

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 2015-16. 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 Commissions 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 2015-16. 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 2016, 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 2016. 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 increased due to the combined effect of decrease in Revenue Surplus and marginal increase of net Capital Expenditure. As a result, the Primary Surplus during previous year turned into Primary Deficit during the current year.

Revenue Receipts: During 2015-16, out of the total Revenue Receipts of ₹ 8040.79 crore, 92 *per cent* of the total revenue i.e. ₹ 7358.92 crore came from the Government of India as Central transfers ₹ 2540.72 crore (32 *per cent*) and Grants-in-aid ₹ 4819.36 crore (60 *per cent*). The State did not achieve the total revenue collection target fixed by the XIV FC during 2015-16.

Revenue Expenditure: The overall Revenue Expenditure of the State increased by ₹ 819.51 crore (12.12 *per cent*) over the previous year. The Revenue Expenditure constituted 87.74 *per cent* of Total Expenditure while the expenditure incurred under Capital head constituted 12.26 *per cent*.

There were 373 incomplete projects (estimated cost ₹ 3004.76 crore and actual expenditure incurred ₹ 2100.61 crore) as of March 2016, pertaining to 36 departments. Out of which, 211 projects (estimated cost ₹ 2110.91 crore and actual expenditure ₹ 1091.36 crore) were due to be completed by March 2016 but remained incomplete as of October 2016 and 2 projects (estimated cost ₹ 10.93 crore and actual expenditure ₹ 10.47 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 57 projects could not be furnished by the departments.

Development expenditure of ₹ 3573.79 crore in 2011-12 had increased to ₹ 4912.31 crore in 2015-16. However, its share in aggregate expenditure had showed a fluctuating trend during 2011-16. The ratio of development expenditure as a proportion to aggregate expenditure had decreased by 0.85 *per cent* in 2015-16 as compared to the previous year.

Government investment: The Government had invested ₹ 290.60 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives at the end of March 2016. The average return on this investment was NIL during the previous four years (2011-15) while there was a return of ₹ 4.95 crore during 2015-16.

Financial management and budgetary control: There was total saving of ₹ 2452.63 crore offset by excess of ₹ 373.60 crore. During the year, though the overall saving was ₹ 2079.03 crore, the amount surrendered was ₹ 2590.29 crore (124.59 *per cent*). This excess expenditure together with an excess expenditure of ₹ 556.03 crore

pertaining to 2000-01 and 2005-06, 2008-09 to 2010-11 and 2012-13 to 2014-15 require regularisation by the Legislature under Article 205 of the Constitution of India.

A rush of expenditure was noticed in six cases in which expenditure exceeding ₹ 10 crore or more than 50 *per cent* of the total expenditure was incurred in the last quarter of 2015-16 and in some cases in the month of March 2016.

There were 220 Abstract Contingency (AC) Bills involving ₹ 237.13 crore awaiting adjustment due to non-submission of Detailed Countersigned Contingent (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 Drawing and Disbursing Officers (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 2016, 76 utilisation certificates involving an aggregate amount of ₹ 145.98 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 overdue, these accounts were not submitted. Non-submission of accounts in time amounted to non-compliance with the financial rules.

As on 31 March 2016, 41 cases of misappropriation, defalcation etc. involving ₹ 597.63 crore in 15 Departments, private firms and various other 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.