

EXECUTIVE SUMMARY

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Background

This Report on the Finances of the Government of Nagaland is being brought out with a view to assess the financial performance of the State during the year 2014-15. The aim of this Report is to provide the State Government with timely inputs based on actual data so that there is a better insight into both well performing as well as ill performing schemes/programmes of the Government. In order to give a perspective to the analysis, an effort has been made to compare the normative assessment made by the Finance Commission (XIII-FC) and achievements with the targets envisaged by the State Government in Fiscal Responsibility and Budget Management Act, 2005 as well as in the Budget Estimates of 2014-15. A comparison has been made to see whether the State had given adequate fiscal priority to developmental expenditure and whether the expenditure had been effectively absorbed by the intended beneficiaries.

The Report

Based on the audited accounts of the Government of Nagaland for the year ending March 2015, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in three Chapters.

Chapter 1 is based on the audit of Finance Accounts and makes an assessment of the Government of Nagaland's fiscal position as on 31 March 2015. It provides an insight into trends in committed expenditure, borrowing pattern and a brief account of Central funds transferred directly to the State implementing agencies through off-budget route.

Chapter 2 is based on audit of Appropriation Accounts and gives the grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter 3 is an inventory of Nagaland Government's compliance with various reporting requirements and financial rules. This chapter also provides details on non-submission of annual accounts and delays in placement of Separate Audit Reports in the Legislature by the Autonomous Bodies. Besides, the cases of misappropriation and loss that indicate inadequacy of controls in the Government departments are also detailed in this chapter.

This report also has an appendage of additional data collated from several sources in support of the findings.

Audit findings and recommendations

During the current year, the fiscal deficit decreased due to the combined effect of decrease in capital expenditure and increase in revenue surplus. As a result, the primary surplus also increased as compared with the previous year. Besides, during the last five years the fiscal deficit continued with a fluctuating trend.

Revenue Receipts: During 2014-15, out of the total revenue receipts of ₹ 7648.67 crore, 91 *per cent* of the total revenue i.e. ₹ 6991.72 crore came from the Government of India as Central transfers ₹ 1062.68 crore (14 *per cent*) and grants-in-aid ₹ 5929.04 crore (77 *per cent*). The State however, achieved the total revenue collection target fixed by the XIII-FC during 2014-15.

Revenue Expenditure: The overall revenue expenditure of the State increased by ₹ 1012.07 crore (17.60 *per cent*) over the previous year. The revenue expenditure constituted 86.85 *per cent* of total expenditure while the expenditure incurred under capital head constituted 13.14 *per cent* and loans & advances constituted 0.01 *per cent*.

There were 307 incomplete projects (estimated cost ₹ 2881.53 crore and actual expenditure incurred ₹ 1319.87 crore as of March 2015) pertaining to 24 departments. Out of the 307 incomplete projects, 213 projects (estimated cost ₹ 1990.40 crore and actual expenditure ₹ 863.09 crore) were due to be completed by March 2015 but remained incomplete as of October 2015 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 8.63 crore) had been suspended/abandoned. Due to delay in completion of the projects, the intended benefits from those projects did not reach the beneficiaries in the State. The date of completion in respect of 43 projects could not be furnished by the departments and in respect of the remaining 49 projects completion is not due as on 31 March 2015.

Development expenditure of ₹ 3254.56 crore in 2010-11 had increased to ₹ 4491.58 crore in 2014-15. However, its share in aggregate expenditure had shown a fluctuating trend during 2010-15. The ratio of development expenditure as a proportion to aggregate expenditure had decreased by 0.44 *per cent* in 2014-15 as compared to the previous year.

The share of committed expenditure in the non-plan Revenue Expenditure was 85.60 *per cent* of the revenue receipts.

The State needs to ensure timely and effective implementation of incomplete projects.

Overview of funds transferred directly from the GOI to the State implementing agencies: During 2014-15, an approximate amount of ₹ 122.99 crore was directly transferred by GOI to the State Implementing Agencies. As long as these funds

remain outside the State budget, there is no single agency monitoring its use and there is no readily available data on how much is actually spent in any particular year on important schemes which are being implemented by State implementing agencies but are funded directly by the GOI.

Government investment: The Government had invested ₹ 278.44 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives at the end of March 2015. The average returns on this investment was nil during the last five years.

The Government should ensure better value for money in investment by identifying the Companies/Corporations which are endowed with low financial but high socio-economic returns and justify if high cost borrowings are worth being channelised there. Initiatives may be taken to revive or close down or sell out the huge loss making Corporations/Companies.

Financial management and budgetary control: There was saving of ₹ 2909.98 crore in 71 grants and 6 appropriations under Revenue Section, 51 grants under Capital Section offset by excess of ₹ 17.37 crore in 5 grants under Revenue Section and 3 grants under Capital Section and 1 appropriation (Public Debt-Repayment).

During the year, though the overall saving was ₹ 2892.61 crore only, the amount surrendered was ₹ 2908.24 crore (100.54 per cent). There was also an excess expenditure of ₹ 38.78 crore in 9 grants during 2014-15. This excess expenditure together with an excess expenditure of ₹ 572.19 crore pertaining to 2000-01 and 2005-06, 2008-09 to 2013-14 require regularisation by the Legislature under Article 205 of the Constitution of India.

A rush of expenditure was noticed in 6 cases in which expenditure exceeding ₹ 10 crore or more than 50 per cent of the total expenditure was incurred in the last quarter of 2014-15 and in some cases in the month of March 2015.

There were 198 AC Bills involving ₹ 185.52 crore awaiting adjustment due to non-submission of DCC Bills for long periods and therefore was fraught with the risk of misappropriation.

Budgetary controls should be strengthened in all the Government departments, particularly in the departments where savings/excess persisted for last five years. A close and rigorous monitoring mechanism should be put in place by the DDOs to adjust the Abstract Contingent Bills within sixty days from the date the amounts are drawn.

Financial Reporting: Timely submission of utilisation certificates is a major area of concern. At the end of March 2015, 104 UCs involving an aggregate amount of ₹ 217.65 crore were pending for submission even after a lapse of one to five years from various departments.

Though the accounts of the State Autonomous Bodies and Departmental Commercial Undertakings were over due, these accounts were not submitted. Non-submission of accounts in time amounted to non-compliance with the financial rules.

As on 31 March 2015, 34 cases of misappropriation, defalcation etc. involving ₹ 616.31 crore in 15 Departments were pending finalisation.

The accounts of Autonomous Bodies/Authorities and Departmental Commercial Undertakings need to be finalised at the earliest. Departmental inquiries in all fraud and misappropriation cases should be expedited to bring the defaulters to book.