

Chapter III

Financial Reporting

This Chapter provides an overview and status of the State Government's compliance with various financial rules, procedures and directives during the current year.

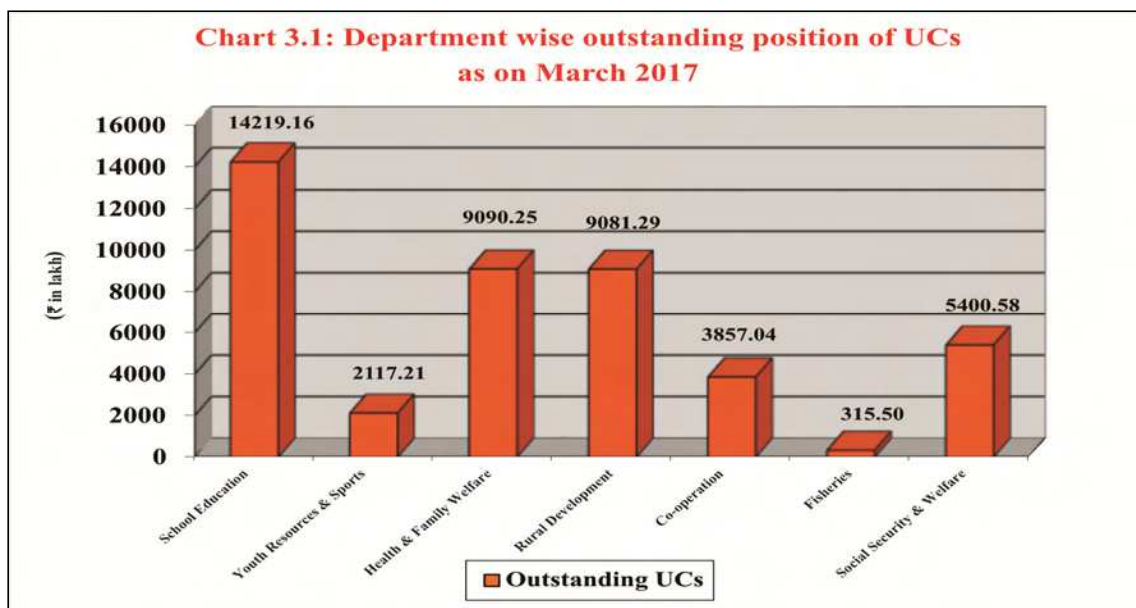
3.1 Delay in furnishing utilisation certificates

Financial Rules provide that for the grants provided for specific purposes, Utilisation Certificates (UCs) should be obtained by the departmental officers from the grantees. After verification, these should be forwarded to the Accountant General (Accounts & Entitlement) within 12 months from the date of their sanction unless specified otherwise. **As per Finance Accounts, Utilization Certificates in respect of 286 cases amounting to ₹ 909.61 crore were outstanding as on March 2017 as detailed in Table 3.1.** The department-wise break-up of outstanding UCs is given in **Chart 3.1** and **Appendix 3.1**

Table 3.1: Year-wise break up of pending Utilisation Certificates in respect of Grants-in-Aid

(₹ in crore)

Years	Grants-in-Aid (GIA) against which UCs are awaited as of March 2017	
	Number of cases	Amount
Upto 2011-12	96	171.95
2012-13	54	194.19
2013-14	52	204.27
2014-15	35	222.73
2015-16	49	116.47
Total	286	909.61



In the absence of the Utilisation Certificates it could not be ascertained whether the recipients had utilised the grant for the purpose for which those were given.

The Departments concerned provided different set of figures for outstanding Utilisation Certificates. Thus, there was a difference between the position of outstanding Utilisation Certificates furnished by the departments and that given in the Finance Accounts. This needs to be reconciled.

3.2 Non-submission/delay in submission of Accounts

In order to identify the bodies/authorities which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Head of the Departments are required to furnish to Audit every year detailed information about the financial assistance given to various Institutions, the purpose of assistance granted and the total expenditure of the Institutions.

A total of 99 annual accounts in respect of 22 Autonomous Bodies/Authorities due up to 2016-17 had not been received as of August 2017 by the Accountant General (Audit). The details of those accounts are given in **Appendix 3.2** and their age-wise pendency is presented in **Table 3.2**.

Table 3.2: Age-wise arrears of Annual Accounts due from Government Bodies

Sl. No.	Delay in number of years	No. of the Bodies/ Authorities	Grants received (₹ in Lakhs)
1	1 – 3	1	Not Available
2	>3 – 5	19	Not Available
3	>5 – 7	3	Not Available

It is seen from the table above that delay in submission of accounts ranged between one and seven years in respect of the Autonomous Bodies/Authorities.

22 Bodies and Authorities did not submit Annual Accounts of audit. The number of pending accounts was 99 with pendency ranging between one to seven years. Thus, proper utilisation of grants and loans disbursed to these Bodies/Authorities and their accounting remained unverified in audit. **The non-submission/delay in annual accounts dilutes the accountability and defeats the very purpose of preparation of accounts.** The reasons for non-preparation of the accounts were not intimated.

3.3 Delay in submission of Accounts/Audit Reports of Autonomous Bodies

14 Autonomous Bodies have been set up by the State Government in the field of development of Khadi and Village Industries, State Legal activities, Power and pollution regulations etc. Of these, the audit of accounts of the Nagaland Khadi and Village Industries Board (NKVIB) up to 2018-19 was entrusted to the Comptroller and Auditor General of India under Section 19 (3) of the DPC Act. However, the annual accounts of the Board for the period 2015-17 were not furnished (August 2017). The status of entrustment of audit, issuance of Separate Audit Report (SAR) and its placement in respect of NKVIB in the Legislature is indicated in **Table 3.3**.

Table 3.3: Delay in submission of Accounts and tabling of Separate Audit Reports

Year of SAR	Period of entrustment	Date of issue of SAR	Date of placement in the Legislature	Delay in placement in the Legislature (Years)
2011-12	2009-14	09-06-2015	Yet to be placed	2
2012-13	2009-14	09-06-2015	-do-	2
2013-14	2009-14	09-06-2015	-do-	2
2014-15	2014-19	18-07-2016	-do-	1
2015-16	2014-19	Accounts not yet received	-do-	1
2016-17	2018-19	Accounts not yet received	-do-	Nil

Nagaland Electricity Regularity Commission and Nagaland Hospital Authority were established¹⁵ under the State Legislative Act and the audit of accounts entrusted to the Comptroller and Auditor General of India under Section 104 and 105 of Central Electricity Act 2003 and Rule 14 of Notification issued under Section 22 of Hospital Authority Bill 2003 by the Government of Nagaland. However, though the annual accounts of those Authorities/Bodies were due for submission to the Accountant General (Audit) every year, the Accounts were not furnished since their inception.

3.4 Departmental Commercial Undertakings

Some departmental undertakings perform activities which are of quasi-commercial nature. The financial results of such departmental undertakings are in the form of performa accounts. The department-wise position of the year up to which proforma accounts were not finalised in those undertakings are given in **Appendix 3.3**. It was noticed that:

As on 31 March 2017, there were eight departmentally managed Government commercial undertakings.

A mention was made in the Report of the Comptroller and Auditor General of India on State Finances for the year 2012-13 about delay in preparation of Proforma accounts of those undertakings. Despite this, accounts were in arrears for periods ranging between 1 and 37 years as of March 2017.

The finalised accounts of departmentally managed commercial undertakings reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remains outside the scrutiny of the Audit/State Legislature. Consequently, corrective measures if any required, could not be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.

¹⁵ Nagaland Electricity Regulatory Commission (04.03.2008), Nagaland Hospital Authority (01.04.2004)

3.5 Balances lying unspent in Civil Deposits and Bank Accounts

The State Government provides its share to various Departments/Agencies for implementation of Centrally Sponsored/State schemes. Those Departments/Agencies retain such funds, outside the Government account in their bank accounts and Civil Deposits. As the funds are generally not spent fully by the implementing agencies in the financial year of their receipt, they remained unspent and kept in bank accounts and in Civil Deposits.

The details of funds drawn, its utilisation and funds kept in Civil Deposit/current bank accounts in respect of 14 departments/agencies are presented in the **Table 3.4:**

Table 3.4: Non-utilisation of funds during the year 2016-17

(₹ in crore)

Sl. No.	Name of the Department/Directorate	Amount drawn	Expenditure incurred	Amount kept in Civil Deposit	Amount kept in Bank Account
1	General Manager, Nagaland State Transport	5.74	0.00	5.74	0.00
2	Directorate of Science & Technology	1.00	0.12	0.00	0.88
3	Election Department	5.22	3.77	0.84	0.61
4	Directorate of Labour	0.89	0.00	0.89	0.00
5	Directorate of Urban Development	12.73	0.00	12.73	0.00
6	Youth Resources & Sports	1.22	0.30	0.00	0.92
7	Directorate of Technical Education	0.33	0.00	0.33	0.00
8	Commissioner of Taxes	1.76	0.00	1.76	0.00
9	Transport Commissioner	0.63	0.00	0.63	0.00
10	Directorate of Art & Culture	1.77	0.00	1.77	0.00
11	CE, Irrigation & Flood Control	2.25	0.00	2.25	0.00
12	Director of Sericulture	0.55	0.00	0.55	0.00
13	Directorate of Evaluation	0.73	0.00	0.73	0.00
14	Directorate Information Technology & Communication	3.96	0.00	3.96	0.00
Grand Total		38.78	4.19	32.18	2.41

(Source: Departmental Figures)

The above table shows that an amount of ₹ 38.78 crore was drawn by 14 departments during the year 2016-17 for implementation of different schemes. Out of the amount drawn, the departments utilised only an amount of ₹ 4.19 crore (10.80 per cent) during the financial year. **The remaining amount was kept in Civil Deposit ₹ 32.18 crore (82.98 per cent) and current Bank Account ₹ 2.41 crore (6.21 per cent).** In addition to the above, information furnished by six¹⁶ banks revealed that an aggregate amount of ₹ 174.50 crore was lying in the respective bank accounts of 156 DDOs as on 31 March 2017. Out of this, an amount of ₹ 156.18 crore (89.50 per cent) pertained to Private Banks viz Axis Bank (₹ 155.52 crore).

¹⁶ SBI, PNB, BoB, Vijaya Bank, HDFC & Axis Bank

3.6 End use of Cess

The State Government notified (August 2011) the enforcement of Levy and Collection of Cess for the purpose of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996. The levy and collection of such cess will be at a rate of 1 *per cent* of the cost of construction incurred by an employer. In compliance of this notification, Finance Department advised and instructed the DDOs to ensure that deduction of the cess as prescribed is made against all civil construction works involving employment of labour and deposit the same to the account of the Nagaland Building and Other Construction Workers' Welfare Board (NBOCW Welfare Board) by DD/Cheque. As such the board has been receiving the cess from 2011-12 onwards.

Details of amount collected and actual expenditure incurred during the period from 2012-13 to 2016-17 are in **Table 3.5**.

Table 3.5: Statement of cess collection and expenditure incurred during 2012-13 to 2016-17

(₹ in crore)

Year	Receipt during the year	Available Fund	Expenditure	Balance at the end of the year
2012-13	3.60	4.25 ¹⁷	0.00	4.25
2013-14	3.56	7.81	0.68	7.13
2014-15	6.17	13.30	0.42	12.88
2015-16	7.22	20.10	2.00	18.10
2016-17	9.23	27.33	1.40	25.93

(Source: Information furnished by NBOCW Welfare Board)

The Government of Nagaland had constituted the Board to provide social security to the section of workers engaged in building and other construction works by implementing different welfare schemes viz. Grant for purchase of tools, Medical assistance, Children education allowance and Maternity benefit for women beneficiaries.

During 2016-17, out of total available cess fund of ₹ 27.33 crore, the Board could spend only ₹ 1.40 crore (5.12 *per cent*). Out of the total expenditure of ₹ 1.40 crore, grant for purchase of tools was 0.15 crore (10.99 *per cent*), insurance coverage was ₹ 0.05 (3.72 *per cent*), medical assistance was ₹ 0.04 (3.11 *per cent*), children education scholarship was ₹ 0.58 crore (41.40 *per cent*) and maternity benefit for women was ₹ 0.08 crore (5.38 *per cent*). Moreover, an expenditure of 0.50 crore was also made in skill labour training.

It could be seen that the fund received under the cess had increased over the years. However, the Board could not substantially utilise the available balances.

3.7 Misappropriation, loss, defalcation, etc.

There were 25 cases of misappropriation, loss etc. involving Government money amounting to ₹ 230.33 crore up to the period 31 March 2017 on which final action was pending. The

¹⁷ Including the balance amount of ₹ 0.65 crore at the end of 2011-12

department-wise break up of pending cases and age wise analysis is given in **Appendix 3.4** and nature of the cases are given in **Appendix 3.5**. The age-profile of the pending cases and the number of cases pending in each category are summarised in **Table 3.6**.

Table 3.6: Profile of Misappropriation, loss, defalcation, etc.

Age-Profile of the Pending Cases			Nature of the Pending Cases		
Range in Years	Number of Cases	Amount Involved (₹ in crore)	Nature/Characteristics of the Cases	Number of Cases	Amount Involved (₹ in crore)
0 - 5	23	Bifurcation amount of range in years were not provided by the Deptts. Hence, only the consolidated total is shown.	Theft	1	0.01
5 - 10	2		Misappropriation/Loss	21	221.76
10 - 15	-		Defalcation	3	8.56
Total	25			25	230.33

(Source: Vigilance & Anti-Corruption)

A further analysis indicates the reasons for which the cases were outstanding as detailed in **Table 3.7**.

Table 3.7: Reasons for Outstanding cases of Misappropriation, loss, defalcation, etc.

Reasons for the Delay/ Outstanding Pending Cases		Number of Cases	Amount (₹ in crore)
i)	Awaiting departmental and criminal investigation	19	221.35
ii)	Departmental action initiated but not finalized.	5	3.37
iii)	Criminal proceedings finalized but execution of certificate cases for recovery of the amount pending.	0	0.00
iv)	Awaiting orders for recovery or write off.	0	0.00
v)	Pending in the courts of law.	1	5.61
Total		25	230.33

(Source: Vigilance & Anti-Corruption)

The highest amount of misappropriation that amounted to ₹ 74.83 crore, involved one case in Youth Resources & Sports Department, out of which an amount of ₹ 0.05 crore had been recovered so far.

3.8 Follow up action on Audit Reports

The reports of the Comptroller and Auditor General of India on State Finances in respect of the Government of Nagaland have been commencing upon Government's finances since 2008-09. These Audit Reports can achieve the desired results only if they evoke positive and adequate response from the administration itself. To ensure accountability of the executive about the issues contained in the Audit Reports, the Public Accounts Committee of Nagaland Legislative Assembly issued instructions (December 2002) for submission of *suo motu* explanatory notes by the concerned Administrative Departments within one month of presentation of the Audit Reports to the State Legislature.

The Audit Reports on State Finances for the years from 2008-09 to 2015-16 were placed before the State Legislature on 27.03.2010; 28.03.2011; 22.03.2012; 18.03.2013; 25.07.2014; 17.03.2015; 19.03.2016 and 28.03.2017 respectively, *suo motu* explanatory notes on the observations made on those Audit Reports had not been intimated by the departments.


3.9 Conclusion

Timely submission of utilisation certificates is a major area of concern. At the end of March 2017, 286 UCs involving an aggregate amount of ₹ 909.61 crore were pending for submission even after a lapse of one to six years from various departments.

The accounts of the State Autonomous Bodies and Departmental Commercial Undertakings were overdue; however, they were not submitted to Audit.

As on 31 March 2017, 25 cases of misappropriation, defalcation etc. involving ₹ 230.33 crore pertaining to 14 Departments, private firms¹⁸ and various other departments were pending finalisation.

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Dated: 01 March 2018


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¹⁸ Details of misappropriation, defalcation etc pertaining to private firms were not furnished.