, DLR prepared DPRs which were approved by State Level Nodal Agency (SLNA), for development of 2,74,810 ha under 61 projects at a cost of ₹ 41221.60 lakh. During 2009-12 DLR had incurred an expenditure of ₹ 9020.20 lakh on account of implementation of IWMP.

Works taken up under IWMP were similar to works executed under other watershed development programmes. There was no scope of implementing the Scheme without overlapping with the already developed land. Thus, due to defective planning, projects were taken up on land which was already developed resulting in expenditure of ₹ 9020.20 lakh on duplication of work.

The DLR in its reply (January 2012) stated that IWMP could be implemented in all areas except permanent plantation areas and structures. However, the fact remains that as of 2009-10, all available land in the State had already been treated under various watershed development programmes or under irrigation schemes.

2.4.7.1.2 Selection of project villages

(i) As per instruction contained in Ministry of Agriculture, GoI, letter dated 13 December 2005, villages falling under NEPED projects should not be covered under any other similar programmes.

Audit scrutiny revealed that 14 villages selected for implementing NWDPRA and WDPSCA projects (2007-12) were already selected for implementing WDPSCA implemented by NEPED during 2006-12 as detailed below:

Table No. 2.4.2: List of villages where expenditure was incurred by both NEPED and under NWDPRA

(₹ in lakh)

Sl. No.	District	Name of village	Programme under which the village was selected	Expenditure incurred
1	Kohima	Sendenyu (N)	NWDPRA	42.70
2	Kohima	Tuophema	NWDPRA	42.73
3	Kohima	Touphema	WDPSCA	74.44
4	Mokokchung	Chungliyimsen	NWDPRA	42.97
5	Mokokchung	Merankong	NWDPRA	43.66
6	Mokokchung	Mangmetong	WDPSCA	68.27
7	Tuensang	Kuthur	NWDPRA	43.92
8	Tuensang	Chimonger	WDPSCA	41.27
9	Phek	Thetsümi	NWDPRA	43.66
10	Phek	Wuzu	NWDPRA	43.70
11	Mon	Wangti	NWDPRA	43.91
12	Wokha	Okotso	WDPSCA	63.08
13	Zunheboto	Khukiye	WDPSCA	66.75
14	Longleng	Kanching	WDPACA	67.62
	Total			**728.68**

Since these villages were already selected for implementation of WDPSCA projects under NEPED, these were not eligible for implementation of WDPSCA implemented by DSWC and NWDPRA. Expenditure to the tune of ₹ 728.68 lakh was incurred by DSWC and DA for implementation of NWDPRA and WDPSCA in these villages. Thus, lack of coordination between the implementing Departments resulted in faulty selection of project villages resulting in expenditure to the tune of ₹ 728.68 lakh for implementation of NWDPRA in ineligible villages.

ii) Remote areas where no department had ever taken up similar projects, was adopted as one of the norms for selection of villages for implementation of WDPSCA by NEPED.

Audit scrutiny of the similar projects implemented by the GoN, DLR, under the scheme IWDP revealed that 19 villages were selected by NEPED for implementation of the Projects though they were already covered under IWDP (2002-10) as detailed below:

Table No.2.4.3: Projects implemented by NEPED already covered by IWDP

(₹ in lakh)

Sl. No.	District	Name of village	Reference to IWDP Project number	Expenditure incurred by NEPED
1.	Kohima	Meriema	IV	35.44
2.	Kohima	Tuophema	IV	36.96
3.	Mokokchung	Mangmetong	II	37.35
4.	Wokha	Hanku	V	24.72
5.	Wokha	Yimpang	I	35.36
6.	Wokha	Okotso	II	38.20
7.	Mon	Phuktong	I	26.75
8.	Mon	Yuching	I	26.05
9.	Mon	Chen Wetnyu	I	38.14
10.	Phek	Thetsumi	II	36.74
11.	Zunheboto	Lukikhe	I	21.51
12.	Tuensang	Sangsomong	I	24.60
13.	Tuensang	Litem	I	25.84
14.	Tuensang	Yemrup	VI	21.23
15.	Tuensang	Kuthur	I	34.99
16.	Tuensang	Chimonger	I	35.22
17.	Tuensang	Yakhao	II	20.24
18.	Tuensang	Chessore	I	35.41
19.	Longleng	Kanching	I	39.03
Total				**593.78**

As could be seen from the table above, 19 Project Villages selected by NEPED, involving an expenditure of ₹ 593.78 lakh, were already watershed development works undertaken under IWDP. Thus, these 19 villages were not eligible to be selected for implementation of WDPSCA.

Thus, due to lack of coordination between various Departments, 33 ineligible villages were selected for implementation of the schemes resulting in incurring an expenditure of ₹ 1322.46 lakh on the same villages where schemes under other programmes had already been taken up which was in violation of extant orders of the Government of

India. Besides, the possibility of incurring expenditure twice on the same scheme cannot be ruled out.

2.4.7.2 Financial Management

Watershed Development Project in Shifting Cultivation Areas (WDPSCA) and National Watershed Development Programme for Rainfed Areas (NWDPRA) were hundred *per cent* funded by Government of India (GoI) through Additional Central Assistance to the State Budget. Expenditure for Integrated Watershed Development Programme (IWDP) and Integrated Watershed Management Programme (IWMP) was shared between GoI and GoN on a 90:10 basis. Position of expenditure incurred on implementation of watershed projects for the period covered by audit is given below:

Table No. 2.4.4: Position of expenditure incurred on implementation of watershed projects during 2007-12

(₹ in lakh)

Year	WDPSCA (NEPED)	WDPSCA (DSWC)	NWDPRA	IWDP	IWMP	Total
2007-08	300.00	500.00	881.72	3827.85	0	**5509.57**
2008-09	250.00	550.00	900.00	2731.21	0	**4431.21**
2009-10	240.00	480.00	950.00	996.17	858.69	**3524.86**
2010-11	275.00	575.00	1460.00	60.15	2997.64	**5367.79**
2011-12	350.00	800.00	1030.00	0.00	6262.26	**8442.26**
Total	**1415.00**	**2905.00**	**5221.72**	**7615.38**	**10118.59**	**27275.69**

(Source: Departmental figures)

Proper financial management through budgetary controls and adherence to financial rules are essential for optimal utilisation of resources. Audit findings related to availability of funds, timely release etc are discussed in the following paragraphs.

2.4.7.2.1 Delay in release of funds by GoN resulting in short receipt of funds from GoI

(i) For implementation of WDPSCA, the GoI releases the funds to the GoN which releases it to the DoSWC. The DoSWC releases the funds to the DSCOs. The DSCOs in turn releases it to the Watershed Committees (WC) at the project level.

As per para 5.1 of the Operational Guidelines for WDPSCA issued by GoI, funds would be released to States from GoI, preferably in two installments (April and October). The State Government should release funds to the implementing agency within two weeks from the date of release by GoI.

Position of requirement of funds as per DPRs and funds received by DSWC under WDPSCA during 2007-12 is given in the following table:

Table No. 2.4.5: Position of requirement and receipt of funds under WDPSCA during 2007-12

(₹ in lakh)

Year	Funds required as per DPR	Funds received	Short (-)/ excess (+) receipt compared to requirement for the year
2007-08	500.00	500.00	00.00
2008-09	800.00	550.00	(-) 250.00
2009-10	800.00	480.00	(-) 320.00
2010-11	700.00	575.00	(-) 125.00
2011-12	700.00	800.00	(+) 100.00
Total	**3500.00**	**2905.00**	**(-) 595.00**

(Source : DSWC figures)

As could be seen from the table above, against the requirement of ₹ 3500.00 lakh only an amount of ₹ 2905.00 lakh was released to DSWC for implementation of WDPSCA during 2007-12. There was a shortfall to the tune of ₹ 595.00 lakh in the WDPSCA Projects implemented by the DSWC.

Audit scrutiny revealed that there were delays ranging from 1 month to 8 months ***(Appendix –2.4.1)*** in releasing the fund by the GoN to the DSWC. Besides, delay in release of funds affected the timely submission of UCs to the GoI resulting in short receipt of funds to the tune of ₹ 595.00 lakh by the DSWC.

In reply (December 2012) the DSWC stated that shortfall of funds was due to non-release of fund by the GoI. The fact, however remains that the non-release of fund by GoI was due to failure of the DSWC to furnish UCs for the funds released by the GoI.

(ii) After receipt of funds from the Finance Department there was also delay in release of funds by the DoSWC to DSCOs ranging from 1 month to 3 months (**Appendix -2.4.1**).

While accepting the facts (December 2012) the DSWC stated that delay in submission of completion certificates by the DSCOs resulted in delay in release of funds to the DSCOs. The fact however, remains that GoI had set clear time schedules for release of fund to the implementing agencies and these schedules were not adhered to.

2.4.7.2.2 Short release of State share

GoI had during 2007-12 released ₹ 16610.02 as its share for IWDP and IWMP. The share of GoN due to be released and amount actually released is given in the following table:

Table No. 2.4.6 Short release of state share under IWDP ad IWMP

(₹ in lakh)

Schemes	Year	Funds released by GoI	Share of GoN due to be released	Funds released by GoN	Less released(-)/ excess released (+)
IWDP	2007-08	3527.85	391.98	300.00	(-) 91.98
	2008-09	2616.21	290.69	115.00	(-) 175.69
	2009-10	952.02	105.78	44.15	(-) 61.63
	2010-11	44.00	4.89	16.15	(+) 11.26
Total		**7140.08**	**793.34**	**475.3**	**(-) 318.04**
IWMP	2009-10	856.41	95.16	0.00	(-)95.16
	2010-11	2671.24	296.80	325.46	(+) 28.66
	2011-12	5942.29	660.25	317.71	(-) 342.54
Total		9469.94	1052.21	643.17	**(-) 409.04**
Grant Total		**16610.02**	**1845.55**	**1118.47**	**(-) 727.08**

As could be seen from the table, against a total amount of ₹ 1845.55 lakh, GoN released only ₹ 1118.47 lakh during 2007-12. Thus, there was a short release of State share to the tune of ₹ 727.08 lakh which is likely to adversely affect the implementation of the Programmes to that extent.

2.4.7.2.3 Suspected misappropriation

DoA was disbursing funds partially in cash and partially though bank drafts. Similarly DAOs were disbursing funds to the WCs partially in cash and partially through Bank.

DoA had incurred an expenditure of ₹ 112.80 lakh towards honorarium to Secretary of WC against 120 projects during the 11th five year plan (2007-12) in the State. Out of this, an amount of ₹ 9.36 lakh was shown as paid to the 13 NWDPRA projects. However, scrutiny of records of the projects revealed that no honorarium was received by the WC.

Since payments made to the DAOs by DoA and subsequently by DAOs to the WC in selected Districts were released partially in cash, chances of the amount of ₹ 9.36 lakh being misappropriated could not be ruled out. Besides, genuineness of the payment of ₹ 103.44 lakh towards honorarium to the WC secretaries, in the remaining 107 projects in the State also remains doubtful and requires further investigation.

In reply the DA stated that due to improper maintenance of records at WC level, the Secretary of the WC could not reply to audit about the receipt of honorarium.

2.4.7.2.4 Short receipt of funds by WCs

Under IWMP payments to the WCs were released in cash in all test checked projects. An amount of ₹ 200.34 lakh was released by PIAs to 12[56] WCs whose accounts were

[56] (i) Chingmilen, (ii) Chare, (iii) Yajang, (iv) Molongyimsen/Loyong, (v) Changtongyayimsen, (vi) Longkong, (vii) Singrijan, (viii) Sochunuma, (ix) Pherima, (x) Medziphema, (xi) Kidima and (xii) Kezoma.

test checked. Position of funds received by the WCs whose accounts were test checked, in each of the four districts are given below:

Table No. 2.4. 7: Short receipt of funds under IWMP

(₹ in lakh)

District	Funds disbursed as per PIA records	Funds received as per WC records	Difference
Tuensang	26.81	2.00	24.81
Mokokchung	80.26	9.56	70.70
Dimapur	63.48	15.99	47.49
Kohima	29.79	4.10	25.69
Total	**200.34**	**31.65**	**168.69**

As could be seen from the table No.8 above, against ₹ 200.34 lakh released to WCs, only ₹ 31.65 lakh (15.80 *per cent*) was received by them. Thus, there was a short receipt of funds to the tune of ₹ 168.69 lakh by the WCs. Since the funds were disbursed in cash, chances of the same being misappropriated/diverted could not be ruled out.

In response to audit query the DoLR stated that the WCs had declared or showed in their records only the cash received by them whereas the balance amount which was utilised for purchase of planting materials had not been indicated. The DoLR added that in fact the planting material was to be raised by the beneficiaries themselves, but since most of them did not have nurseries, they entrusted the field staff to arrange material at negotiated rate/ market rate from the available nurseries. In the absence of vital information such as quantity and rate of procurement of planting material, audit could not assess the expenditure involved in procurement of planting material.

2.4.7.3 Project implementation

As per guidelines, the targeted areas were to be treated on a watershed basis with various measures to protect and develop the hill slopes of jhum areas and to reduce further land degradation process, within a period of five years. The activities include measures to reduce soil erosion, irrigation and ground water re-charging.

Position of watershed projects implemented during the period covered by Audit is given below:

Table No. 2.4.8: Position of projects implemented during 2007-12.

Name of Scheme	Ongoing as of April 2007	New projects taken up during 2007-12	Total	Completed projects as of March 2012	Incomplete projects
NWDPRA	0	120	120	120	0
WDPSCA	63	44	107	107	0
IWDP	35	0	35	35	0
IWMP	0	61	61	0	61
Total	**98**	**225**	**323**	**262**	**61**

Out of 323 projects taken up during 2007-12, 262 projects were completed as of March 2012. The incomplete projects were under IWMP and were started during 2009-12 with a stipulated completion period of five years from the date of starting.

Audit findings on implementation of various watershed development projects are discussed in the following paragraphs.

2.4.7.3.1 Achievement of targets

(a) Out of 35000 hectares (ha) targeted for treatment by DSWC under WDPSCA, at a cost of ₹ 3500 lakh, only 25590 ha involving an expenditure of ₹ 2905 lakh, could be treated during 2007-12. Thus, the area treated was 26.89 *per cent* less than targeted. Short receipt of funds from the GoI as discussed in ***Paragraph 2.4.7.2.1*****,** and change of cost ceiling from ₹ 10000 to ₹ 12000 during 2009-10 were the reasons for underachievement. The DSWC also did not take any effective steps to ensure availability of additional funds to achieve the target within the project period. As there was no assurance of additional funds, achievement of the targets remained doubtful.

(b) Out of 60,700 hectares (ha) targeted for treatment under NWDPRA, at a cost of ₹ 5,260.50 lakh, 56,378 ha incurring an expenditure of ₹ 5,221.72 lakh, could be treated during 2007-12. Thus, not only was the area treated less than what was targeted by 7.12 *per* cent but the treatment cost also increased to ₹ 9,262 per ha. from ₹ 8,666 per ha projected in the strategic plan. The DA did not take any effective steps to ensure availability of additional funds to achieve the target.

2.4.7.3.2 Adoption of ridge to valley strategy

Watershed projects were to be implemented over a period of five years by adopting ridge to valley strategy. In the first year soil and water conservation activities were to be carried out in the upper reaches of the watersheds. In the second and third year water conservation works and other activities were to be carried out in lower reaches. Activities carried out in the first year in the lower reaches, would have limited effectiveness as these would be susceptible to damage and choking due to soil flowing downwards with rain water from the top as soil conservation works on upper reaches had not been carried out earlier.

The sequence of activities was neither properly provided in the project plans nor were there any evidence to establish that this was being followed. Hence, the projects implemented without following the adopted strategy resulted in non-achievement of the desired objectives. Illustrative examples (i) WHS constructed at lower reaches in the Atashinu (WDPSCA) Project, Mokokchung District choked with soil. and (ii) WHS near Chathe river, in the lower reaches of the watershed constructed under IWDP Domukhiya Village noticed during a joint physical verification (August 2012) are given in the following photographs:

Photograph No.2.4.1

WHS constructed in the lower reaches choked with soil. Atashinu (WDPSCA) Project, Mokokchung District. Photograph taken during August 2012

Photograph No.2.4.2

WHS near Chathe river, in the lower reaches of the watershed constructed under IWDP Domukhiya Village. Photograph taken during August 2012

2.4.7.3.3 Idle expenditure due to abandoned project area

One of the main objectives of the watershed development programes was enhancement of both agriculture productivity and production in a sustainable manner and also to provide sustainable livelihood to beneficiary farmers. The DA incurred an expenditure of ₹ 29.12 lakh (2007-12) under NWDPRA in Boktowong Project under Tuensang District.

Photograph No.2.4.3

Photographs showing land developed under NWDPRA (Bokotwang project) in Tuensang District abandoned due to shifting cultivation. (Photograph taken during August 2012)

As could be seen from the photographs above, during a joint physical verification (August 2012) by audit and the DA officials it was observed that the project nursery and farm land where land development activities were carried out were abandoned and the farming activities were shifted to a new location due to Jhum practice. Expenditure of ₹ 29.19 lakh remained idle due to shifting of cultivation from the project area.

2.4.7.3.4 Payment made without actual execution

Beneficiaries under Watershed Development Programmes were provided with subsidy for works executed by them. Under WDPSCA and NWDPRA, funds were drawn by DDOs of DSWC and DA respectively on the basis of certified bills submitted by PIAs against completed works. Under IWMP, funds were released to PIAs as per allocation and the PIA's in turn release the funds to the WCs on the basis of spot verification and work completion certificate issued by the WDT Member in-charge of the WC.

(a) Records maintained by DoSWC showed payment of ₹ 36.29 lakh under Development Component pertaining to six test-checked projects. However, joint physical verification (July –August 2012) of the project by audit and the DSWC officials revealed discrepancies between bill drawn and actual work executed in six components as detailed below:

Table No.2.4.9: Payment released on unexecuted works - WDPSCA

(₹ In lakh)

Name of component	Bill drawn by DoSWC		Actually executed		Difference between bill drawn and actual execution	
	Quantity	Money value (MV)	Quantity	MV	Quantity	MV
Piggery	255 unit	10.20	42 unit	1.68	213 unit	8.52
Poultry	11 unit	0.77	7 unit	0.49	4 unit	0.28
GBS	262 unit	3.93	14 unit	0.21	248 unit	3.72
Homestead garden	105 unit	4.20	5 unit	0.20	100 unit	4.00
Water harvesting structure	44 unit	6.60	29 unit	4.35	15 unit	2.25
Drainage	105930 metres	10.59	19300 metres	1.93	86630 metres	8.66
Grand total		**36.29**		**8.86**		**27.43**

As could be seen from the table above, against works valuing ₹ 36.29 lakh claimed to have been executed only works valuing ₹ 8.86 lakh were actually executed and works valuing ₹ 27.43 lakh remained unexecuted. Thus, it is evident that the amount was drawn from the Government account on the basis of false completion certificates. Since the payments were made in cash, audit could not ascertain the recipients of ₹ 27.43 lakh paid against the unexecuted works. As such, the chances of the amount being misappropriated cannot be ruled out.

(b) Similarly, scrutiny of bills and vouchers of the DoA showed that payment of ₹ 100.43 lakh was made to 12 projects in the four districts test-checked, against five sub-components under development component. Results of cross check of the records maintained at the project level while conducting joint physical verification in the 12 projects are as shown in the following table:

Table No 2.4.10: Payments released on unexecuted works - NWDPRA

(₹ in lakh)

Name of component	As per Bill draw by DoA		Actually Implemented		Difference	
	Physical (in Units)	Money Value	Physical (In units)	Money Value	Physical (In units)	Money Value
Water Harvesting Structure (WHS)	184	20.64	43	4.92	141	15.72
Dug out pond	1085	19.53	0	0	1085	19.53
Dug out ponds for fish culture	143	42.90	41	11.70	102	31.20
Small livestock	61	3.66	50	3.00	11	0.66
Total	**1473**	**86.73**	**134**	**19.62**	**1339**	**67.11**

As could be seen from the table No. 10 above, out of payment against 1473 units under 4 sub-components 1339 units involving an amount ₹ 67.11 lakh were not actually executed (***Appendix 2.4.2***). Thus, the bills prepared and drawn for payment at the Directorate level were not commensurate with actual execution of works at project level and 77.38 *per cent* of funds drawn against those works were actually not utlised for execution of work. As the amounts were transferred partially through bank and partially in cash, chances of the amount being misappropriated cannot be ruled out.

The DA in reply stated that situation and circumstances compelled the Department to alter the components and sub-components and hence all the works were not executed as per bills. The fact however, remains that the bills were prepared certifying the works as completed and therefore there was no scope for any variation.

(c) Joint physical verification conducted by audit and the PIA officials (July-September 2012) of 221 works under IWMP certified as completed as per records maintained by the PIAs, valuing ₹ 50.34 lakh showed that only 57 works valuing ₹ 11.46 lakh were actually executed. A total of 164 works valuing ₹ 38.88 lakh, were actually not executed *(**Appendix 2.4.3**)*.

Thus, it is evident that the funds were released on the basis of incorrect verification reports. Since the payments were made in cash, audit could not ascertain the recipients of ₹ 38.88 lakh against unexecuted works and the chances of the funds being misappropriated cannot be ruled out.

The DLR in its reply (January 2013) stated that the Self Help Groups (SHGs) were under the process of registration and same were completed now. However, no documentary evidence in support of the claim was made available to Audit. Regarding other items of works, the DLR stated that the names used by the beneficiaries for various works such as Water Harvesting Structure (WHS), Bench Terracing etc. were different from the names used in the records of DLR and therefore, all items of works could not be shown to Audit. However, the fact remains that the officials of the PIA who had verified the works earlier, were also present at the time of joint physical verification and could not identify the work at the time of joint physical verification.

2.4.7.4 Post Implementation Measures

2.4.7.4.1 Non-preparation of project completion reports

Guidelines require that during Consolidation and Withdrawal Phase, project completion reports were to be prepared and the assets created handed over to the WCs/ Village Councils. However, under WDPSCA, NWDPRA and IWDP after completion of the project period, no project completion reports were prepared in any of the projects test-checked.

2.4.7.4.2 Lack of institutional arrangements for post project operations

(a) SHGs and User Groups were essential for continuous maintenance of the assets created. The members would be those who derive direct benefits from the watershed work and activity. The WC with the help of the WDT was to facilitate resource use agreements among the User Groups. Those agreements were to be worked out before the concerned work was undertaken and the User Groups would be responsible for the operation and maintenance of all the assets created. However, no User Groups were formed in any of the projects test-checked under WDPSCA, NWDPRA and IWDP.

(b) Audit enquiries revealed that no arrangements had been made to create revolving fund or watershed development fund under WDPSCA, NWDPRA and IWDP. Arrangements for credit and technical support from external institutions were also not made in respect of already completed projects.

Further, Watershed Development Fund which was mandatory under guidelines, was also not constituted under WDPSCA, NWDPRA and IWDP. The guidelines also provide for levying of user charges against Common Property Resources (CPR) developed under WDPSCA, NWDPRA and IWDP. The user charges thus, collected were to be credited to the watershed development fund. However, there was no evidence to suggest that any efforts were made to identify and document the CPR for levying user charges.

Further it was observed that no arrangements were made to provide credit and technical support from external institutions. In the absence of minimum required infrastructure for sustainable and self sufficient post project operation mechanism, continued maintenance of the assets created remains doubtful under WDPSCA, NWDPRA and IWDP projects. Some illustrative cases in this regard are detailed below:

2.4.7.4.3 Abandoned projects

(a) DSWC had incurred an expenditure of ₹ 3.60 lakh (2007-12) on development of project nursery-cum-demonstration plot at Atashinu Project. The project period was over in March 2012. During a joint physical verification of the project during August 2012 by audit and DSWC officials, the nursery-cum-demonstration plot was found abandoned as can be seen from the following photographs:

Photograph No.2.4.4

Photograph of WDPSCA Atashinu project nursery during 2010-11 (photograph provided by DSWC)

Photograph of WDPSCA Atashinu project nursery during August 2012

Photograph No.2.4.5

Photograph No.2.4.6

Photograph of WDPSCA Atashinu project nursery during August 2012

As could be seen from the photographs above, the project nursery was functional during the project period (photograph-I). However, due to lack of sufficient institutional mechanism for post project operations, the nursery-cum-demonstration plot was abandoned (photographs II, III &IV). The DSWC in its reply (December 2012) admitted the fact.

(b) During physical verification of projects under IWDP by audit and the PIA officials, the following works were found to have been abandoned.

Photograph No.2.4.7

Mokokchung IWDP – III Areca plate unit at Chungtiyayimsen (not functional) : Photograph taken on 9th August 2012

Photograph No.2.4.8

Mokokchung IWDP- III Lemon grass distillation unit (not functional) at Longphayimsen: Photograph taken on 9th August 2012

It could be seen from the photographs above, that the assets were not in use. No reasons were on record for the abandonment of the assets. As per records made available to audit by the PIAs, the works executed were different from the photographs shown above.

In reply (January 2013) the DLR stated that the projects were abandoned as the same were not profitable. The fact however, remains that the DLR before sanctioning the projects could have analysed the profitability and sustainability of the same

Photograph No.2.4.9

Dimapur IWDP: Abandoned lemon grass distillation unit at Seithekima: Photographed on 21st August 2012

2.4.7.4.4 Impact analysis of the programme

Apart from physical targets to be achieved, no targets were fixed against growth in agriculture productivity, improvement in soil fertility, reduction in jhum practice and other socio-economic parameters, under any of the watershed development programmes.

No impact analysis studies were conducted by any external agency to assess the impact of the projects implemented on the lives of the beneficiaries in the test-checked projects under NWDPRA and WDPSCA. Under IWDP, evaluation by external evaluators was carried out in all projects during 2010-12. However, the evaluation reports were yet to be compiled and therefore, could not be verified in audit.

Information such as pre and post observation of ground water level, change in cropping pattern, change in productivity, increase in area of irrigation and reduction in area of wasteland etc. in the project area had not been maintained at any level.

Internal study conducted by NEPED on jhum practicing villages revealed that out of a sample size of 119 villages, 27 *per cent* of villages had no perceptible change in their practice and 10 *per cent* villages showed increase in area under Jhum.

Thus, the programme WDPSCA which was focused on reducing jhum practice had no impact on 37 *per cent* of the villages surveyed by NEPED.

2.4.7.5 Monitoring and evaluation

Guidelines require that regular monitoring of the projects were to be carried out at each stage and the PIA was to submit quarterly progress reports duly countersigned by the Watershed Committee president for further submission to the SLNA. Further, the SLNA was to ensure that the system of internal monitoring by project teams, progress monitoring, self monitoring by communities and social audit were followed at the appropriate levels.

None of the 40 projects test-checked could furnish any records to show that the self monitoring and social audit were conducted. However, WC of Chingmilen village under IWMP Tuensang- III, had nominated a team for social audit and the team was auditing the accounts of the WC and SHGs under the WC. Except this village no other

WCs test-checked could furnish any records to show that self monitoring and social audits were conducted. No quarterly progress reports countersigned by the WCs were submitted to the PIAs. Similarly, no such reports were submitted to the State level nodal officers/SLNA/SLSC by the PIAs.

DoSWC was supplying planting materials to the beneficiaries. However, there was no mechanism to ascertain quality of the planting materials supplied. There were no records regarding mortality and replacement of planting materials supplied by the DoSWC.

Further, bills were passed and payments were released without actually verifying the works. In response to an audit query, the DSWC stated that only 30 to 40 *per cent* of the works were verified by the DSWC. No evaluation of the programme implementation was done at any point of time.

Thus, there was a deficiency in monitoring mechanism. A few illustrative cases are discussed below:

2.4.7.5.1 Verification of works

(a) Under NWDPRA a strategic plan indicating cost ceilings against each item of work, was prepared. However, detailed specifications of the works were not recorded in the strategic plan. As per instructions, all works executed should be measured and details of measurement should be recorded in the Measurement Book (MB) which would form the basis for payments.

However, none of the WCs or DAOs test-checked followed the system of measuring the works nor maintained any MBs. In the absence of recorded measurements of works, actual execution or works as per requirement and specification as well as correctness of payment in respect of works amounting to ₹ 314.32 lakh spent on works relating to (i) arable land, (ii) non-arable land and (iii) drainage lines, under development component could not be ascertained in audit.

In reply the DA accepted (December 2012) the fact and stated that the MBs and detailed estimates would be maintained in future.

(b) Under IWMP Audit scrutiny of the records and a joint physical verification by audit and the PIA officials in test-checked WCs revealed that the Entry Point Activities (EPA) as envisaged in the DPR were actually not taken up in the following cases.

Table No. 2.4.11 Discrepancies between works certified in the verification report and actually executed

Sl. No.	Name of the Village	EPA as per			Amount paid (₹ in lakh)
		Verification report/ payment register of the PIA	DPR	Joint physical verification by audit and PIA officials	
1	Razaphe/ Khiamnok	Water Harvesting Structure (WHS)	Water Harvesting Pond	Culvert	2.10
2	Sochunuma	WHP	WHP	Water pipe line	2.40
3	Pherima	Waiting shed	Water reservoir tank	Water reservoir tank	2.20

As could be seen from the table above, EPAs executed were different from DPR. The DPR did not indicate the same though they were prepared at a later date than the date of execution of EPA. Photographs of the EPAs in respect of three test-checked WCs are given below:

Photograph No.2.4.10

Culvert constructed under EPA Razaphe village

Photograph No.2.4.11

Water Reservoir constructed under EPA-Pherima village

Photograph No.2.4.12

Water pipeline constructed under EPA Sochunuma village

As could be seen from the photographs the EPAs executed in Razaphe and Sochunuma were different from both verification report/payment register and DPR. In the case of Pherima, EPA executed was different from verification report/ payment register

The above discrepancy is an indicator of deficiencies in the monitoring mechanism. In the absence of detailed estimate for the EPA executed, audit could not assess the financial implication due to the change in the scope of work. In its reply, the DLR admitted (January 2013) the facts.

Thus, the monitoring mechanism was insufficient to ensure proper implementation of the Progrrammes.

2.4.7.6 Conclusion

Watershed management programmes implemented by all the four agencies were implemented in an isolated manner. Selection of project villages was not done in consultation with other departments executing watershed management programmes. Funds were not released in time and were not sufficient. Even though there was no land left out in the State for undertaking Watershed Development, the Departments continued approving projects on land which had already been taken up earlier instead of concentrating on continued operation and maintenance of assets created. This not only resulted in created assets becoming defunct over the years due to lack of maintenance but also resulted in release of payments for works which were not executed. Monitoring mechanism under the programmes was also inadequate. There was no system to carry out any impact analysis of the Programmes.

Recommendations

- A nodal Department/ Agency which shall maintain complete data on watershed activities carried out in the State, may be entrusted the work of coordination of watershed development activities in order to avoid overlapping of activities and to ensure only eligible areas are selected for implementation of the Programmes;
- Before taking up projects, timely and adequate availability of funds should be ensured so that the projects once started would be completed in time and reduce chances of cost escalation;
- Assets created under the programmes may be documented and their proper maintenance and utilisation ensured by handing over the completed projects to WCs and channelising funds for operation and maintenance;
- There should be an institutional mechanism to ensure collection and maintenance of pre and post- project data/ information of various parameters relevant for impact analysis of the programme and for future planning;
- Monitoring mechanism may be strengthened at grass root level, by encouraging the practice of social audit adopted by Chingmilen village in all other similar projects for better monitoring and transparency in implementation of the programmes.

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.5 Suspected misappropriation of Stores

Improper inventory control and non-observance of the provisions of NPWD code resulted in stores valuing ₹ 198.07 lakh remaining out of Government Account. The possibility of misappropriation of the materials cannot be ruled out. This matter therefore, needs further investigation.

The Nagaland Public Works Department Code (NPWD Code) lays down the procedures to be followed in respect of inventory control in the departments, which inter-alia provides that as soon as any discrepancy is noticed in stock during annual physical verification, the same should be set right in the books of accounts.

Test-check (February 2010) of the Annual Stock Return for the period ending September, 2009 in the Public Health Engineering Department (PHED), Rural

Division, Kohima showed that there was closing balance of four items of G.I. pipes[57] valued at ₹ 198.07 lakh which were brought forward from the previous year without any issue. Audit therefore, conducted a Joint Physical verification of the Stores to ascertain the actual existence of those items. During joint physical verification (February 2010) by audit along with the Executive Engineer (EE) and the Sub Divisional Officer in-charge of Store at Kohima, it was noticed that those four items were not physically available in the store, though there was no issue of those items till February 2010.

The EE in reply stated (July 2012) that pipes of two different sizes valued at ₹ 38.37 lakh were utilised for emergency works, pipes valued at ₹ 46.30 lakh were given as loan and the remaining G.I pipes valued at ₹ 113.39 lakh were not received from the PHED Central Store, Dimapur. The EE also forwarded the Annual Stock Returns for the period ended September 2010 and 2011 wherein the stock of the said pipes were brought forward as it is without any change.

The reply of the Department is not acceptable as the materials were shown as received by the Division from Central Store, Dimapur and accounted for in the stock and therefore, the contention that the pipes were not received from the Central Store does not hold good. Further, issue of some of the pipes for emergency works and on loan could neither be substantiated with records nor were entered in the stock register.

Thus, improper inventory control and non-observance of the provisions of NPWD code resulted in stores valuing ₹198.07 lakh remaining out of Government Account. The possibility of misappropriation of the materials cannot be ruled out. This matter therefore, needs further investigation.

The matter was reported to the Government (August 2012), reply had not been received (February 2013).

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Sl No.	Particulars	Per Unit/ Per Mtrs	Closing Balance	Issue Rate (in Rs.)	Total Value (in Rs.)
1	15 mm G.I Pipe (H)	Per Unit	17806.80	149.26	2657843
2	25 mm G.I Pipe (H)	Per Unit	18180	241.94	4398469
3	40 mm G.I Pipe (H)	Per Unit	24491.56	283.40	6940908
4	65 mm G.I Pipe (H)	Per Unit	10973.53	529.45	5809935
				TOTAL	**1,98,07,155**