

## CHAPTER - V

### GENERAL SECTOR

#### 5.1 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 General Sector.

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

**Table No.5.1.1**

*(₹ in crore)*

Name of the departments	Total Budget allocation	Expenditure
State Legislature	40.18	40.18
Head of State	3.86	3.70
Council of Ministers	8.15	8.10
Law & Justice	48.30	37.30
Election	11.64	11.24
Public Service Commission	3.59	3.59
Civil Secretariat	110.05	107.83
District Administration	167.28	102.02
Treasuries and Accounts	28.84	28.17
Police	796.23	791.37
Police Engineering Project	84.58	72.16
Village Guards	37.00	36.91
Jails	24.31	24.32
Stationery & Printing	14.55	14.26
Public Works(Housing)	107.96	76.61
CAWD	74.75	55.29
Mechanical Engineering	29.88	29.87
Home Guards	15.93	15.77
Vigilance Commission	4.22	4.15
Administrative Training Institute	4.33	3.41
Fire and Emergency Services	19.54	18.95
State Guest Houses	10.73	10.16
State Information Commission	1.70	1.68
Finance Department	1867.08	1831.97
Land Revenue	0.69	0.58
State Excise	14.66	14.57
Sales Tax	13.77	13.32
Taxes on Vehicles	38.71	34.44
State Lotteries and Small savings	1.83	1.80
<b>Total number of departments=29</b>	<b>3584.34</b>	<b>3393.72</b>

## **5.2 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 ₹ 1192.75 crore (including funds pertaining to previous years audited during the year) of the State Government under General sector were conducted. The chapter contains three transaction audit paragraphs as given below:

## **HOME (GENERAL ADMINISTRATION) DEPARTMENT**

### **5.3 Excess Payment**

**Executive Engineer, Civil Administration Works Division made excess payment of ₹ 128.24 lakh by allowing enhanced rate on the items of work already executed and paid for earlier in respect of two works.**

Scrutiny of records of the Executive Engineer (EE), Civil Administration Works Division (CAWD) in December 2010 revealed the following:-

A. The EE, CAWD issued (March 2007) Notice Inviting Tender (NIT) at an estimated cost of ₹ 6.57 crore (SOR 2004) for construction of Deputy Commissioner's Office Complex at Dimapur and the work was awarded (September 2007) to the lowest bidder<sup>1</sup> for ₹ 7.75 crore who quoted 18 *per cent* above SOR 2004. The work was scheduled for completion in September 2008 i.e. within 12 months from the date of issue of work order.

Though the contractor commenced the work in September 2007, the work was not completed within the stipulated period. However, the contractor sought (October 2008) enhancement of rate from 18 *per cent* to 60 *per cent* above SOR 2004 stating escalation of market rate of construction material during the period. Government approved (February 2009) the revised estimates and enhanced the rate to 48 *per cent* above SOR 2004, increasing the cost from ₹ 7.75 crore to ₹ 9.72 crore.

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<sup>1</sup> M/s Guolhoulie Rio & Sons, Kohima

Scrutiny of records (December 2010) revealed that the revised estimate was prepared by the EE, CAWD including the work valued at ₹ 2.09 crore which had already been executed and payment made (May 2008) to the contractor through first Running Account (RA) bill. Subsequently, the EE paid ₹ 4.96 crore to the contractor through second and third RA bills (in April 2009 and June 2010) at the enhanced rate of 48 *per cent* for the entire work.

Irregular application of enhanced rate for the entire work including portions of works which were already executed and paid for resulted in excess payment of ₹ 53.23 lakh<sup>2</sup>.

The EE in reply stated (August 2012) that the revised estimate was prepared including the items of work already executed and regularised in Running Bills, as the market rate of all building materials, labour charges and transportation charges had substantially increased between the period of issue of work order and the execution of the work.

The reply is not tenable as the contractor commenced the work immediately after issue of work order and executed works valued at ₹ 2.09 crore by April 2008 (within 7 months) and the enhancement of rate was sought only on the basis of the market rate of October 2008.

**B.** Commissioner & Secretary, Law and Justice Department entered into an Agreement (December 2003) with a contractor for construction of nine staff quarter's<sup>3</sup> for Department of Law and Justice Department which inter alia provided that the contractor<sup>4</sup> shall not demand for enhancement of rates beyond what is specified in the work order.

Subsequently, the EE, CAWD issued (March 2004) Notice Inviting Tender (NIT) and the work was awarded (June 2004) to the above contractor who lowest bidder<sup>5</sup> who quoted 147 *per cent* above SOR 1995 at the cost of ₹ 238.50 lakh for civil works with a stipulation to complete the work by June 2006 i.e. within 24 months from the date of issue of work order.

The rate for civil works was enhanced (May 2006) to 7.50 *per cent* above SOR 2004 by switching over from SOR 1995 increasing the cost of civil works from ₹ 238.50 lakh to ₹ 336.38 lakh in line with the contractor's representation. Further, based on the contractor's second representation (April 2008) the rate for civil works was enhanced from 7.50 *per cent* to 35 *per cent* above SOR 2004 (February 2009) increasing the cost of civil works from ₹ 336.38 lakh to ₹ 422.42 lakh. The work was completed (November 2009) at a cost of ₹ 422.46 lakh.

<sup>2</sup> 18 *per cent* above SOR 2004: ₹ 209.36 lakh; 30 *per cent* (48 *per cent* - 18 *per cent*) above SOR 2004 paid in excess for the work which was already executed in second RA bill (₹ 209.36 lakh/1.18) \*1.48 - ₹ 209.36 lakh = ₹ 53.23 lakh.

<sup>3</sup> Type IV-3 Units; Type III-3 Units and Type I-3 Units

<sup>4</sup> Shri Tsukjem Jamir

<sup>5</sup> Shri Tsukjem Jamir

Scrutiny of records (December 2010) revealed that revised estimate *inter alia* included the part of civil works amounting to ₹ 293.21 lakh at the enhanced rate of 7.50 per cent above SOR 2004 which was already executed and paid in three Running Account (RA) bills<sup>6</sup>. The contractor was paid ₹ 121.39 lakh<sup>7</sup> (March 2009 and January 2010) after completion of the work at the enhanced rate of 35 per cent above SOR 2004 including the work which had already been executed and paid for in second, third and fourth RA bills resulting in excess payment of ₹ 75.01<sup>8</sup> lakh.

Thus, irregular application of enhanced rate for the entire work including the portion of works which were already executed and paid for before the approval of enhanced rate resulted in excess payment of ₹ 75.01 lakh. Besides, the action of the EE by allowing enhanced rate violated the terms of agreement.

The EE in reply stated (August 2012) that the revised estimate was prepared including the items of work already executed and regularised in Running Bills, as the market rate of all building materials, labour charges and transportation charges were substantially increased between the period of issue of work order and the execution of the work.

The reply is not acceptable as the work already executed, measured and paid should be deducted while determining the revised estimates for enhancement.

In sum, the EE CAWD made excess payment of ₹ 128.24 lakh (₹ 53.23 + ₹ 75.01 lakh) on the two works by allowing enhanced rate on the items of works already executed and paid for earlier.

The matter was reported to the Government (July 2012) but their reply had not been received (January 2013).

## **HOME (FIRE AND EMERGENCY SERVICES) DEPARTMENT**

### **5.4 Diversion of Funds**

**An amount of ₹ 1 crore sanctioned by GOI for construction of Fire Station at State Capital Complex under Special Plan Assistance was diverted by the Directorate of Fire and Emergency Services for execution of seven other works not covered by the sanction.**

According to sub-clause (i) of clause 3 of the terms and condition of sanction, the Special Plan Assistance (SPA) shall be utilised by the Government of Nagaland only for the purpose for which it was approved and it stands earmarked for the same.

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<sup>6</sup> 2<sup>nd</sup> RA bill ₹ 84.73 lakh (paid in April 2007), 3<sup>rd</sup> RA Bill ₹ 107.55 lakh (paid in December 2007) and 4<sup>th</sup> RA Bill ₹ 100.93 lakh (paid in December 2008)

<sup>7</sup> ₹ 79.46 lakh in 5<sup>th</sup> RA bill and ₹ 41.93 lakh in 6<sup>th</sup> and final RA bill

<sup>8</sup> Amount paid in 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> RA bills @ 7.5 per cent above SOR 2004: ₹ 293.21 lakh; 27.5 per cent (35 per cent - 7.5 per cent) above SOR 2004 paid in excess for the work which was already executed and paid in 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> RA bills (₹ 293.21 lakh/1.075) \* 1.35 - ₹ 293.21 lakh = ₹ 75.01 lakh.

Government of India (GOI) sanctioned ₹ 3 crore for construction of fire station buildings, security fencing, water reservoir, etc in four District Headquarters and construction of Fire Station building at State Capital Complex, Kohima under SPA during 2010-11 as shown in the *Appendix – 5.1*.

Scrutiny of records (February 2012) of the Directorate of Fire & Emergency Services revealed that the Department executed 7(seven) items of works involving ₹ 2 crore through the Project Engineer (PE), Police Engineering Project (PEP), Kohima. The remaining funds of ₹ 1 crore meant for construction of Fire Station at State Capital Complex was diverted for execution of 7 (seven)<sup>9</sup> other works without prior approval of the GOI. However, the Department submitted (August 2011) Utilisation Certificate (UC) to GOI, certifying that the full amount of ₹ 3 crore was utilised for the purpose for which it was sanctioned.

Thus, the Department diverted SPA funds amounting to ₹ 1 crore for works not covered in the sanction. Besides, the Department also submitted false UC indicating utilisation of ₹ 3 crore. This had also resulted in non-execution of construction of Fire Station Building at Capital Complex defeating the objective for which the funds were sanctioned by GOI.

The matter was reported to the Government (September 2012) but their reply had not been received (January 2013).

## HOME DEPARTMENT

### 5.5 Fraudulent drawal

#### **The Deputy Commandant Village Guard, Kiphire fraudulently drew ₹ 39.96 lakh being ration allowance twice for the same period in respect of 2049 Village Guards**

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

The Deputy Commandant Village Guard, Kiphire drew ₹ 43.32 lakh as ration allowances in five bills between October 2010 and December 2010 in respect of 2051

<sup>9</sup> Staff Quarters Barrack), Dimapur ₹ 17.50 lakh, Security Fencing at FS Dimapur-₹ 5.00 lakh, Water reservoir tank Dimapur-₹ 15 lakh, Staff quarters and toilet at Chemukedima-₹ 17.50 lakh, Water reservoir at Chemukedima FS- ₹ 15 lakh, Staff Qtrs at Kohima-₹ 15 lakh, Water reservoir tank Chemukedima-₹ 15 lakh

Village Guards for 83 days<sup>10</sup>.for the period May 2010 and August 2010 to October 2010.

Again in March 2011, the Deputy Commandant drew ₹ 62.50 lakh as ration allowance for 122 days in respect of 2049 Village Guards for the period from May 2010 to October 2010 in two bills.

Cross verification (April 2012) of these vouchers revealed that out of ₹ 62.50 lakh drawn in March 2011, ration allowance for 78 days in respect of 2049 Village Guards amounting to ₹ 39.96 lakh had already been drawn between October 2010 and December 2010 (***Appendix -5.2***)

Thus, the Deputy Commandant, Village Guard, Kiphire fraudulently drew ₹ 39.96 lakh in March 2011 as ration allowance for 78 days in respect of 2049 Village Guards.

Failure of the Treasury Officers to exercise the prescribed checks as envisaged in rules and procedures allowed the Deputy Commandant Village Guard to fraudulently draw ration allowance of ₹ 39.96 lakh.

The matter was reported to the Government (May 2012). Reply had not been received (February 2013).

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<sup>10</sup> May 2010 from 13-05-2010 to 28-05-2010= 16 days; August 2010 from 02-08-2010 to 26-08-2010=25 days; September 2010 from 03-09-2010 to 12-09-2010=10 days; September 2010 from 13-09-2010 to 24-09-2010=12 days and October 2010 from 09-10-2010 to 28-10-2010= 20 days.