

OVERVIEW

Chapter-I Introduction

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the Performance Audits and test audit of transactions of various Departments of the Government of Nagaland pertaining to General, Economic and Revenue Sectors. The primary purpose of this Report is to bring to the notice of the State Legislature the significant results of audit.

During 2018-19, the Accountant General (Audit), Nagaland, planned for audit of 402 units out of total 1228 units, after carrying out risk assessment and keeping in view the available manpower, of which all 402 units were audited. This Report *inter alia* contains two Performance Audits titled “**Development of Infrastructure Facilities for the Judiciary and e Courts Project**”, “**Construction and Maintenance of Government buildings by PWD (Housing)**,” and seven compliance audit paragraphs which include compliance audit of “**Disaster Management in the State**”.

Chapter-II General Sector

Performance Audit

Development of Infrastructure Facilities for the Judiciary and e Courts Project

DEPARTMENT OF JUSTICE AND LAW

Primary responsibility for infrastructure development for subordinate judiciary rests with the State Government. The Central Government augments the resources of the State Governments by releasing financial assistance under the Centrally Sponsored Scheme (CSS) for Development of Infrastructure Facilities for Judiciary covering the districts and subordinate Courts with a view to facilitate better justice delivery. The e Courts Project was conceptualised on the basis of the National Policy and Action Plan for Implementation of Information and Communications Technology (ICT) in the Indian Judiciary- 2005 submitted by the e Committee, Supreme Court of India with a vision to transform the Indian Judiciary by ICT enablement of Courts. It was implemented as a mission mode project in 2007 for District Courts across the country, with Phase I concluding in March 2015 and Phase II was sanctioned by GoI in August 2015 which envisages additional hardware for Courts.

(Paragraph 2.2)

Performance Audit on Development of Infrastructure Facilities for the Judiciary and e Courts Project for the period from 2014 to 2019 revealed the following:

Annual Action Plans for development of infrastructures submitted by the State’s Department of Justice and Law to the GoI were not based on actual requirements and

included 24 inadmissible projects according to the Scheme guidelines. Further, 28 works were included in the AAPs without technical estimates.

(Paragraph 2.2.8.1.1)

The Fund Management for the CSS revealed that against a proposal of funds ₹ 173.02 crores for 59 projects in the AAPs, the State received total funds of ₹ 70.05 crores (including state share) out of which ₹ 61.40 crore were spent on programme implementation whereby 13 projects (4 courts and 9 housing units) were completed during the period 2014-19.

(Paragraphs 2.2.9 and 2.2.10.3.1)

The Finance Department irregularly deducted VAT from CSS grants, instead of deducting them from the Contractors bills. The total deduction from GoI grants was of ₹ 7.48 crore inclusive of departmental charges. Irregular deduction of VAT of ₹ 45 lakh was also made from funds available under NLCPR for construction of housing units for judicial Officers.

(Paragraphs 2.2.9.1 and 2.2.10.5.1)

Government of Nagaland delayed release of State share of ₹ 6.68 crore in the years 2014-15, 2016-17 and 2017-18 by 10 to 14 months. The State share of ₹ 36 lakh was not released during 2018-19.

(Paragraph 2.2.9.2)

The Department released ₹ 61.40 crore during 2014-15 and 2018-19 to two implementing agencies, however, examination of receipt and payment accounts revealed that they had received only ₹ 38.70 crore. Funds of ₹ 16.79 crore were utilised on procurement of land and buildings at Kiphire and Kohima and payments to contractors, whereas funds of ₹ 9.75 crore remained unspent in bank account.

(Paragraph 2.2.9.3)

The Court Complex at Mon on which ₹ 1 crore was shown to have been spent including ₹ 50 lakh on land purchase, remained incomplete and the site was handed over to the district administration for the functioning of Customary Court.

(Paragraph 2.2.9.3)

The Department submitted incorrect utilisation Certificates for ₹ 5.91 crore without actually using the CSS funds for judicial infrastructure development in the State.

(Paragraph 2.2.9.4)

Deficiencies were noticed in construction of Court building at Zunheboto whereby only 60 *per cent* of work was completed since its commencement in 2012 incurring expenditure of ₹ 3.12 crore. In Court Complex Tuensang, court rooms constructed were below specifications defeating the objective of space and utility.

(Paragraphs 2.2.10.3.1 (i) & (ii))

In improving Housing for Judicial officers, it was seen that houses constructed were not occupied (Zunheboto and Dimapur) and repair and renovation works were not found executed on physical verification (Dimapur) leading to unfruitful/ irregular expenditure of ₹ 2.42 crore.

(Paragraph 2.2.10.4)

Department carried out five non-permissible works valued ₹ 2.06 crore towards maintenance of departmental guest house, construction of protection wall and boundary wall to Judicial Officer's quarters in contravention to scheme guidelines.

(Paragraph 2.2.10.3.1(v))

The Department also received funds of ₹ 8.09 crore from DoNER, GoI under NLCPR and ₹ 90 lakh as State share, for 13 housing units for Judicial Officers during the period 2014-17. The Divisions were given only ₹ 4.70 crore and balance funds of ₹ 3.84 crore were lying in bank accounts, against which the Department issued incorrect utilisation certificates to GoI.

(Paragraph 2.2.10.5.1)

Out of the ten housing units test checked by audit four in Kohima were completed, two housing units in Zunheboto were found abandoned for no valid reason after incurring expenditure of ₹ 59 lakh and housing units in Tuensang remained incomplete since 2015.

(Paragraphs 2.2.10.3.1(vi) & 2.2.10.5.2)

Under e Courts project, the State received ₹ 5.63 crore of which ₹ 5.47 crore were utilised during the period 2015-16 to 2018-19. The audit revealed several cases of short receipt and underutilisation of equipment and hardware, non-commencement of digitalisation of case files in the State, shortage of technical manpower, non-installation of Video Conferencing equipment by the four district Courts thereby resulting in non-achievement of the intended objectives of the scheme.

(Paragraphs 2.2.13, 2.2.13.1, 2.2.13.3, 2.2.13.4 & 2.2.13.7)

In the absence of internet connectivity, centralised filing system could not be made operational in Nagaland thereby reports such as cause list, pending and disposal status are generated offline. Case Information Software (CIS) was not upgraded and further affected with shortage of technical manpower. Despite an expenditure of ₹ 39.32 lakh on Video Conferencing equipment, the utilisation was 'Nil' for want of internet facilities in Jails.

(Paragraphs 2.2.13.10, 2.2.13.4 & 2.2.13.7)

Solar panels works ₹ 9.38 Lakh procured in advance for Court Complex Zunheboto remained unutilised due to incomplete civil works.

(Paragraph 2.2.13.11)

Compliance Audits

Compliance Audit on Disaster Management in the State

HOME DEPARTMENT

The Disaster Management (DM) Act, 2005, lays down the institutional framework for disaster management including disaster risk reduction at various levels, for drawing up the State and District plans for disaster management, integrating measures for disaster prevention and mitigation and makes necessary funding arrangements to be put in place by State Governments.

The DM Act, 2005 mandates the National Disaster Management Authority (NDMA) to lay down policies and guidelines for the statutory authorities to draw their plans. The NDMA formulated guidelines on various types of disasters and related issues.

(Paragraph 2.3)

The Compliance Audit on Disaster Management in the State, implemented by the Nagaland State Disaster Management Authority (NSDMA), covering the period 2014-19, revealed the following:

There was no planning activity for disaster management in the State. State Disaster Management Plan and the District Disaster Management Plans (2012-13) had not been approved by the State Authority. None of the State Departments had prepared and submitted their Disaster Management Plans for approval to the Nagaland State Disaster Management Authority.

(Paragraphs 2.3.9.1 and 2.3.9.2)

Structural designs of buildings in the State for protection against natural disasters of earthquake and others were not enforced as the State Government did not implement the Nagaland Building Bye Laws (NBBL) 2012.

(Paragraph 2.3.9.4)

The NSDMA has spent ₹ 327.57 crore against available funds of ₹ 351.05 crore during the period 2014-19. The un-spent funds at the end of each year had not been invested as per stipulated guidelines.

(Paragraph 2.3.10.1)

The State Executive Committee (SEC) budget allocation for various activities as notified in July 2017 was not as per the NDRF guidelines of the GoI. They had further diverted funds of ₹ 6.46 crore out of the SDRF during 2014-19 on salaries and travel expenses, which were not permissible and violation of the guidelines.

(Paragraph 2.3.10.3)

The State Government had not constituted District Disaster Response Fund and Disaster Mitigation Fund for both District and State as per Disaster Management Act, 2005, thereby impacting disaster response and mitigation activities at district level.

(Paragraph 2.3.10.5)

There were irregularities in 85 civil works executed by the NSDMA, noticed during joint physical verification by the audit, on account of doubtful works/unexecuted works and land development of private individuals in which cost involved was ₹ 60 crore.

(Paragraph 2.3.11.1)

The NSDMA and DDMA could conduct only one mock drill each in 2014-15 and 2018-19, 12 locations specific programmes and 36 training programmes, in order to create awareness for disaster preparedness in the State, indicating the need to step up awareness on disaster management amongst the citizens and government agencies. The NSDMA was yet to set up a proper communication augmentation plan with police/paramilitary authorities besides a dedicated alert or warning system for deployment during major disasters.

(Paragraph 2.3.12.1)

The State Emergency Operation Centre continue to operate from a rented building in Kohima since February 2017, without any video conferencing facilities. A State contingency plan and details of NGOs/responders to be contacted in event of disaster striking were not in place. At district level too, absence of facilities were noticed, reflecting ill preparedness of the NSDMA in event of disasters. The NSDMA had not updated the India Disaster Resource Network (IDRN), a nationwide platform for management of equipment/resources with the facilities available in the State.

(Paragraphs 2.3.12.2 & 2.3.12.3)

Thus the Nagaland State Disaster Management Authority was not adequately geared up to handle disasters in the State for want of plans and a robust organisation capable and fully equipped with manpower and equipment to deal with disasters.

Compliance Audit Paragraphs

FINANCE DEPARTMENT

Failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/double/excess drawal of ₹ 5.16 crore out of which ₹ 4.94 crore was yet to be recouped/ recovered.

Despite these instances being pointed out in previous C&AG Reports, the Finance Department have failed to take corrective action to strengthen the internal controls and checks to prevent such fraudulent withdrawal of funds from Treasuries. A series of recommendations have been made in the Report to plug these irregularities.

(Paragraph 2.4)

There were fraudulent drawals of ₹ 45 lakh by seven DDOs on account of inadmissible bills of Pay & Allowances of existing and ghost employees. Fake Treasury Challans were submitted to mislead audit.

(Paragraph 2.5)

Chapter-III Economic Sector

Performance Audit

Construction and Maintenance of Government buildings by PWD (Housing)

PUBLIC WORKS DEPARTMENT (HOUSING)

The Nagaland Public Works Department (Housing) is entrusted with the responsibility of creating residential and non-residential infrastructure in the State.

During the period 2014-2019, the State Government sanctioned 254 new projects of residential and non-residential buildings at a cost of ₹ 671.95 crore. Out of the 71 projects taken up by seven housing divisions, 26 were completed while 45 were on going as on March 2019. Similarly, out of 256 projects undertaken by 17 Engineering Divisions attached with other Departments during the period, 132 projects were completed while 124 were ongoing. The total expenditure incurred during the period was of ₹ 683.72 crore on 327 projects.

(Paragraphs 3.2.1 & 3.2.9)

The Performance Audit was conducted during June to September 2019 for the period 2014-19 on a sample check of the executing divisions. The significant findings of audit are highlighted below:

The Department did not ensure availability of land free from all encumbrances in four projects and delayed handing over of land, ranging from seven months to 37 months in two projects resulting in time and cost overrun of projects.

(Paragraph 3.2.8.1)

Failure of the Department to identify project sites led to delays in commencement/ completion of the works resulting in cost escalation of ₹ 141 crore in 14 projects.

(Paragraph 3.2.8.2)

Under various Central Schemes, the Departments received GoI funds of ₹ 212.92 crore but the State did not release its share of funds to the tune of ₹ 27.02 crore. There were delays ranging from three months to 51 months in release of the funds by the Finance Department to the implementing Departments.

(Paragraph 3.2.9.1)

Four Executive Engineers prepared four Detail Project Reports (DPR) without obtaining mandatory recommendation of High-Level Technical Committee (HLTC) and approval of the State Level Programme Implementing Committee (SLPIC), thereby violating existing systems and procedures in place.

(Paragraph 3.2.10)

Undue financial benefit of ₹ 17.15 crore as advance payment was extended to three contractors by two Executive Engineers though there was no enabling payment clause in the contract deed agreement and also without citing any reason for such payment.

(Paragraph 3.2.11.1)

In 55 projects, Engineering divisions made payment of ₹ 15.74 crore for works not executed or short executed.

(Paragraph 3.2.11.2)

There were delays in completion of 90 projects out of total 119 projects executed by Public Works and Engineering Divisions. The delays which ranged upto 165 months from the date of issue of the work order were mainly on account of land disputes, delays in handing over of site and delays in release of funds to implementing agencies.

(Paragraph 3.2.12)

The State Quality Control Board did not exercise quality control checks or inspections in the execution of the projects during 2014-19. Laboratory for quality test of materials used in projects was also not established in the State.

(Paragraph 3.2.13.2)

Firefighting works were provided only in one DPR out of 69 major projects like offices, schools, hospitals, market complex multi-parking, emporiums etc. thereby endangering the lives of its occupants and the users.

(Paragraph 3.2.13.3)

The State needs to improve upon the implementation of Accessible India Campaign to create a barrier free environment in all the buildings as out of 69 major projects, provision of lift was provided only in 10 projects and provision of ramp was made in DPRs of only eight projects.

(Paragraph 3.2.13.4)

Chapter-IV

Economic Sector (Public Sector Undertakings)

As on 31 March 2019, the State of Nagaland had six PSUs (five working companies and one non-working company, wherein the investment of the State Government (capital and long-term loans) in six PSUs was ₹ 35.15 crore consisting of ₹ 34.34 crore (97.70 *per cent*) towards capital and ₹ 0.81 crore (2.30 *per cent*) towards long-term loans. The combined investment of State and Other Stakeholders as on 31 March 2019

in PSUs under various important sectors stood at ₹ 115.50 crore. The combined investment was highest in the Finance Sector PSUs (₹ 74.62 crore) followed by Miscellaneous Sector PSUs (₹ 19.23 crore).

(Paragraphs 4.1.1, 4.1.2 & 4.1.2.1)

As per the information available as on 30 September 2019, five working PSUs had arrears of total 18 accounts ranging from one to nine years. During 2018-19, four working PSUs finalised total eight accounts, while remaining one PSU (Nagaland Handloom & Handicrafts Development Corporation Limited) had not finalised any accounts after 2013-14.

(Paragraph 4.1.5)

As per the information furnished by the PSUs, during 2018-19 the State Government has provided budgetary support of ₹ 28.89 crore in the form of long-term loans (₹ 3.85 crore) and grants/subsidy (₹ 25.04 crore).

(Paragraph 4.1.7)

As per the latest finalised accounts of PSUs as on 30 September 2019, the turnover of five working PSUs stood at ₹ 6.70 crore. The accumulated losses (₹ 65.19 crore) of four out of five working PSUs had completely eroded their paid-up capital (₹ 26.03 crore) as per their latest finalised accounts. During 2018-19, five working PSUs incurred overall losses of ₹ 2.62 crore as per their latest finalised accounts.

(Paragraphs 4.1.8.1 & 4.1.8.2)

Compliance Audit Paragraphs

Nagaland Industrial Development Corporation Limited paid an advance of ₹ 50 lakh to the Chairman of the Company by diverting Government Grants without approval of the competent authority and had not recovered the same.

(Paragraph 4.2)

Nagaland State Mineral Development Corporation Limited paid an additional cost of ₹ 20.72 crore as cost escalation on a bridge work contrary to the contract terms after settlement of contractor's dues and closure of work.

(Paragraph 4.3)

Chapter-V Revenue Sector

Compliance Audit Paragraphs

FINANCE (Taxation) Department

Two dealers concealed sales turnover and evaded VAT of ₹ 5.24 crore. Sixteen dealers concealed applicable taxable rate of interstate purchases and evaded VAT of ₹ 14.40 crore.

(Paragraph 5.2.1)

The Assessing Authority did not scrutinise the utilisation of statutory forms for import of goods into the State and also did not invoke the relevant provisions of Nagaland Entry Tax Act 2013 resulting in short payment of entry tax of ₹ 1.37 crore.

(Paragraph 5.2.2)

Chapter-VI

Follow up of Audit observations

As of December 2019, out of 1423 recommendations of the Public Accounts Committee, made during the period from 1990-91 to 2018-19, 973 ATNs on the recommendations had been submitted to the Public Accounts Committee and discussed.

(Paragraph 6.1)

As of December 2019, 1649 Inspection Reports (IRs) issued from 1997-98 onwards were pending for settlement. The large pendency of IRs indicates absence of adequate action to rectify the defects, omissions and irregularities by the Heads of Offices and Heads of the Departments as pointed out by audit through IRs.

(Paragraph 6.3)

During 2018-19, no audit committee meeting was convened to clear the outstanding audit observations. Government needs to ensure that such meetings are held at regular intervals to take necessary action on the audit observations.

(Paragraph 6.4)

