CHAPTER - III

ECONOMIC SECTOR

3.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2020 deals with audit observations on the working of the State Government departments under Economic Sector.

The names of the departments and the total budget allocation *vis-à-vis* expenditure of the State Government under Economic Sector during 2019-20 are shown in **Table 3.1.1**.

Table 3.1.1: Details of Departments with Budget allocation and Expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure	Percentage of expenditure
1.	Rural Development	1185.59	638.96	54
2.	Planning & Coordination	879.53	328.65	37
3.	Roads & Bridges	759.35	630.35	83
4.	Power	690.03	643.47	93
5.	Agriculture	308.36	235.30	76
6.	Horticulture	167.02	102.90	62
7.	Land Resources	159.17	172.42	108
8.	Forest, Ecology, Environment & Wildlife	153.89	144.14	94
9.	Veterinary & Animal Husbandry	118.45	91.13	77
10.	Irrigation & Flood Control	114.14	66.65	58
11.	Civil Supplies	110.83	102.73	93
12.	Road Transport	96.92	96.54	100
13.	Industries & Commerce	87.68	87.55	100
14.	Department of Under Developed Areas	85.72	58.66	68
15.	Soil & Water Conservation	69.35	61.91	89
16.	Cooperation	56.11	41.54	74
17.	Fisheries	50.66	51.24	101
18.	Geology & Mining	39.22	38.52	98
19.	Tourism	35.55	37.35	105
20.	Land Records & Survey	24.66	25.59	104
21.	Sericulture	22.26	22.07	99
22.	Information Technology & Communication	15.63	15.00	96
23.	New & Renewable Energy	13.27	12.81	97
24.	Evaluation	11.57	10.21	88
25.	State Institute of Rural Development	8.21	5.84	71
26.	Science & Technology	6.68	6.00	90
Total		**5,269.85**	**3,727.53**	**71**

Source: Appropriation Accounts, 2019-20

It would be seen from the table above that:

- Only 71 *per cent* of the budgetary allocation in 2019-20 under the Economic Sector was utilised during the year.
- The expenditure in 22 out of the 26 Departments of GoN under this Sector was less than their respective budgetary allocation for the year.

- In four Departments, the expenditure incurred was more than the budget allocation.

Out of an expenditure of ₹3,727.53 crore on Economic Sector, Audit test checked expenditure of ₹4,977.53 crore (including funds pertaining to previous years audited during the year). This chapter contains audit findings on one Performance Audit *viz.* 'Mission for Integrated Development of Horticulture in Nagaland' and one Compliance Audit *viz.* 'Ministry of Development of North Eastern Region (MDoNER) funded Non-Lapsable Central Pool of Resources (NLCPR) projects in Nagaland'.

Performance Audit

HORTICULTURE DEPARTMENT

3.2 Mission for Integrated Development of Horticulture in Nagaland

A Performance Audit (PA) on 'Mission for Integrated Development of Horticulture (MIDH)' was conducted during September 2019 to April 2021 covering the period from 2014-15 to 2019-20. The major observations are highlighted below:

Highlights

- *Annual Action Plans (AAPs) were prepared without conducting base line survey, Seed/ Planting material sub-plan and District-wise sub-plans.*

(Paragraphs 3.2.3.2 and 3.2.3.3)

- *Planting materials for ₹14.72 crore were procured from non-accredited nurseries/ local suppliers. 400 out of 841 beneficiaries reported short-receipt of planting materials.*

(Paragraphs 3.2.5.3.1 (i) and (iv))

- *Inadmissible advance payment of ₹10.62 crore was made to suppliers. The Department also paid ₹12.14 crore to the contractors without actual execution of works.*

(Paragraphs 3.2.5.5 (ii) and (iii))

- *Centre of Excellence (CoE) constructed at a cost of ₹five crore in Yisemyong, Mokokchung, was leased out to a private firm. An amount of ₹five crore released for creation of three Centres of Excellence (Phek, Tuensang and Dimapur) was diverted without the approval of GoI.*

(Paragraphs 3.2.6.1 and 3.2.6.2)

- *Inadmissible assistance of ₹11.44 crore was extended to the beneficiaries under Post Harvest Management.*

(Paragraphs 3.2.8.1 and 3.2.8.2)

3.2.1 Introduction

Mission for Integrated Development of Horticulture (MIDH) is a Centrally Sponsored Scheme launched in 2014-15 for the holistic growth of Horticulture sector covering fruits, vegetables, root and tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo. Out of the six[1] sub-schemes of MIDH, Horticulture Mission for North-Eastern and Himalayan States (HMNEH) is implemented by the Department of Horticulture in Nagaland with the fund received from GoI. As per Operational Guidelines (2014), the contribution of GoI for North Eastern and Himalayan States (NE&HS) was 100 *per cent*. The Sub-Group of Chief Ministers on the rationalisation of CSS, recommended that the funding pattern for Core schemes would be 90:10 for the NE&HS. Accordingly, the funding pattern was changed (90:10) from 2015-16 onwards by the Ministry of Agriculture and Farmers Welfare (November 2015). MIDH also provides technical advice and administrative support to State Governments/State Horticulture Missions (SHMs) for the Saffron Mission and other Horticulture related activities under Rashtriya Krishi Vikas Yojana (RKVY).

3.2.1.1 Objectives of the Mission and sub-schemes

The objectives of the Mission are to:

a) Promote holistic growth of Horticulture sector, including bamboo and coconut through area based regionally differentiated strategies, which includes research, technology promotion, extension, post-harvest management, processing and marketing, in consonance with comparative advantage of each State/ region and its diverse agro-climatic features;

b) Encourage aggregation of farmers into farmer groups like Farmer Income Groups (FIG)/ Farmers Production Organisation (FPOs) to bring economy of scale and scope.

c) Enhance Horticulture production, augment farmers' income and strengthen nutritional security;

d) Improve productivity by way of quality germplasm, planting material and water use efficiency through Micro Irrigation; and

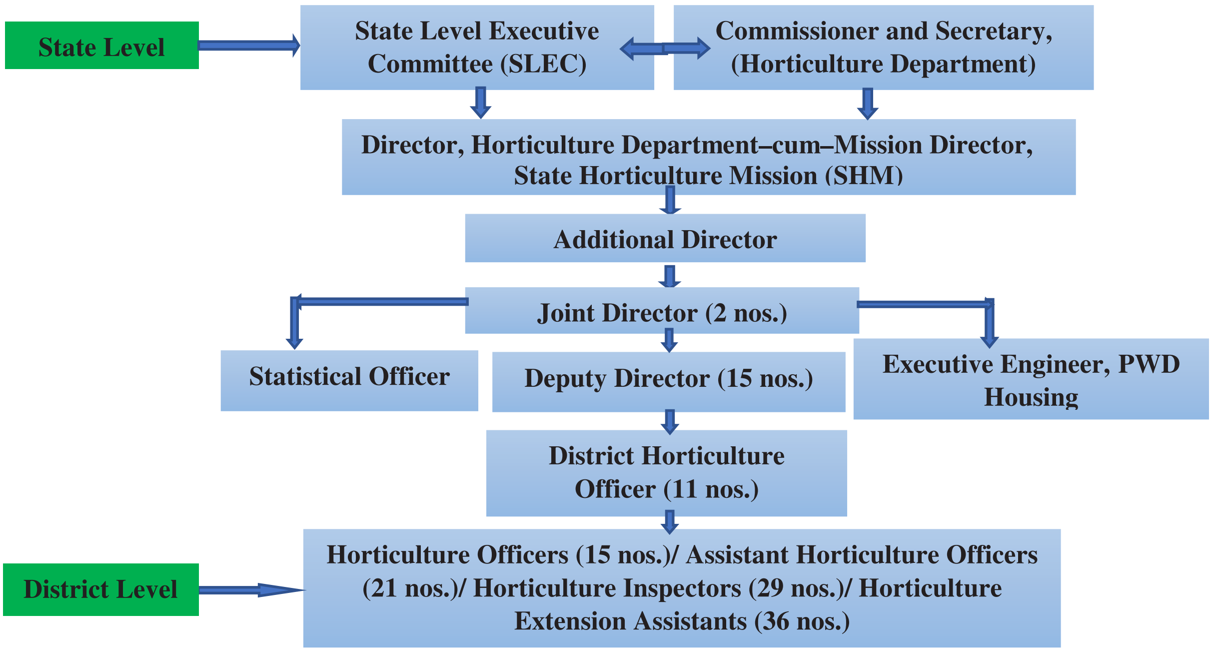
e) Support skill development and create employment generation opportunities for rural youth in horticulture and post-harvest management, especially in the cold chain sector.

[1] National Horticulture Mission, HMNEH, Nation Bamboo Mission, National Horticulture Board, Coconut Development Board and Central institute of Horticulture

3.2.1.2 Organisational Structure

The organogram of the Department for implementation of the MIDH is shown in **Chart 3.2.1**.

Chart 3.2.1: Organogram



3.2.2.1 Audit Objectives

The objectives of the PA were to ascertain whether:

a) Effective planning process was in place fixing priorities for State/ districts/ regions in consonance with the diverse agro-climate features and the schemes/ projects to increase production area and productivity of Horticulture Crops were planned effectively.

b) Implementation of the schemes/ projects and provision and utilisation of funds was efficient and effective and has resulted in increased acreage of horticultural crops and diversification of horticultural production as envisaged.

c) The promotion of technology, extension, post-harvest management, processing and marketing for holistic growth of horticultural sector were in consonance with the comparative advantage of the State/ Region.

d) The monitoring and evaluation system including internal controls were adequate and effective.

3.2.2.2 Scope and coverage of audit

The PA covered the implementation of the scheme for the period from 2014-15 to 2019-20, through scrutiny of the records of the Director of Horticulture, SHM, State

Horticulture Nursery and four[2] out of 11 districts (Three Districts - Kohima, Mokokchung and Phek were selected by Stratified Sampling method and one backward District *viz.*, Longleng on Judgmental basis). Out of the total expenditure of ₹164.33 crore, an amount of ₹52.91 crore (34 *per cent*) was spent by the four selected Districts.

3.2.2.3 Audit Methodology

The PA commenced with entry conference (26 September 2019) with the Commissioner and Secretary, Horticulture Department (HD), Nagaland wherein audit objectives, scope, methodology and criteria were discussed. Audit process included issue of requisitions for information/ data/ records, scrutiny of records, analysis of information/ data, Joint Physical Verification (JPV), beneficiary survey and issue of audit observations. The report was prepared after incorporating replies submitted by the Department. The PA was forwarded in July 2021 to the Government. The findings of audit were discussed in the Exit Conference (September 2021) with the Commissioner and Secretary, HD and the replies of the Government/ Department were incorporated in the appropriated places of this Report.

3.2.2.4 Audit criteria

Audit findings were benchmarked against the criteria derived from the following sources:

- Operational Guidelines of MIDH.
- Strategic/ Perspective Plan and Annual Action Plans.
- Guidelines, Circulars, Notifications and various Orders issued by the GoI/ GoN from time to time.
- General Financial Rules and Receipt and Payment Rules.
- Periodic Physical and Financial Progress Reports submitted to the Ministry.

3.2.2.5 Acknowledgement

The Office of the Principal Accountant General (Audit), Nagaland acknowledge the co-operation and assistance extended by the Department at all levels during the conduct of audit.

Audit Findings

3.2.3 Planning

3.2.3.1 Strategic/ Perspective Plan

Paragraphs 4.8(a) and 5.1 of the Operational Guidelines of MIDH stipulates that State Level Agency (SHM) shall prepare Strategic/ Perspective Plan in consonance with Mission's goals and objectives in coordination with Technical Support Group (TSG), State Agriculture Universities (SAUs) and Indian Council of Agricultural Research (ICAR) institutes to oversee its implementation. The plan should invariably contain

[2] (i) Kohima, (ii) Mokokchung, (iii) Phek and (iv) Longleng

information on geography and climate, potentials of horticulture development, availability of land, analysis of Strength, Weaknesses, Opportunities and Challenges (SWOC), strategy for development and plan of action to achieve the goals in the districts. The focus would be on crops having comparative advantages and natural potential for development in the State, adoption of cluster approach for production and linking with available infrastructure, post-harvest management, processing, marketing and export. Paragraph 4.3 of the Guidelines envisages that the Executive Committee (EC) of the Department of Agriculture and Co-operation (DAC), GoI is the authority to approve the Action Plans (Strategic Plan and Annual Action Plans) prepared by the State Level Agencies (SLA).

Further, Paragraph 7.2 of the Guidelines stipulates that carrying out of a base line survey which *inter alia* would include data/ information on area, production and productivity.

The SHM did not prepare the Perspective Plan for the years 2014-15 to 2015-16 for MIDH. However, the perspective plan was prepared for the years 2016-17 to 2020-21.

The Agriculture and Allied Departments had prepared (in 2012 and 2017 respectively) "Vision 2025-Food for all" and "Vision 2030" for the holistic development of Agriculture Sector (which includes Horticulture) in the State. The former document envisaged to increase area of coverage and enhance the production of horticulture by means of technological interventions, production of quality planting materials by establishing nurseries, encourage establishment of small scale processing units and cold storage, *etc.* The latter document envisaged to transform the economy of Nagaland from one which is largely subsistence agriculture oriented to a more market oriented economy based on agriculture and commercial scale production leading to a vibrant economy with small scale ancillary industries, service and small scale industries.

Scrutiny, however, revealed that the perspective plan so prepared for the years 2016-21 includes only the physical and financial targets and without consultation with the stipulated agencies as envisaged in the guidelines. Moreover, the base line survey, which includes data/ information on area, production and productivity, was also not conducted before the preparation of the perspective plan. Hence, the perspective plan was not in consonance with the guidelines of the MIDH as well as the vision documents made for the State. It was also observed that the perspective plan so prepared was not approved by the concerned authority as envisaged in the guidelines.

Thus, the Strategic/ Perspective Plan (2016-17 to 2020-21) was not able to provide the roadmap for long term horticulture development in the State. In absence of a proper long term policy *viz.* Strategic/ Perspective Plan, the area of coverage reduced from 88,980 Ha in 2014-15 to 86,190 Ha in 2019-20 despite having a potential area of 2,15,580 Ha for horticultural activities. Similarly, the production and productivity also reduced from 9,42,530 MT in 2014-15 to 8,36,580 MT in 2019-20 and from 10.60 MT/ Ha in 2014-15 to 9.47 MT/ Ha in 2019-20 respectively.

The Department accepted (September 2021) the audit observations and assured that the detailed Plans will henceforth be prepared as per guidelines.

Recommendation: ***The Department may take appropriate steps to prepare the holistic Strategic/ Perspective Plan after consulting with the stipulated agencies and conducting base line survey to provide the roadmap for long term horticulture development in the State.***

3.2.3.2 Annual Action Plan

Paragraph 5.1 of the MIDH Guidelines envisages that the Strategic Plan would form the basis for Annual Action Plan (AAP). Further, Paragraph 5.2 stipulates that each district is required to prepare District level AAP indicating requirements under various sub-schemes for execution and data/ write-up on outcome of past interventions, covering the details of area expansion, water resource development, integrated nutrient management (INM)/ integrated pest management (IPM) and Organic farming. It also envisages that area expansion should be determined based on availability of seed/ planting material and sub-plan was required to be prepared separately. State Level AAP was to be prepared by consolidating the district level action plans.

The SHM prepared AAPs for the years 2014-15 to 2019-20 with the approval of SLEC (after receiving the tentative allocation) and forwarded the AAPs to the National Horticulture Mission (NHM) for approval.

Scrutiny of the records revealed the following deficiencies in formulation of AAPs during the period 2014-15 to 2019-20.

The AAP for 2014-15 contains all the details as envisaged in the guidelines. However, the AAPs prepared for the years 2015-16 to 2019-20 contained only component-wise cost norms, pattern of assistance, physical and financial targets proposed to be taken up during the year and did not contain any seed/ planting material sub-plan. Hence, the AAPs were not prepared in consonance with the guidelines. Moreover, no District-wise sub-plans were prepared as envisaged in the guidelines, hence, the AAPs were not demand driven.

It was also observed that the AAPs for the years 2014-15 to 2019-20 prepared by the SHM did not flow from the Strategic/ Perspective Plan, except for the year 2016-17.

Thus, the deficient AAPs had resulted in several lacuna in implementation of the scheme during the period 2014-20 such as idling of projects, non-achievement of targets, short-distribution of planting materials, excess and inadmissible payments, *etc.*, as discussed in **Paragraph 3.2.5.1 to Paragraph 3.2.8.5.**

The Department accepted (September 2021) the audit observations and stated that the AAPs as recommended by audit and as envisaged in the guidelines shall henceforth be prepared.

Recommendation: ***The Department may take necessary steps to prepare District-wise Annual Action Plans and it may also be ensured that the State level AAP is prepared by consolidating those district level plans. Further, it may also be ensured that AAPs flow from the Strategic/ Perspective Plan.***

3.2.3.3 Constitution of Implementing Authorities at State and District levels

Paragraph 4.6 of MIDH Guidelines stipulates that SLEC having representatives from Departments of Horticulture, Agriculture, Environment and Forests, State Agricultural Universities, Institutes under ICAR, Growers' Associations/ Farmer Producer Organisations, *etc.*, should be formed to oversee the implementation of programme in the State. Similarly, at the district level, the District Management Committee (DMC) headed by Deputy Commissioner and DHO as Member Secretary was required to be formed for carrying forward the objectives of the Mission for project formulation, implementation and monitoring.

It was observed that the State Government had formed (September 2014) SLEC headed by the APC, Director of Horticulture Department as Member Secretary and members from ICAR, CIH, Forest Department and Nagaland Farmers Union to oversee the implementation of the scheme. The Department also issued notification (September 2014) to constitute DMC in all the districts, however, it was observed that DMCs were not functioning in any of the selected Districts. District-wise AAPs were not prepared due to non-functioning of the DMCs leading to the deficiencies as pointed out in **Paragraphs 3.2.3.1 and 3.2.3.2**. Further, the monitoring of projects at district level also became deficient in the absence of DMCs.

The Department stated (September 2021) that DMC is made operational in some districts and have recommended the preparation of District Annual Plan and directed (May 2020) all the DHOs to take necessary action to constitute DMCs. However, the Department did not specify the districts in which DMCs were made operational.

Recommendation: ***The Department may ensure that the DMCs are functioning and effectively contributing to the implementation of the scheme.***

3.2.4 Financial Management

Prior to April 2015, MIDH was fully funded by GoI and from April 2015, the funds were shared between GoI and GoN in the ratio of 90:10. The position of funds released by GoI and by GoN to the implementing Department and the expenditure incurred by the Department during the last six years are shown in **Table 3.2.1**

Table 3.2.1: Details of fund received and expenditure incurred therefrom

(₹ in crore)

Year	Opening Balance	Fund released by GoI	Fund received by SHM:				Total Fund Available with SHM	Expenditure	Closing Balance
			GoI Share	State Share	Interest	Total Receipt			
1	2	3	4	5	6	7 (4+5+6)	8 (2+7)	9	10 (8-9)
2014-15	**34.95**	34.76	24.57	0	0.81	25.38	60.33	36.70	23.63
2015-16	23.63	17.25	27.25	0	0.53	27.78	51.41	16.89	34.52

Year	Opening Balance	Fund released by GoI	Fund received by SHM:				Total Fund Available with SHM	Expendi-ture	Closing Balance
			GoI Share	State Share	Interest	Total Receipt			
1	2	3	4	5	6	7 (4+5+6)	8 (2+7)	9	10 (8-9)
2016-17	34.52	15.00	15.00	1.91	1.00	17.91	52.43	17.96	34.47
2017-18	34.47	36.34	31.34	3.34	0.83	35.51	69.98	28.6	41.38
2018-19	41.38	27.00	15.00	3.48	1.01	19.49	60.87	40.74	20.13
2019-20	20.13	23.60	24.50	2.72	0.75	27.97	48.10	23.44	**24.66**
Total	**-**	**153.95**	**137.66**	**11.45**	**4.93**	**154.04**	**188.99**[3]	**164.33**	**-**

Source: Data provided by SHM

As can be seen from the above table that GoI share received was not fully released. Out of the available fund of ₹188.99 crore (including opening balance of ₹34.95 crore) an amount of ₹164.33 crore[4] was spent for implementation of MIDH during 2014-20. The balance of ₹24.66 crore was lying in the bank account[5] at the end of March 2020. Scrutiny of the records revealed that the Department could utilise only 33 *per cent* (2015-16) to 67 *per cent* (2018-19) of the available funds for implementation of the scheme during the relevant period. The low utilisation during 2019-20 could be attributed to the lock-down imposed due to Covid pandemic, however, the low utilisation during the other years indicates lack of proper planning and initiative for the implementation of the scheme.

3.2.4.1 Submission of Utilisation Certificates

Scrutiny of expenditure and balance disclosed by the SHM in Utilisation Certificates (UCs) submitted to GoI, Chartered Accountant's (CA) Audit report and bank statement revealed that there were differences in the reported amount as shown in **Table 3.2.2**.

Table 3.2.2: Comparative position of funds available with the Department *vis-à-vis* fund position reported to GoI

(₹ in crore)

Year	Opening Balance as per			Expenditure as per			Closing Balance as per		
	UC	CA's Audit report	Cash book/ Bank Statement	UC	CA's Audit report	Cash book/ Bank Statement	UC	CA's Audit report	Cash book/ Bank Statement
2014-15	0.00	1.24	**34.95**	24.76	26.00	36.70	10.00	10.00	9.14
2015-16	10.00	10.00	9.14	11.56	11.56	16.88	15.69	16.21	34.52
2016-17	15.69	16.21	34.52	30.69	31.21	17.96	1.00	1.00	19.47
2017-18	1.00	1.00	19.47	28.48	28.48	28.61	8.87	9.69	23.37
2018-19	8.87	9.69	23.37	18.86	18.86	40.75	18.85	18.85	20.12
2019-20	18.85	18.85	20.12	35.44	32.44	23.44	10.00	10.58	24.66

Source: Data furnished by the SHM

As can be seen in the table above that there was an unspent balance of ₹34.95 crore with the Department pertaining to period prior to 2014-15. However, the GoN falsely reported a NIL closing balance in the UCs to avoid refund of the said amount. In order to cover up this understatement, the Department understated the expenditures and the closing balance as well as opening balances in the UCs during almost all the subsequent years. The above table also reveals that the expenditure and the balances disclosed in the Annual Account prepared by the CA was also not in conformity with the actual expenditure or balances available with the Department.

Thus, it is evident that the financial reporting of SHM was not reliable.

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3 ₹154.04 crore + ₹34.95 crore

4 Expenditure for the period 2014-15 to 2019-20 is ₹129.39 crore

5 Savings Bank Accounts-Axis Bank: XXXXXX684, XXXXX421 and SBI:XXXXX679

In reply (May 2020), the Department submitted that as there were pending/ committed liabilities, the Department could not refund the unspent balance of 2013-14 due to which Department was compelled to show 'Nil' report as the closing balance. Regarding discrepancies in the remaining years, the Department stated that the CA report and the UC exhibits only the Central share of the fund and it is not possible for the Department to be completely fair/ accurate when it comes to reporting of physical and financial achievements since subsequent release of funds from the Centre are dependent on the timely submission of UC along with physical and financial progress report. The reply of the Department is not acceptable as the differences/ understated amounts violat~~es~~ the principle of financial propriety.

Recommendation: ***The Department may fix responsibilities for false reporting and also take appropriate steps for proper disclosure by avoiding false reporting.***

3.2.5 Implementation of the scheme

3.2.5.1 Non-accreditation and non-utilisation of Nurseries

Paragraph 7.1 of the scheme Guidelines accorded top priority on production and distribution of good quality seeds and planting material by providing assistance for setting up new hi-tech nurseries and small nurseries under the public as well as private sector. SHM should also ensure that all nurseries set up under MIDH are accredited within a period of 18 months through designated agencies like National Horticulture Board, State Agricultural Universities, ICAR institutes, *etc.*

It was observed that 14 nurseries[6] were established under the scheme for production and distribution of quality seeds and planting materials during the period covered by audit. The present status of accreditation of those nurseries is shown in **Table 3.2.3**.

Table 3.2.3: Nurseries established during 2014-20

Year of establishment	Type of Nursery	Nos.	Public/ Private	Accreditation status (Yes/ No)	Expenditure incurred under MIDH (₹ in lakh)
2014-15	Small Nursery[7]	9	Public	No	135.00
2015-16	Hi-tech Nursery[8]	2	Public	Yes	100.00
2017-18	Small Nursery[9]	2	Private-1 Public -1	Yes No	22.50
2018-19	Small Nursery[10]	1	Public	No	15.00
2019-20	-	-	-	-	-

Source: Data furnished by the SHM

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[6] (i) Tuli, (ii) Kuthur, (iii) Hak, (iv) Hamlu, (v) Ntu, (vi) Atoizu, (vii) V.K. Town, (viii) Kiphire, (ix) Longleng, (x) Hitech Nursery-Atoizu, (xi) Hi-tech -SHN, (xii) Lenjidendang (Private), (xiii) Longsa and (xiv) Yisemyung

[7] (i)Tuli, (ii) Kuthur, (iii) Hak, (iv) Hamlu, (v) Ntu Village, (vi) Atoizu, (vii) V.K. Town, (viii) Kiphire, (ix)Longleng

[8] (i) Atoizu, Zunheboto and (ii) SHN, Dimapur

[9] (i) Longsa, (Public) and (ii) Green Cascade Enterprises, Mokokchung having Nursery at Lenji Demdang, Mokokchung

[10] (i) Yisemyong (Citrus)

As can be seen from the table above that except two Hi-tech nurseries and one private nursery, all the public nurseries are yet to be accredited even after lapse of one to five years. The results of JPV (November-December 2019) of three Small Nurseries (Public Sector) and one Hi-tech Nursery located in State Horticulture Nursery, Dimapur are summarised in **Table 3.2.4 and Paragraph 3.2.5.2**.

Table 3.2.4: Status of Nurseries

Sl. No.	Name of Nursery	Audit Observation	Reply of the Department
1.	Citrus Nursery, Tuli, Mokokchung (Public Sector)	The Nursery established in 2014-15 with an expenditure of ₹15 lakh under poly house (200 sqm.) was lying idle due to absence of water supply to the poly-house. This indicated that the project was taken up without proper assessment/ planning.	The Department accepted (May 2020) the facts and stated that water supply had been provided and that nursery for raising citrus seeds is made functional. However, during revisit to the farm (March 2021), it was observed that areca-nut saplings were being raised instead of citrus seed. The Department stated (September 2021) that areca-nut saplings were kept in the citrus nursery during March 2021 as a stop gap arrangement.
2.	Citrus Nursery, Longleng (Public sector)	Nursery established under poly-house in an area of 200 sqm. for ₹15 lakh was lying unutilised, thereby defeating the purpose of setting up of the Nursery.	Department stated (May 2020) that the Nursery had been made functional and Khasi Mandarin seedlings were being raised in poly bags under the poly house. When a re-visit to the farm was proposed by audit, the DHO could not arrange for the re-visit and conveyed verbally that existence of such nursery was not known to the DHO. The Department stated (September 2021) that the Nursery is functional and the DHO was asked to explain the reason why the Nursery could not be shown to audit.
3.	Nursery at Yisemyong, Mokokchung (Public sector)	The Department set up (2018-19) a Poly-house nursery (600 sqm.) with shade-net and drip irrigation for raising citrus saplings for ₹15 lakh at Coffee Demonstration Farm, Yisemyong. However, after establishment, the nursery along with 80,000 orange saplings were handed over free of cost to M/s Green Cascade Enterprises to whom the facilities in CoE, Yisemyong was leased out on grounds of inability of the Department to manage due to paucity of funds as discussed in **Paragraph 3.2.6.1.** This indicated that the Department did not have the capacity to manage the nursery departmentally when the nursery was established.	The Department in reply (May 2020/ September 2021) stated that the Citrus Nursery established during 2018-19 under poly house was not leased out to Green Cascade and is still with the Department. The reply of the Department was however, refuted by the present DHO who confirmed (March 2021) that nursery had already been handed over to a private firm, though not leased out officially.

It indicates that the Department could not manage the nurseries properly, despite having DHOs[11], HOs, AHOs, *etc.* in the sampled Districts.

Thus, the plantation of areca nut saplings instead of citrus, non-verifiable nursery and leasing out of the nursery without knowledge of the Department are the clear indication of diversion of funds. Moreover, the possibility of misappropriation of funds could not be ruled out.

[11] Mokokchung- DHO-1, HO-1, AHO-4, JFA-5, HEA-1 and Longleng-DHO-1, AHO-1, Inspector/ HEA/ JFA-3

Recommendations: ***(i)*** ***JPV of three out of 12 Public Sector small nurseries, revealed that all the three nurseries are in bad shape, the Department should inspect the remaining nurseries to identify the problems faced by other nurseries and take necessary remedial measures.***

(ii) ***The Department may take necessary steps to make the nurseries operational and to fix responsibility of the officials concerned in case of diversion of project fund for other purposes, non-verifiable nurseries and leasing out the nursery without the consent of the Department.***

3.2.5.2 Hi-tech Nursery, Dimapur

With a purpose of raising Mother Plants[12] to meet the requirement of quality planting materials, the Hi-tech Nursery at Dimapur was taken up during 2015-16 for ₹50 lakh. The project consisted of Misting Chamber (384 Sqm), Hardening Chamber under Hi-tech poly-house (500 sqm.), Shade Net (400 Sqm) and other associated items. The work was awarded to M/s Allanger Agrovision Enterprises, Dimapur being the lowest bidder. The work was started in April 2018 and completed in August 2018.

During JPV (October 2019) of the nursery unit, it was seen that area of the Misting Chamber was only 210 sqm. and the Hardening Chamber was only 300 sqm. whereas payment was made for 384 sqm. and 500 sqm. respectively. This resulted in excess payment of ₹10.08 lakh for unexecuted work in an area of 374 sqm. in respect of the two chambers. Further, it was seen that the mother stocks were planted in the vicinity of the poly-houses and the Misting Chamber and the Hardening Chamber were lying unutilised.

Hi-Tech Nursery, Dimapur during November 2019

While accepting the audit observation (September 2021) the Department stated that the size of the misting and hardening chambers had to be reduced as the rate provided in the DPR was very low when compared to the prevailing market rate of the State. In addition, more powerful and expensive exhaust fan was provided by incurring additional expenditure.

[12] Guava, Litchi, Cashewnut, Mango, *etc.*

The reply is not acceptable as the work was awarded as per the rate offered by the supplier and the works were certified as completed as per specification incorporated in the work order and estimates. This shows complete failure of monitoring by the Department despite having five technical officers[13] besides four[14] other technical employees.

It is evident from the preceding paragraphs that the expenditure incurred on Public Sector Nurseries could not contribute towards the objective of establishing the nurseries, *i.e.* production and distribution of good quality seeds and planting materials to the farmers. Moreover, the possibility of misappropriation of funds could also not be ruled out.

Recommendation: ***The Department may take necessary steps for accreditation of all the nurseries, operationalise all the Public Sector nurseries and fix responsibility of the officials concerned for short execution of misting and hardening chambers.***

3.2.5.3 Area expansion

Paragraph 5.2 of the scheme guidelines required that the area expansion be planned after properly assessing the availability of quality seeds and planting materials and a separate sub-plan was to be prepared. Paragraph 7.8 of the guidelines further requires that the planting materials be procured from the accredited nurseries only.

Scrutiny of records revealed that the Department provided financial assistance of ₹31.13 crore for expanding the area of plantation in 10,630 Ha during 2014-20 under Area expansion and establishment of new gardens (sub-components of the scheme). Scrutiny of records followed by JPV and beneficiary survey revealed the following:

3.2.5.3.1 Irregularities in procurement of planting materials

(i) One of the main thrusts[15] of MIDH was to increase productivity by providing quality planting materials from certified/ accredited nurseries. There are eight accredited nurseries (Public Sector-4 and Private Sector-4) in Nagaland. In addition to that, there are nine Public Sector Nurseries which were under the process of accreditations. During 2014-20, the Department procured planting materials valued at ₹31.13 crore as shown in **Table 3.2.5**.

Table 3.2.5: Details of planting materials procured during 2014-20

Category	Area (Ha)	Amount (₹ in crore)
Vegetables	3,356	6.76
Fruits	4,599	19.18
Spices	2,675	5.19
Total	**10,630**	**31.13**

Source: Data provided by SHM

[13] Joint Director-1, HO-1, AHO-3
[14] HEA-3, JFA-1
[15] Paragraph 7.8 of MIDH guidelines

Scrutiny of records revealed that out of the expenditure of ₹31.13 crore for procurement of seeds/ planting materials, an amount of ₹14.72 crore was spent for procurement of planting materials from non-accredited nurseries/ firms and individuals during 2014-20 ***(Appendix 3.2.1)*** in violation of the guidelines and thereby compromising the quality of the materials supplied without ascertaining the availability of planting material with the accredited nurseries and Government nurseries.

The Department stated (September 2021) that all the planting materials procured are farmer's friendly with respect to its propagation and multiplied locally in the fields by the farmers. Thus, the planting materials are procured from the farmers and distributed to the beneficiaries at cost approved by the Government and the quality and quantity are spelled out in supply orders and checked meticulously while receiving.

The reply of the Department is not acceptable because it violated the guidelines of MIDH which requires procurement of quality planting materials from accredited nurseries and defeated the very purpose of establishment of nurseries. Further, it was observed during beneficiary survey that unhealthy planting materials were supplied as commented at sub-paragraph (iii) below.

(ii) General Financial Rules provided that public procurement should be carried out in a transparent manner by inviting open tender. The open tendering system would also provide the opportunity of getting quality products at a reasonable/ cheaper rate. It was observed that the Department did not invite any tender during 2014-20 and the suppliers were selected by the Departmental Purchase Board on the basis of proposals made by the SHM for supply of materials in violation of the codal provisions.

The Department accepted (May 2020) the audit observation.

(iii) Similarly, the Department issued (September 2017) 13 supply orders[16] for supply of 21.20 lakh passion fruit saplings for ₹2.12 crore to a private Small Nursery[17]. The supply order was issued on the basis of a recommendation (September 2017) made by the DHO, Mokokchung stating that quality planting materials of the required quantity was available in the nursery.

However, audit observed that the nursery was set up in July 2017. The recommendation of the DHO did not mention the age of the saplings, height, variety, whether transplanted in poly bag *etc.* Further, passion fruit seeds take sprouting in about 12-15 days after sowing and germination is completed in about a month. In some cases germination extends even upto 50-60 days. When the seedling attain four to six leaves, they are transplanted[18]. Hence, it is impossible to produce planting materials in such large quantity within one month of its establishment. Therefore,

[16] Eight Supply orders for two lakh sapling and five supply order for 19.20 lakh saplings
[17] M/s Green Cascade Enterprises, Lenjidendang, Chichuyimlang, Mokokchung
[18] Source: Survey Report of farmer on value chain analysis of Wokha and Mokokchung by HIL

audit made a JPV (November 2019) to the Small Nursery and it was seen that the nursery was having only three poly houses having an area of 900 sqm[19]. Further, beneficiary survey of 100 out of 298 beneficiaries in Mokokchung district to whom 2.81 lakh saplings were distributed, was conducted, revealed that non-poly bagged and sick/ unhealthy seedling tied in bundles were provided to them. Hence, the possibility of misappropriation of public money could not be ruled out.

The recommendation of the DHO to issue the supply order to the private firm on grounds of availability of quality planting materials was factually not correct and was misleading. The objective of providing quality planting materials to the beneficiaries was also defeated.

The Department stated (May 2020) that the seedlings were raised and supplied in jute bags. The claim of the Department that healthy seedlings were supplied in jute bags is not acceptable as all the beneficiaries interviewed stated receipt of non-poly bagged and unhealthy saplings.

(iv) According to the terms and condition of the supply orders issued during 2014-20, the planting materials were required to be delivered to the DHOs, State Horticulture Nursery (SHN) or at the Directorate office as specified in the supply order. The materials supplied to the Directorate and the SHN were required to be distributed to the DHOs for final distribution to beneficiaries.

Scrutiny of records on supply and distribution in the selected DHOs revealed that planting materials for ₹13.92 crore supplied during 2014-20 were recorded in the stock register indicating receipt and distribution to 2,544 beneficiaries by these DHOs. However, during JPV and beneficiary survey, 400 beneficiaries[20] reported short receipt as indicated in **Table 3.2.6.**

Table 3.2.6: Details of planting materials issued and received by beneficiaries

Name of District	Total nos. of benefi-ciaries	Benefi-ciaries selected (Nos.)	Benefi-ciaries reported short receipt (Nos.)	Planting material issued as per Stock Register (in nos.)	Money value of planting materials issued (₹ in lakh)	Planting material received by 400 benefi-ciaries (in nos.)	Money value of planting material received (₹in lakh)	Short receipt reported by 400 beneficiaries (in nos.)	Money value of planting materials short distributed (₹in lakh)
Kohima	489	212	101	3.30	34.11	0.63	11.92	2.66	22.17
Mokokchung	996	298	163	6.71	47.19	1.32	13.66	5.39	33.51
Phek	633	198	104	3.12	32.50	0.63	11.42	2.49	21.08
Longleng	426	133	32	0.41	7.71	0.10	2.04	0.31	5.67
Total	**2,544**	**841**	**400**	**13.54**	**121.51**	**2.69**	**39.03**	**10.85**	**82.43**

Source: Data provided by SHM and beneficiary survey

As can be seen from the above table, out of planting materials valued at ₹1.22 crore shown as distributed by DHOs, materials valued at ₹0.39 crore (32.13 *per cent*) only were received by the beneficiaries. Thus, there was 67.87 *per cent* short distribution of planting materials worth ₹0.82 crore ***(Appendix 3.2.2)***. Hence, the possibility of misappropriation of public money could not be ruled out.

[19] One Poly-house with 500 sqm. and other two poly houses with 200 sqm. each
[20] Out of 841 beneficiaries

The Department stated (September 2021) that the farmers initially expressed eagerness at the time of selection of beneficiaries. However, during actual delivery of the materials some beneficiaries refused and took less quantity than projected in the annual plan. Therefore, in order to avoid wastage, the remaining planting materials were distributed by DHOs to other interested farmers. In support of this the Department also submitted list of beneficiaries who had received planting materials.

The reply of the Department is not acceptable as the stock/ distribution registers of the DHOs and the statements submitted to Audit clearly indicated that the entire quantity was distributed to the selected beneficiaries. It also indicated that the records of the Department are fabricated.

Recommendation: (i) ***The above observation is formed on the basis of beneficiary surveys and JPVs conducted in four districts covering 841 beneficiaries. State Government should review status of entire procurement of planting materials for 11 districts and take necessary action to fix responsibilities wherever shortage is noticed.***

(ii) ***The Department may investigate the matters and take appropriate action against the officer who had submitted false recommendation to the Department and responsible for short distribution of planting materials.***

(ii) ***The Department may take appropriate steps to procure planting materials from the accredited public sector as well as private nurseries to ensure supply of quality planting materials.***

(iii) ***Planting materials may be distributed more transparently to avoid leakage, etc.***

3.2.5.4 Maintenance during First and Second Year

According to Annexure V of MIDH guidelines, financial assistance was to be provided to the beneficiaries for establishment of new gardens/ plantations in three (60:20:20) or two (75:25) instalments subject to survival rate of 75 *per cent* and 90 *per cent* in the subsequent two years as first year Maintenance allowance and second year Maintenance allowance respectively. During 2014-20, the SHM provided ₹5.88 crore[21] assistance, including cost of planting materials, for maintenance of 4,156 Ha to 2,544 beneficiaries in four selected Districts.

Scrutiny of records revealed that the SHM provided funds to the DHOs during 2014-20 by electronic transfer with instructions to transfer the funds to the beneficiaries electronically. However, it was observed that the DHOs transferred the cash assistance by e-transfer, cash and by cheque. The exact bifurcations of the amount could not be obtained due to poor maintenance of records by the DHOs. The

[21] Out of ₹15.17 crore against 11 districts for 13,714 Ha

beneficiary survey in four selected districts, revealed that, out of 550 eligible beneficiaries who were provided maintenance allowance of ₹1.43 crore, only 78 beneficiaries reported receipt of the maintenance allowance of ₹18.51 lakh during the subsequent years of cultivation as shown in **Table 3.2.7**.

Table 3.2.7: Statement of expenditure on first and second year Maintenance against beneficiaries interviewed

(₹ in lakh)

Name of District	Number of Beneficiaries selected	Amount released as per records	Beneficiaries received the allowance		Beneficiaries not received the allowance	
			No.	Amount	No.	Amount
Kohima	134	37.02	12	4.59	127	32.43
Longleng	68	14.13	18	4.04	50	10.09
Mokokchung	241	61.13	36	7.26	205	53.88
Phek	107	30.81	12	2.62	95	28.19
Total	**550**	**143.09**	**78**	**18.51**	**477**	**124.59**

Source: Data provided by SHM and beneficiary survey

The Department stated (September 2021) that due to lack of knowledge about electronic fund transfer, SMS alerts, *etc.*, some beneficiaries might not have realised the deposit of fund in their accounts.

The reply of the Department is not acceptable as out of the 550 beneficiaries interviewed most did not receive, or were not aware of such maintenance allowance being provided by the Department. Further, the DHOs also did not follow the instruction of the SHM to transfer the fund electronically. Hence, the possibility of misappropriation of public money could not be ruled out.

Recommendations: (i) ***State Government should review status of receipt of maintenance allowance by all the remaining beneficiaries of all 11 districts and take necessary action to fix responsibilities wherever shortage is noticed.***

(ii) ***The Department may take necessary steps to transfer funds to all the beneficiaries in electronic mode and to conduct awareness programmes to educate the beneficiaries about electronic transfer.***

3.2.5.5 Protected Cultivation

Paragraph 7.25 of Operational Guidelines stipulated that assistance would be provided under the Mission for construction of poly houses, shade nets, plastic mulching, and plastic tunnels and anti-bird/ hail nets for promoting latest technologies in cultivation to enhance productivity. Assistance under the scheme was limited to 50 *per cent* of the cost of construction of poly house at the rate of ₹1,219 per sqm. for structures up to 500 sqm. for NE and Himalayan States, which is 15 *per cent* above the rate provided to other General Category States. In addition, 50 *per cent* of cost of planting materials as shown in **Table 3.2.8** was to be provided.

Table 3.2.8: Rate of planting materials

Name of planting materials	Maximum cost payable
High-value vegetables	₹140 per sqm.
Orchid and Anthurium	₹700 per sqm.
Carnation and Gerbera	₹610 per sqm.
Rose and Lilium	₹426 per sqm.

Source: Operational guidelines

Scrutiny of records revealed that ₹19.07 crore was spent for construction of 472 poly-house tubular structure (naturally ventilated) covering an area of 2,36,000 sqm. under the Mission as shown in **Table 3.2.9.**

Table 3.2.9: Details of expenditure under Protected Cultivation

(₹ in crore)

Name of items	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Amount
*Flower (Tubular structure, Planting material and Irrigation System)	3.89	2.52	1.63	4.93	3.50	Yet to be implemented	16.47
*Vegetable (Tubular structure, Planting material and Irrigation System)	0.00	0.90	0.00	1.36	0.34		2.60
Total	**3.89**	**3.42**	**1.63**	**6.29**	**3.84**	**0.00**	**19.07**

Source: Data provided by SHM

* *Details/ break-up of expenditure is given in* ***Appendix 3.2.3***

Scrutiny of records relating to the above expenditure revealed several irregularities as discussed in **sub-paragraphs (i) to (v)** below:

(i) Irregular selection of contractors/suppliers

Rule 161 of the General Financial Rules (GFR) 2017 provides that public procurement should be carried out in a transparent manner and by inviting advertised open tender when the value of goods to be procured exceeds ₹25 lakh. Rule 162 further provides that if the value of the goods to be procured is between ₹five lakh to ₹25 lakh, limited tender system may be adopted.

It was observed that the Department invited limited tender during 2014-15 from 10 suppliers/ contractors and the supply orders were issued to M/s Zopar Exports Pvt. Ltd, Assam and M/s Meghastar Agrotech Pvt. Ltd., Assam being the lowest bidders as indicated in **Table 3.2.10**.

Table 3.2.10: Details of rate quoted under Protected Cultivation

Sl. No.	Name of the Firm	Rate quoted by firms (Amount in ₹)						
		Poly-house (500 Sqm)	Planting Materials					Irrigation
			Orchid	Gerbera	Rose	Lilium	Alstroe-meria	
1.	M/s Zopar Exports Pvt. Ltd, Guwahati, Assam	3,05,000	00	00	115	30	550	30,000
2.	M/s Meghastar Agrotech Pvt. Ltd, Guwahati, Assam	3,05,000	250	40	115	30	550	30,000

Source: Data provided by SHM

Thereafter, no tender was called by the Department, though the year wise value of work/ supply ranged between ₹1.63 crore to ₹6.29 crore during 2015-19. The contractors/ suppliers were selected by the Purchase Committee on the recommendation of the Department at the approved rates of 2014-15. The details of work orders issued during 2014-20 are indicated in **Table 3.2.11**.

Table 3.2.11: Statement of work orders issued for construction of Tubular structure under protected cultivation

(₹ in lakh)

Year	Name of firm	Flower (Tubular structure, Planting materials and Drip Irrigation)		Vegetable (Tubular structure, Planting materials and Drip Irrigation)		Total units	Total amount
		No. of Units	Amount	No. of Units	Amount		
2014-15	M/s Zopar Exports Pvt. Ltd, Assam	44	197.75	0	0.00	44	0.00
	M/s Meghastar Agrotech Pvt. Ltd, Assam	41	190.79	0	0.00	41	190.79
Sub-total		**85**	**388.53**	**0**	**0.00**	**85**	**388.53**
2015-16	M/s North Bengal Floritech, Dimapur	10	49.30	25	89.95	35	139.25
	M/s Zopar Exports Pvt. Ltd, Assam	25	106.13	0	0.00	25	106.13
	M/s Sheel Biotech, New Delhi	20	96.35	0	0.00	20	96.35
Sub-total		**55**	**251.78**	**25**	**89.95**	**80**	**341.73**
2016-17	M/s Saveer Biotech Pvt Ltd, New Delhi	37	162.91	0	0.00	37	162.91
Sub-Total		**37**	**162.91**	**0**	**0.00**	**37**	**162.91**
2017-18	M/s Sheel Biotech, New Delhi	50	233.12	0	0.00	50	233.12
	M/s Saveer Biotech Pvt Ltd, New Delhi	20	95.95	40	135.90	60	231.85
	M/s Zopar Exports Pvt. Ltd, Assam	40	164.50	0	0.00	40	164.50
Sub-Total		**110**	**493.57**	**40**	**135.90**	**150**	**629.47**
2018-19	M/s Allanger Agrovision Enterprise, Dimapur	0	0.00	0	7.00	0	7.00
	M/s Meghastar Agrotech Pvt. Ltd, Assam	0	0.00	20	27.43	20	27.43
	M/s Saveer Biotech Pvt Ltd, New Delhi	100	349.73	0	0.00	100	349.73
Sub-Total		**100**	**349.73**	**20**	**34.43**	**120**	**384.16**
2019-20	Work orders were not issued and no payment was released till the date of audit.						
Grand Total		**387**	**1,646.52**	**85**	**260.28**	**472**	**1,906.80**

Source: Data provided by SHM

Thus, the Department not only failed to obtain competitive and reasonable rate but also extended undue favours to the above suppliers in violation of the Financial Rules.

While accepting the facts (September 2021), the Department stated that the suppliers were selected based on the fixed rates quoted by the interested firms. The Department also stated that during 2016-17, State Government advised the Department to implement the work by engaging renowned firms through the Purchase Committee. Accordingly, the works were allotted to the above two firms based on their past track records.

The reply of the Department is an admission of the facts that equitable opportunities were not provided to all the possibly interested firms to ensure competitive and reasonable rates in contravention of the Financial Rules.

Recommendation: ***The Department may avoid random selection of contractors and adopt open tendering system, as per extant rules, to bring transparency in the tendering process and obtain competitive rates.***

(ii) Advance payments

Rule 172 of GFR provides that payments for services rendered or supplies made should be released only after the services have been rendered or supplies made except in cases of (i) advance payment demanded by firms holding maintenance contracts for servicing of Air- conditioners, computers, other costly equipment *etc.* (ii) advance payment demanded by firms against fabrication contracts, turn-key contracts *etc.* Such advance payments should not exceed (a) thirty *per cent* of the contract value to private firms; (b) forty *per cent* of the contract value to a State or Central Government agency or a Public Sector Undertaking; or (c) in case of maintenance contract, the amount should not exceed the amount payable for six months. While making any advance payment, adequate safeguards in the form of bank guarantee should be obtained from the firm.

Scrutiny of records revealed that advance payment of ₹10.62 crore was made to five firms, though the work order provided for payment only on the basis of completion of work.

It was also observed that these listed firms do not qualify for payment of advances as per the conditions envisaged in the provisions of the Financial Rules. The Department also did not obtain adequate safeguards in the form of bank guarantee before payment of the advances in contravention of GFR. Thus, the Department extended an undue favour of ₹10.62 crore irregularly to five firms.

The Department accepted the facts (September 2021), and stated that this had happened due to ignorance of the provisions of GFR. The reply of the Department is not acceptable as GFR is also being followed by the GoN and Paragraph 4(h) of the sanction from GoI specifically requires the implementing agencies to follow the GFR while incurring expenditure from the grants received under MIDH.

Recommendation: The Department may take appropriate steps to follow the extant financial rules and to avoid the system of providing unsecured advances.

(iii) Excess payment to Suppliers/ contractors

An amount of ₹19.07 crore was spent for construction of 472 protected tubular structures including the expenditure for planting materials in an area of 500 sqm. during 2014-19.

Scrutiny of tender documents of 2014-15[22], revealed that the size of the Tubular Structure was to be 500 sqm. per unit. However, the supply orders to the selected suppliers were issued without indicating the size of the tubular structure, though other specifications[23] were indicated. It was also observed from the bills that the size of the tubular structures constructed was only 200 sqm./ unit as against the required size of 500 sqm./ unit. JPV and beneficiary survey of 49 units out of 60 in four selected

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[22] Refer paragraph 5.5.1(i) of quotation

[23] Components required for construction of naturally ventilated tubular structure such as, GI pipe, poly tunnel, fixed open vent, Ultra-violet film poly sheet and the height of the foundation

Districts also confirmed that the area of tubular structure constructed by contractors ranged from 75 sqm. to 200 sqm. only. The details are shown in **Table 3.2.12**.

Table 3.2.12: Details of Tubular Structure constructed.

Sl. No.	Size (Range) of tubular structure	Number of tubular structures
1.	0-100	02
2.	101-150	10
3.	151-200	37
Total		**49**

Source: Departmental records

* *Further details are given in* ***Appendix 3.2.4***

However, contrary to the actual execution of works the contractors were paid for construction of 500 sqm. per unit. As against the actual required area of 2,36,000 sqm., the area covered for construction of 472 protected structures was only 94,400 sqm. This resulted in shortage of 1,41,600 sqm.[24] with corresponding shortage in planting materials. Thus, there was an excess payment of ₹11.44 crore[25] to the contractors[26] for unexecuted item of work including cost of planting materials amounting to ₹2.79 crore.

The Department stated (September 2021) that the rates quoted by the firms ranged between ₹1,523.47 to ₹1,800 per sqm., *i.e.* between ₹7.62 lakh to ₹nine lakh for 500 sqm. However, the maximum admissible rate was only ₹3,04,750 per unit as per the guidelines, which was fixed by the NHM on the basis of rates prevailing in mainland India. The high transportation cost and labour charge also made it impossible to follow the rate.

The reply is not acceptable as the rate fixed for NE and Himalaya States is ₹6.10 lakh[27] per unit of 500 sqm. which was 15 *per cent* above the rate allowed for other states and the rate quoted by the lowest bidders was only ₹3.05 lakh and not as claimed by the Department. Thus, it is evident that the Department submitted incorrect report to GoI, to cover up the excess payment/ short execution. Moreover, the possibility of misappropriation of Government money could not be ruled out.

Recommendation: ***The Department may take necessary steps for fixing responsibility upon the officer concerned for issuing incorrect completion certificates and false reporting to GoI. The Department may also take appropriate steps to recover the excess payment made to the contractors.***

(iv) Un-verifiable projects

As per physical and financial completion reports, out of 472 units (₹19.07 crore) taken up during 2014-19 under Protected Cultivation, 190 units (₹7.68 crore) were constructed in the four selected Districts. Audit conducted JPV (September 2019-

24 472 Nos. * 300 sqm.

25 {₹1,906.80 lakh / (472Nos * 500sqm.)} * 300 sqm. * 472 Nos.

26 M/s Zopar Exports Pvt. Ltd -₹2.76 crore, M/s Sheel Biotech-₹1.96 crore, M/s Saveer biotech Pvt Ltd-₹5.10 crore, M/s Meghastar Agrotech Pvt Ltd-₹1.52 crore, M/s North Bengal Floritech-₹0.80 crore

27 ₹1,219/ sqm.

December 2019) of selected 60 units[28] out of 190 in the selected Districts. The results of JPV are given below:

- Out of 60 units selected for spot verification, the exact location of 11 units[29] constructed at a cost of ₹48.44 lakh prior to 2018-19, could not be located by the Department and therefore the projects were not shown to Audit.
- Beneficiaries of six selected units for the year 2017-18 and 2018-19 reported that they did not receive any planting materials valued at ₹4.71 lakh.

The above observations clearly indicated that these 11 units involving ₹ 0.48 crore was not constructed. An amount of ₹4.71 lakh spent on procurement of planting materials to be provided to six beneficiaries was also mis-utilised.

The Department stated (September 2021) that, DHOs of the concerned Districts have been asked to furnish justification as to why the 11 units could not be verified. The Department also assured that the planting materials would be issued within a week.

R*ecommendations: (i)* ***The above observation is based on JPV and beneficiary survey of 60 units from four districts. State Government should review status of construction of all remaining 412 units and take necessary action to fix responsibilities wherever deficiency is noticed.***

(ii) ***The Department may take necessary steps after fixing the responsibility and also distribute the planting materials at the earliest.***

(v) Idle Poly-houses

The aim of taking up cultivation/ production under protected structure was to enhance the productivity and introduce latest technologies. The structures constructed were expected to be utilised for the continued cultivation of vegetables/ flowers in the following years by the farmers/ beneficiaries.

JPV of the projects revealed that out of 60 units visited, 22 units were kept idle by the farmers, mostly due to want of planting materials and lack of follow up action by the Department.

[28] Kohima-37, Mokokchung-13, Phek-6 and Longleng-4

[29] Kohima – 8, Longleng-2, Phek 1

Mokokchung District

Kohima District

Phek District

While accepting the observation (September 2021), the Department stated that under MIDH, planting materials can be provided only during the first year of establishment, thereafter the beneficiaries are required to take up the cultivation on their own. However, many beneficiaries were reluctant to continue despite best efforts by the Department.

The Department should have educated the targeted beneficiaries about their responsibilities and only those beneficiaries who were willing for the continued utilisation of the units for the intended purpose during subsequent years with their own contribution should have been selected. However, the reply indicates lapses in educating the beneficiaries despite incurring an expenditure of ₹2.85 crore on training during the period, lapses in the selection process and deficient monitoring.

Recommendation: ***(i)*** ***The Department may take appropriate steps to encourage the beneficiaries to utilise the units for the envisaged purpose by educating them or by providing further assistance.***

(ii) ***The Department may take necessary steps after fixing the responsibility for not taking appropriate steps to encourage and educate the beneficiaries so that the constructed structures may be utilised for the purposes for which it was constructed.***

3.2.6 Centre of Excellence

Centre of Excellence (CoE) for Horticulture is an approved component under the scheme which can be established for different Horticulture crops. The CoE serves as demonstration and training centre for latest technologies in horticulture development. The centre also serves as source of planting material for fruits and vegetable seedlings for protected cultivation. The CoE can be established only by public sector for which grant of ₹10 crore maximum is available under MIDH. The CoE can be established either with technology support from Indian Research and Development system or can be established through bilateral cooperation.

The GoI approved (May 2013) establishment of CoE for ₹ five crore at the Departmental farm at Yisemyong, Mokokchung under 2013-14 AAP. The Department established the CoE consisting of 10 nurseries under poly-house for fruits, vegetables and citrus and also consisting of a grading, sorting and cool chamber. Paragraph 4 (e) of GoI sanction order stipulates that assets, permanent or semi-permanent acquired wholly or substantially out of the grant by the GoI shall not without prior approval of GoI, be disposed of, encumbered or utilised for the purposes other than those for which the grant was sanctioned.

Scrutiny of records related to establishment of CoE revealed the following irregularities mentioned at **Paragraph 3.2.6.1**:

3.2.6.1 Irregularities in leasing of CoE to private party

The Department took up establishment of one CoE consisting of 10 nurseries covering an area of 13,200 sqm. poly-houses at Departmental Coffee Demonstration Farm (CDF), Yisemyong, under Mokokchung District at an estimated cost of ₹ five crore under MIDH during 2013-14 consisting of the following components as shown in **Table 3.2.13**.

Table 3.2.13: Details of items taken up under CoE, 2013-14

Sl. No.	Name of the Component	Rate/ Unit	Unit (In sqm.)	Amount (In ₹)
1.	Land development and Site Levelling	LS (lum-sum)		13,46,250
2.	Anthurium Unit	3,495.00/ sqm.	2,000	69,90,000
3.	Rose Unit	2,335.00/ sqm.	2,900	67,71,500
4.	Carnation Unit	2,320.00/ sqm.	800	18,56,000
5.	Cymbidium Unit	3,062.50/ sqm.	1,000	30,62,500
6.	Tomato Unit	2,064.00/ sqm.	500	10,32,000
7.	Cucumber Unit	2,072.50/ sqm.	500	10,36,250
8.	Strawberry Unit	2,460.00/ sqm.	500	12,30,000
9.	Vegetable Unit	2,040.00/ sqm.	500	10,20,000
10.	Citrus mother block	2,332.00/ sqm.	3,000	66,96,000
11.	Passion fruit nursery	3,239.50/ sqm.	1,500	48,59,000
12.	Purchase of planting materials for flowers	LS		13,00,000
13.	Sorting, grading and cool chamber	LS		50,32,000
14.	Maintenance/ replanting works	LS		62,68,500
15.	Purchase of vehicle	15,00,000	1	15,00,000
Grand Total		**--**	**--**	**5,00,00,000**

Source: Data provided by SHM

The work was commenced in October 2014 and completed in February 2016, though the work was to be completed within five months of the issue of work order in October 2014. It was observed that the DHO, Mokokchung submitted (June 2017) a proposal to the Directorate endorsing the application for leasing the CoE to a private Small Nursery[30] as the same could not be maintained by the Department on grounds of limited resources. The proposal was approved (July 2017) by the State Government and the CoE was allotted (July 2017) to the firm for five years without obtaining the approval from the GoI in violation of the conditions contained in paragraph 4(e) of the sanction order. Though the allotment order contained various conditions including proper maintenance of the poly-houses, the order does not contain any clause regarding payment of rent/ lease amount and also the income generated from floriculture plants during setting up of the CoE.

During JPV (October 2019) of the CoE, it was seen that the poly-house was constructed in an area of 11,000 sqm. instead of 13,200 sqm. as per original estimates, leading to shortage of 2,200 sqm. However, the firm M/s Florence Flora Marketing, Bangalore was paid ₹3.46 crore for construction of poly-house in an area of 13,200 sqm. This resulted in excess payment of ₹57.59 lakh[31]. It was also seen that sorting, grading and cool chamber constructed at a cost of ₹50.32 lakh was lying idle.

Leasing out the CoE constructed under MIDH to private firm defeated the purpose establishment of CoE as discussed above. Further, the CoE was leased out free of cost and without obtaining prior approval of GoI.

The Department stated (September 2020) that the poly-houses in the CoE was leased out as these were in a rundown condition and most of the plants were destroyed and the Department did not have the funds to maintain them. The Department also stated that lease amount shall be imposed after discussion with the concerned party when the lockdown is lifted. Regarding shortage of 2,200 sqm. of poly-house the Department stated that this poly-house is still with the Department. The Department also stated (September 2021) that, an amount of ₹4,150 per month has been fixed as the lease amount for CoE and the amount payable by the lessee has now been deposited.

The reply is not acceptable as the CoE was constructed to serve as demonstration and training centre for latest technologies in horticulture development, besides serving as source of planting material for fruits and vegetable seedlings for protected cultivation. Thus, the action of the Department defeated the purpose of setting up the CoE. Further, the contention of the Department that the lease amount shall be imposed after discussion with the concerned party was biased and not acceptable as such rates should be determined before entering into agreements to avoid conflict of interest and litigations.

Recommendation: ***The Department may ensure that assets created from GoI fund is not encumbered without the approval of GoI. It may be ensured that the CoE is utilised for the purposes for which it was set-up.***

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30 M/s Green Cascade, Lenji Dendang, Mokokchung
31 (₹3,45,53,250/ 13,200) * 2,200 sqm.

3.2.6.2 Diversion of funds and infructuous expenditure

The Department proposed establishment of three CoEs at Phek, Tuensang and Dimapur with the objective of creating facilities and infrastructures for producing quality planting materials and crops both under poly-houses as well as open field conditions at an estimated cost of ₹6.50 crore in the AAP for 2015-16. GoI approved the proposal for ₹6.30 crore[32] during 2015-16. Accordingly, the SHM drew ₹five crore (March 2016) in two bills[33] and reported completion of the three Centres in the consolidated Utilisation Certificate submitted (March 2017) to GoI. The Annual Report prepared (August 2017) by the Chartered Accountant (CA) also reported establishment of three CoEs at Phek, Tuensang and Dimapur.

Scrutiny of records revealed that the SHM proposed to set up four Semi-Automatic V-type Vegetable Seedling units at SHN, Dimapur (₹ two crore), Kiruphema, Chendang and Tuli (₹one crore each) to the SLEC in lieu of three CoEs. The proposal was approved by the SLEC (July 2017) and the work was allotted to M/s Saveer Bio-Tech, New Delhi being the lowest bidder in the limited tender at the quoted rate of ₹two crore and ₹one crore per unit respectively. No prior approval was obtained from GoI regarding setting up of four Semi-Automatic V-type Vegetable seedling units in lieu of three CoEs sanctioned. The Department neither conducted any feasibility study for establishment of the Automatic seedling plants nor conducted any awareness campaign after the establishment.

The Department stated (September 2021) that the proposed CoEs could not be established due to various technical difficulties and the same was communicated to GoI. Though proposal for re-appropriation was also sent to the Ministry but no reply was received and therefore approval of the SLEC was obtained to establish Automatic Seedling production units. The reply of the Department is not acceptable as the Department not only unauthorisedly diverted the funds, but also submitted false UC to GoI.

The firm executed the work between July 2017 and March 2018 and the Department paid (July 2017-March 2018) the contractual amount of ₹ five crore. JPV (October 2019 to December 2019) of three units at Dimapur, Kiruphema and Tuli revealed the following:

(a) SHN, Dimapur: The Vegetable Seedling unit consisting of Hi-Tech Greenhouse (200 sqm), Hardening Chamber (450 sqm), Semi-Automatic Seeder Machine and other associated items was inaugurated on 23 January 2018. The unit has a capacity of producing 1.20 lakh[34] to 2.40 lakh[35] vegetable seedling in a cycle of 20 days. However, it was seen during JPV that the project was not fully utilised. Department stated that the plant produced 95,000 seedlings[36] during 2018-19,

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[32] GoI share 90 *per cent* - ₹5.67 crore and GoN share 10 *per cent*- ₹0.63 crore

[33] ₹3.06 crore vide bill No 137 dated 21-03-2016 and ₹1.94 crore vide bill No. 'nil' dated 17-03-2016

[34] Solanaceous/ Cruciferous crops

[35] Cucurbitaceous crops

[36] Tomato- 30,000 seedlings, Chilli- 25,000 seedlings, Brinjal- 40,000 seedlings

thereafter the unit was lying unutilised. It is evident that the Department could utilise less than 10 *per cent* of the capacity of the unit during 2018-19.

Vegetable Seedling unit, SHN – Dimapur (March 2021)

The Department stated, since the V-type seedling production unit is a new concept to the State, the officials are trying to understand the technology. And since the farmers are apprehensive of transplanting the seedlings produced, various demonstration trials are being carried out. The Department also stated that the water quality and the apprehension of the people to accept the new method also affected the unit at SHN. However, the Department assured that the units will be made fully functional once the officials have properly learned the process.

The reply of the Department is an admission of the fact that the projects were taken up without proper feasibility study and addressing the training needs. The Department may take necessary steps to utilise the project by imparting proper training and publicity to avoid idling of the unit constructed.

(b) Unit at Kiruphema, Kohima: The unit consisting of Hi-Tech Greenhouse (150 sqm.), Hardening Chamber (300 sqm.), Semi-Automatic Seeder Machine and other associated items, was constructed in the Departmental farm and handed over to the Department in January 2018. The unit has a capacity to produce 72,000 Solanaceous/ Cruciferous crops to 1,40,000 Cucurbitaceous crop seedlings in a cycle of 20 days. The unit was not functional due to lack of power supply to the farm since its establishment

Semi-Automatic V-type Vegetable Seedling units, Kiruphema, Kohima

It is thus, evident that the Department failed in identifying location having power supply for establishment of such an expensive unit, which led to the idling of the unit.

The Department stated (September 2021) that necessary action has been initiated with the Power Department for connection and power supply to Kiruphema Unit has been done and the unit became functional.

(c) Unit at Tuli: The unit consisting of Hi-Tech Greenhouse (150 sqm.), Hardening Chamber (300 sqm.), Semi-Automatic Seeder Machine and associated items was seen constructed in the Departmental farm (March 2018). The unit has a capacity to produce 72,000 Solanaceous/ Cruciferous crops to 1,40,000 Cucurbitaceous crop seedlings in a cycle of 20 days. The unit was lying idle and remained un-utilised since March 2018.

The DHO stated (November 2019) that the shortage for demand and difficulty in transporting the seedling produced in the unit to distant places are the main reasons for not operating the unit. The reply of the DHO indicated that the implementation of the project was taken up without conducting any feasibility study and proper planning.

Further, the unit at Chendang, Tuensang consisting of Hi-Tech Greenhouse (150 sqm), Hardening Chamber (300 sqm.), Semi-Automatic Seeder Machine and associated items was constructed in the Departmental farm (March 2018). The unit has a capacity to produce 72,000 Solanaceous/ Cruciferous crops to 1,40,000 Cucurbitaceous crop seedlings in a cycle of 20 days as per DPR/ Bills also could not be made operational due to non-installation of transformer by the Power Department at the site.

Thus, lack of proper planning, non-conduct of mandatory field survey, *etc.* led to wasteful expenditure of ₹five crore.

While accepting the Audit observation, the Department stated (September 2021) that necessary action has been initiated with the Power Department for connection. Department may take necessary steps at the earliest to install the transformer in consultation with the Power Department and to make the project operational.

Recommendation: ***The Department may ensure that the fund is utilised for the purposes for which the grant was sanctioned. Steps may also be taken to make all the four units operational for the holistic development of horticulture in the State.***

3.2.7 Special Interventions

Assistance under special interventions would be available under the scheme for taking up innovative interventions not covered under any other GoI Schemes. The maximum permissible cost of the component was 10 *per cent* of the total annual outlay. The amount of assistance per unit of Special Intervention was to be limited to a maximum of 50 *per cent* of the cost. During 2017-18, the SHM made a provision of ₹one crore (Value Chain Analysis of Passion fruit in Wokha and Mokokchung District) and ₹two crore (for revival of floricultural units) under Special Intervention.

Scrutiny of records revealed that there were idling of passion fruit juice concentrate production and processing units and diversion of funds meant for revival of floriculture units, as discussed in the subsequent paragraphs.

3.2.7.1 Idle Passion Fruit Juice Concentrate Production and Processing Units

As per GoI direction, study of Value Chain Analysis of Passion fruit in Wokha and Mokokchung District was conducted (2017-18) by M/s Hindustan Insecticides Limited (HIL), a GoI Enterprise. Accordingly, HIL submitted (January 2018) the report to the Department. Though the Department observed several defects in the report, the Department decided to setup two Passion Fruit Juice Concentrate Production and Processing Units[37] at an estimated cost of ₹one crore. These units were intended to produce value added products such as passion fruit juice concentrate and passion fruit squash which would assure better farmers' income and also avoid market glut at the village level. The Department incurred total expenditure of ₹86.46 lakh (June 2019) for setting up one unit each in Wokha and Mokokchung.

Scrutiny of records revealed that the work for installation of two processing units was awarded to M/s Unique Electronics, Dimapur at the rate of ₹90 lakh. The SHM paid ₹86.46 lakh (June 2019) to the supplier in three instalments. The unit at Wokha was installed in July 2019 and was functioning, however, the unit at Mokokchung was not installed (November 2019). Thus, the farmers were deprived of the opportunity to earn better income by way of producing value added products such as juice concentrates and squash due to non-functioning of the unit. Further, against the admissible cost for two units of ₹50 lakh[38], the firm was paid ₹86.46 lakh which resulted in excess expenditure of ₹36.46 lakh.

While accepting the observation (May 2020), the Department stated that the unit at Yisemyong, Mokokchung was installed in December 2019 after completing procurement of accessories and the trial run and production will commence on lifting of lockdown. However, during the second JPV to the farm at Yisemyong, Mokokchung (March 2021) observed that the unit was still lying idle.

Recommendation: ***The Department may take immediate steps to make the unit at Mokokchung functional in order to enable the farmers in that area to avail intended benefits from the project.***

3.2.7.2 Diversion of funds

The Department approved ₹two crore in AAP 2018-19 for revival of floriculture units that were established in the initial years as those units were in dire need of repair and maintenance and as most of the flower growers were women who were not in a position to maintain the units allotted to them on their own. The Purchase Committee (June 2018), allotted the work of repair and installation of 50 units (10,000 sqm.) of

[37] Departmental warehouse at Wokha and Departmental farm at Yisemyong, Mokokchung
[38] 50 *per cent* of the estimate

poly houses pertaining to four beneficiaries[39] and supply of planting materials to M/s Green Cascade Enterprise, Mokokchung without inviting tender. On the basis of the approval, the SHM issued (June 2018) six work orders to the firm as shown in **Table 3.2.14**.

Table 3.2.14: Details of work order issued under renovation of old floriculture units

Sl. No.	Name of Supplier	Particulars of items for work order issued	Units/ Qty	Rate (in ₹)	Amount (₹ in lakh)
1.	M/s Green Cascade Enterprise, Mokokchung	Repair of poly structure of 200 sqm.	50	1,52,375	76.19
2.		Chrysanthemum planting materials	99,999	35	35.00
3.		Gladiolus planting materials	2,13,000	10	21.30
4.		Carnation planting materials	54,897	50	27.44
5.		Rose planting materials	16,669	115	19.17
6.		Lilium planting materials	69,650	30	20.90
Total					**200.00**

Source: Data provided by SHM

Scrutiny of records *viz.* supply order, bills, *etc.* revealed that the firm repaired 50 Units (10,000 sqm.) of poly-houses and supplied planting materials to the Directorate in November 2018. Accordingly, the SHM released ₹1.80 crore[40] in two instalments (December 2018) against the total bill amount of ₹two crore.

During scrutiny of the completion reports, it was observed that the firm took up repairing of 25,000 sqm. (15,500 sqm. belonging to four private individuals and 9,500 sqm. in six Government Farms[41]), instead of taking up renovation of 10,000 sqm. of poly-houses (₹76.19 lakh) and supply of planting materials valued at ₹1.24 crore as indicated in **Table 3.2.15**.

Table 3.2.15: Details of actual work executed under renovation of old floriculture units

Sl. No.	Name of beneficiary	Address	Poly-house (in sqm.)
1.	Niathu Gardens	New Secretariat Road, Kohima	2,000
2.	Rushulo Kent	4th Mile Dimapur	3,000
3.	Thangi Mannen	Jharnapani, Dimapur	5,000
4.	Akune Putsure	Sovima, Dimapur	5,500
5.	Horticulture Fruit Farm	Tuli, Mokokchung	2,500
6.	Coffee Demonstration Farm	Yisemyong, Mokokchung	2,500
7.	Departmental Horticulture Farm	Mangakhi, Tuensang	1,500
8.	Departmental Horticulture Farm	Chendang, Tuensang	1,000
9.	Departmental Horticulture Farm	Sangphur, Tuensang	1,000
10.	Departmental Regional Progeny Orchard	Longnak, Mokokchung	1,000
Total			**25,000**

Source: Data provided by SHM

It is evident from the above table that the Department drew the funds on the basis of fabricated records and took up unauthorised works, defeating the very purpose for which it was sanctioned. Further, repairing of poly-house at CDF, Yisemyong,

[39] Niathu Gardens (200 sqm), Rushulo Kent (1,200 sqm), Thangi Mannen (4,400 sqm) and Akune Putsure (4,200 sqm)

[40] ₹68.57 lakh for repair of 50 units of poly-houses and ₹1.11 crore for planting materials

[41] Horticulture Fruit Farm, Tuli Mokokchung (2,500 sqm.), CDF Mokokchung (2,500 sqm.), Horticulture Farm (1,500 sqm.) Tuensang, Horticulture Farm (1,000 sqm.) Tuensang, Horticulture Farm (1,000 sqm.) Tuensang, Regional Progeny Orchard (1,000 sqm.) Mokokchung.

Mokokchung for ₹20 lakh was not admissible as it has already been handed over to the lessee and therefore maintenance, if required, should be undertaken by the lessee.

Recommendation: ***The Department may ensure that the fund is spent for the purpose for which it was sanctioned by way of proper monitoring.***

3.2.8 Post Harvest Management (PHM)

Horticultural crops like fruits and vegetables suffer from both qualitative and quantitative losses between harvest and consumption. Paragraph 7.1 of the Guidelines provides for (a) establishment of pre-cooling units, 'on-farm' pack houses, mobile pre-cooling units, staging cold rooms, cold storage units with and without controlled atmosphere capability; and (b) Integrated cold chain system, supply of refrigerated vans, refrigerated containers, primary/ mobile processing units, ripening chambers, evaporative/ low energy cool chambers, preservation units, onion storage units and zero energy cool chambers.

During 2014-20, the Department took up six PHM activities involving an expenditure of ₹31.18 crore. The following were observed in audit.

3.2.8.1 Functional Pack House

Assistance limited to ₹two lakh for a Functional Pack House (FPH) costing ₹four lakh (9m x 6m) was admissible to the beneficiaries. Scrutiny of records revealed that the Department prepared an estimate for FPH measuring 5m x 3.30m instead of 9m x 6m (brick wall with CGI roofing) for ₹two lakh and extended the full amount of assistance of ₹two lakh each to all the selected beneficiaries resulting in overall excess assistance of ₹7.30 crore to 730 beneficiaries.

While admitting the audit observation (September 2021), the Department stated that since the beneficiaries could not or were unwilling to contribute beneficiary share, the Department decided to take up the work with the Government share. The reply indicated that the FPHs constructed were much smaller in size which defeated the purpose of providing a meaningful infrastructure with minimum requirement.

Further, out of 730 beneficiaries in the four selected Districts[42], audit jointly verified/ surveyed (October 2019- April 2021) 78 beneficiaries and observed the following:

(i) Out of 80 pack houses reportedly constructed by 78 beneficiaries, six units[43] were found constructed as per specification. Hence, the diversion of fund could not be ruled out.

(ii) 11 units[44] constructed prior to 2019-20 could not be located and identified. Further, 12 units[45] pertaining to 2019-20 were yet to be constructed. Hence, the possibility of misappropriation of public money could not be ruled out.

[42] Kohima-25, Mokokchung-25, Longleng-13, Phek-15
[43] Kohima-3, Mokokchung -3
[44] Kohima -7, Mokokchung-1, Longleng-1, Phek-2
[45] Kohima -3, Longleng -2, Mokokchung -6, Phek -1

(iii) 30 beneficiaries who were provided assistance of ₹64 lakh for constructing 32 units, stated that they had received only ₹58.32 lakh. This resulted in short receipt of ₹5.68 lakh. Hence, the possibility of misappropriation of public money could not be ruled out.

(iv) In respect of 19 pack houses, bamboo wall was constructed and in 30 cases, CGI sheets wall was constructed instead of brick wall. The actual value of bamboo wall and CGI sheets wall could not be calculated due to insufficient documents/information. Hence, the diversion of fund could not be ruled out.


Pack House at Mokokchung District

Pack House at Phek

Pack House at Longleng

(v) In Kohima District, private residences were shown to audit in place of two pack houses as given below in the photographic evidence.


Pack House at Kohima District

It is evident from the above pictures that the money was diverted and the intended purposes were not fulfilled.

Thus, it is evident that FPH for ₹0.52 crore[46] was either not executed or short executed as mentioned at sub paragraphs (ii) to (iii). The excess/ inadmissible amount provided to beneficiaries mentioned at sub-paragraphs (iv) and (v) could not be

[46] ₹51.68 lakh = sub paragraph (ii) ₹46 lakh + sub paragraph (iii) ₹5.68 lakh

quantified due to lack of information/ data. Moreover, the possibility of diversion of fund/ misappropriation of fund could not be ruled out.

While admitting the audit observations, the Department stated (September 2021) the following:

(i) With regard to non-availability of pack-houses, the Department stated that the respective DHOs were asked to explain the reasons and in case of non-construction, they have been asked to expedite the same.

(ii) With regard to the private residences constructed in lieu of pack houses, the beneficiaries have been asked to explain the reasons and to construct or refund the amount.

(iii) In respect of construction of smaller size pack-houses or with bamboo the Department stated that the beneficiaries resorted to this method as the fund provided was not sufficient.

The reply of the Department is not acceptable as six pack-houses at different locations in Kohima and Mokokchung was properly constructed with ₹two lakh provided and respective DHOs/ SHM had certified completion of the pack-houses as per the approved specification.

Recommendations: ***(i)*** ***The Department may take necessary steps to fix the responsibility for extending excess assistance of ₹7.30 crore for construction of 730 pack houses.***

(ii) ***Audit observation is made on the basis of joint field verification and beneficiary survey of 80 units from four Districts. State Government should review status of Construction of all remaining units and take necessary action to fix responsibilities wherever deficiency is noticed.***

(iii) ***The State Government may contribute the share of the beneficiary wherever beneficiary contribution is dispensed with. The Department may also take steps to complete the remaining works where it is delayed and also fix the responsibility upon the concerned officers in those cases where the FPHs were not constructed as per specification despite issue of completion certificates.***

3.2.8.2 Evaporative Cool Chamber

Financial assistance limited to ₹2.50 lakh (50 *per cent* of the total cost) for an Evaporative Cool Chamber (ECC) costing ₹five lakh was admissible as Government share to the beneficiaries as per the guidelines. The remaining ₹2.50 lakh (50 *per cent*) was to be borne by the beneficiary. The year wise target and achievement for 2014-20 are shown in **Table 3.2.16.**

Table 3.2.16: Target and achievement under ECC

Year	Physical (unit)		Financial (₹in lakh)	
	Target	Achievement	Target	Achievement
2014-15	66	0	165.00	0.00
2015-16	20	10	50.00	25.00
2016-17	50	11	125.00	27.50
2017-18	210	210	525.00	525.00
2018-19	100	100	250.00	250.00
2019-20	0	0	0	0
Total	**446**	**331**	**1,115.00**	**827.50**

Source: Data provided by SHM

Scrutiny of records revealed that the Department prepared estimates for ₹2.50 lakh and provided the full amount at the rate of ₹2.50 lakh to the beneficiaries instead of the admissible amount of ₹1.25 lakh (50 *per cent*), which led to an inadmissible assistance of ₹4.14 crore during 2014-19. Out of 331 ECCs constructed during the period, Audit examined records of 113 ECCs constructed at a total cost of ₹2.83 crore in four selected Districts followed by JPV of 34 ECCs. JPV revealed the following:

(i) Out of 34 ECCs, 28 ECCs were constructed as per specification.

(ii) Remaining six ECCs were not found constructed, though the SHM reported completion of the same. This resulted in payment of ₹15 lakh against unexecuted works.

The Department stated (September 2021) that, since the beneficiaries were not able/ unwilling to contribute their share, the Department was compelled to construct the unit with the Government share and the farmers share was realised in the form of land cost, *etc.* In respect of non-construction of six ECCs, the Department stated that clarification will be sought from the DHOs concerned.

Recommendations: (i) Audit observation is formed on the basis of JPV and beneficiary survey of 34 beneficiaries in four districts. State Government should review status of construction of all remaining 297 units and take necessary action to fix responsibilities wherever deficiency is noticed.

(ii) The State Government may contribute the share of the beneficiary wherever beneficiary contribution is dispensed with and construct ECCs in the required specification. The Department may also fix responsibility upon the concerned officer in respect of those units against which completion certificate was issued without actual construction.

3.2.8.3 Integrated Pack-House

Financial assistance of ₹25 lakh (50 *per cent* of the total cost) was available for establishment of Integrated Pack House (IPH) with facilities for conveyer belt, sorting, grading units, washing, drying and weighing. The Department allocated establishment of one IPH in CDF, Yisemyong for ₹25 lakh in AAP 2017-18. The fund was released in May 2017 (1st Instalment of 2017-18) and the contractor was paid ₹25 lakh (August 2019). As per the UC submitted to the Ministry (June 2018), the Department had completed setting up of the IPH.

JPV (November 2019) of the CDF revealed completion of the building, but the Passion Fruit Juice Concentrate Production and Processing Unit, mentioned at **Paragraph 3.2.7.1**, was not installed and made functional. Setting up of IPH in CDF was not a priority as the entire facilities at the CDF had already been leased to a private party as discussed in **Paragraph 3.2.6.1**.

While accepting the audit observation the Department stated (May 2020) that the associated items have been installed and the unit is functional now. During the second visit (March 2021) audit observed that both the installed Passion Fruit Juice Concentrate Production and Processing Unit and IPH remained non-functional.

Thus, the intended benefits of setting up of IPH and the Passion Fruit Juice Concentrate Production and Processing Unit did not reach the intended beneficiaries even after two years of establishment.

Recommendation: ***The Department may take necessary steps to make the IPH and the production unit functional at the earliest so that the farmers can get additional financial benefits from value added products.***

3.2.8.4 Low Cost Preservation Units

Financial assistance of ₹one lakh (50 *per cent* of the total cost) was available for setting up of Low Cost Preservation Unit (LCPU) with facilities for home-scale preservation of fruits and vegetables like squash making, juice making *etc*. LCPU was intended to generate employment where the target groups are unemployed youths, women and SHGs.

The Department supplied 544 LCPUs consisting of fruits and vegetable drier, Mixer/ Juicer/ Fruit pulp extractor, Utensils, Containers *etc.* to 544 beneficiaries for ₹5.44 crore during 2014-20. Out of 544 LCPUs, 202 units[47] (₹2.02 crore) were supplied to the beneficiaries in the four selected districts.

Scrutiny of records and field visits of 61 beneficiaries provided assistance (₹0.61 crore) under LCPU in four selected Districts revealed that 11 beneficiaries (₹0.11 crore) to whom LCPUs were reported to have been provided during 2014-19 could not be identified and located.

The Department stated (September 2021) that the concerned DHOs and SDHOs were asked to clarify the matter.

Recommendations: (i) ***Audit observation is made on the basis of JPV and beneficiary survey of 61 beneficiaries in four Districts. State Government should review status of supply of all***

[47] Kohima-65, Mokokchung-53, Longleng-38 and Phek-46

remaining 483 LCPUs and take necessary action to fix responsibilities wherever deficiency is noticed.

(ii) ***The Department may take appropriate action against the DHOs/ SDHOs after fixing the responsibility for false reporting.***

3.2.8.5 Cold Chain Sector

As per Paragraph 7.4.7 of MIDH guidelines, assistance would be available for setting up of new cold storage infrastructure for multi-chamber cold storage units with technologies which are energy efficient with provision for thermal insulation, humidity control, advanced cooling systems, automation, *etc.* Credit linked back-ended subsidy @ 35 *per cent* of the cost of project in general areas and 50 *per cent* of cost in case Hilly and Scheduled areas, per beneficiary where the maximum cost of the project is limited to ₹six crore.

The SHM did not initiate setting up of major Cold Chain infrastructure under the scheme, though this sector has the potential to contribute substantially in the field of employment generation besides augmenting farmers' income by proper preservation of perishable items. The Department stated that in this sector, two reefer vans have been leased to two agencies/firms for transportation of perishable fruits and vegetables as part of Department's initiative to generate employment.

Scrutiny of records revealed that the Department purchased one Refrigerated Transport Vehicle (RTV) for ₹11.56 lakh during 2016-17 meant for DHO, Mokokchung. The DHO, however, stated that the said vehicle was not received by them (November 2019).

The Department stated (May 2020) that, it did not initiate setting up of major Cold Chain infrastructures under the scheme because of the fact that all the components under the cold storage were Credit linked back ended subsidy @ 50 *per cent* of the project cost per beneficiary. The banks are hesitant to provide loans due to lack of collateral, non-applicability of transfer of Property Act in the State and poor recovery rate. Regarding non-procurement of RTV, the Department stated that the initial proposal was to procure RTV, however, as the rate quoted by the firms were high and the villagers apprehension about the maintenance cost, it was decided to purchase two pick up vans as proposed by the villagers. Accordingly, with the approval of SLEC, two pick-up vans were purchased and one was given to Longkhum Village in Mokokchung and the other is with the Department. The action of the Department defeated the purpose for which the fund was sanctioned.

The reply of the Department is a confirmation of false reporting. Moreover, the action of the Department also defeated the very purpose of preservation of perishable items during transportation which could contribute towards generation of enhanced income.

It is also evident from audit observation in preceding paragraphs that the initiatives taken by the SHM under post-harvest management has not made any substantial contribution towards employment generation.

Recommendation: ***The Department may take necessary steps to invest substantially in Cold Chain sector by provisioning/ obtaining funds through AAPs to enable the farmers to preserve the perishable fruit/ vegetables before/ during transportation to the potential buyers/ markets.***

3.2.9 Internal Audit

Internal Audit is an important part for ensuring proper monitoring of schemes/ programmes. This also provides assurances to higher management about the functioning of the Department. The SHM stated that an internal audit was conducted by the Directorate of Treasuries and Accounts, but the copies of the audit reports along with the remedial actions taken by the Department was not provided to Audit. The Department also engaged a CA for preparation of Annual Accounts of the Scheme. It was observed that the accounts considered only the receipt and expenditure from GoI. Further, the accounts prepared by the CA also did not contain proper disclosures indicating the funds available with SHM, bank reconciliation statement and details of bank accounts making the Annual Accounts defective.

3.2.10 Monitoring and Evaluation

Monitoring of programmes/ schemes provide assurance that the organisation's objectives are achieved. As per MIDH Guidelines, Monitoring Missions, comprising of experts would be sent to States from time to time by National Mission, which will be organised through the TSG. The State Governments were also mandated to conduct evaluation studies on project basis under State level TSG component. State Missions can also set up State level TSG on the pattern of National level TSG for project formulation, appraisal and concurrent monitoring. The SHM also needs to furnish monthly progress through web.

It was observed that monthly progress reports were regularly uploaded in the web enabled progress monitoring system. The Department reported that monitoring of schemes/ projects by district level officers were carried out regularly through field verification. The SHM also stated that joint periodical inspections were conducted by the team members consisting of the Ministry of Agriculture and Farmers Welfare/ National Mission. However, audit observed that reports of inspection conducted by the National, State and District level officers indicating deficiencies noticed and further actions to be taken were either not prepared or not available on record. This indicates that the entire monitoring process was deficient.

Because of lack of proper monitoring as stated above, several lapses such as delay in implementation, short execution, short payments, missing infrastructure, idling of projects, *etc.* as discussed in **Paragraphs 3.2.5.1 to 3.2.8.5** above. The Department may take appropriate steps for formation of TSG, activation of DMC and evolve a proper monitoring system for the proper implementation of the scheme.

3.2.11 Impact assessment

Impact Assessment is a means of measuring the effectiveness of organisational activities and judging the significance of changes brought about by those activities. Being able to assess and articulate impact is a powerful means of communicating, internally and externally, the contribution of activities to the society. Impact is seen as the positive and negative, intended or unintended long-term results produced through implementation of the scheme. Impact should be seen as the contribution of the intervention to the overall goal.

MIDH aims to increase the area of cultivation and diversification of products to enhance the horticulture production. MIDH also aims to increase the employment and enhance per capita income of the farmers through horticultural activities. The Department did not conduct any impact assessment during 2014-20 to ascertain the impact of implementation of MIDH.

The impact of all the schemes implemented in Horticultural sector *w.r.t.* area under production, production and productivity for the period 2014-15 to 2019-20 as per Horticulture statistics for various crops are given in **Table 3.2.17**.

Table 3.2.17: Statement of area coverage and production during 2014-15 to 2019-20

Area in '000 Ha, Production in '000 MT, Productivity MT/Ha

Year	Fruits				Vegetables				Spices				Flowers			
	Area	Prod-uction	Productivity		Area	Produ-ction	Productivity		Area	Produ-ction	Productivity		Area	Produ-ction	Productivity	
			State	All India			State	All India			State	All India			State	All India
2014-15	40.56	411.00	10.13	14.17	38.55	492.37	12.77	17.76	9.77	39.16	4.01	1.84	0.01	0.00	0.00	3.46
2015-16	37.05	374.13	10.10	14.31	43.53	494.61	11.36	16.73	15.00	119.25	7.95	2.01	0.07	1.48	21.14	3.52
2016-17	39.19	388.49	9.91	14.58	47.17	564.62	11.97	17.40	15.69	105.00	6.69	2.21	0.05	0.02	0.40	3.47
2017-18	39.50	380.52	9.63	14.96	46.21	561.61	12.15	17.97	9.90	64.8	6.55	2.09	0.10	0.00	0.00	3.49
2018-19	33.94	315.34	9.29	14.83	41.11	455.87	11.09	18.40	9.96	58.79	5.90	2.37	0.04	24.40	610	9.16
2019-20	33.69	315.62	9.37	14.87	40.71	452.32	11.11	18.52	11.39	44.24	3.88	2.46	0.04	24.40	610	10.06

Source Horticulture Statistics at a glance 2018 MoA&FW and Statistical data of NHB,GoI

It would be seen from the above table that despite spending ₹164.33 crore during the period, area, production and productivity has decreased over the years, except in case of Spices and Flowers where there was marginal increase.

In view of the above, it is evident that the implementation of the Scheme had not substantially contributed to the enhancement of production/ productivity of any of the items and there by not contributing substantially for augmenting the farmers' income. However, no conclusion could be drawn regarding employment generation as no data was available in this regard.

Recommendation: ***The Department may take necessary steps for conducting impact assessment of MIDH at the earliest.***

3.2.12 Conclusion

Though the State Government incurred an expenditure of ₹164.33 crore on MIDH during 2014-20, the implementation of the Scheme had not substantially contributed to the enhancement of area, production and productivity of any of the Horticultural crops.

The Perspective Plan and Annual Action Plans were prepared without inputs of base-line survey, District-wise sub-plans and seed/ planting material sub-plan were not prepared as envisaged in the mission objectives.

Assets created under the Scheme were not effectively utilised or not utilised at all by the stake holders. Diversion of scheme funds was noticed in sub-components of the scheme. Centre of Excellence constructed at the cost of ₹five crore was leased out to a private individual. Planting materials for ₹14.72 crore were procured from non-accredited nurseries/ local suppliers. Instances of excess payment of ₹13.56 crore without actual execution of works were noticed. Inadmissible advance payment of ₹10.62 crore was made to suppliers. Inadmissible assistance of ₹12.67 crore was extended to beneficiaries under Post Harvest Management.

3.2.13 Recommendations

The State Government may-

- ***prepare the Perspective Plans and Annual Action Plans after conducting base-line surveys and by consolidating District-wise sub-plans.***
- ***take appropriate steps wherever the cases were noticed :***

  diversion of project fund for other purposes; non-verifiable nurseries; leasing out the firm without the consent of the Department; short-execution of - missing & hardening chambers and tubular structure; short distribution of planting materials; non-disbursement of maintenance allowance; issuance of incorrect completion certificate along with the false reporting to GoI; excess payments & short supply; payments made without actual execution of works and extending excess assistance for construction of pack houses,

  and fix the responsibility on the above cases.
- ***strengthen financial management and proper analysis of financial data should be carried out to avoid discrepancies in various financial documents.***
- ***streamline the procurement process to safeguard the financial interest of the State Government by following extant financial rules.***
- ***introduce effective monitoring system to avoid non/ short-execution of works/ projects, short distribution of planting materials, etc.***

Compliance Audit Paragraph

PLANNING AND COORDINATION DEPARTMENT

3.3 Ministry of Development of North Eastern Region funded Non-Lapsable Central Pool of Resources Projects in Nagaland

The Non Lapsable Central Pool of Resources (NLCPR) Scheme came into existence in 1998 under the then Planning Commission. Subsequently, it was transferred to the Ministry of Development of North Eastern Region (MDoNER) in 2001. The objective of NLCPR Scheme was to fill up the gap in infrastructure sector of the North Eastern Region[48] (NER) through sanctioning the projects prioritised by the State Governments. Both physical and social infrastructure sectors such as Irrigation and Flood Control, Power, Roads and Bridges, Education, Health, Water Supply and Sanitation, *etc.* were considered for providing support under the Central Pool. However, priorities were accorded for projects under physical infrastructure sector.

3.3.1 Organisational set up

'NLCPR Committee' headed by the Chairman (Secretary, MDoNER) administers the NLCPR Scheme. The Committee, *inter alia*, assesses projects proposed by the States under NLCPR in terms of viability and tangible socio-economic impact, recommends allocation of funds for projects and submits recommendations to the Union Minister, MDoNER on various aspects of NLCPR projects. State Level Empowered Committee[49] (SLEC) chaired by Chief Secretary (CS) recommends projects for retention/ sanction and scrutinises the techno-economic aspects of the DPRs which are prioritised. The CS is assisted by 11 members[50] from different Departments of the State Government and MDoNER. The Planning and Coordination Department (PCD), Government of Nagaland (GoN) is the Nodal Department for implementation of NLCPR funded projects in the State. At the implementing stage, the line departments are responsible for execution of the schemes/projects within their departments.

3.3.2 Scope of Audit

The Compliance Audit (CA) was conducted for the period from 2015-16 to 2019-20 covering four projects (₹61.20 crore) out of nine projects (₹134.27 crore) approved by MDoNER during 2015-20 based on the percentage of financial and physical progress.

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[48] North Eastern Region (NER) comprises of eight States *viz.* Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura

[49] Constituted (June 2016) by the State Government pursuant to the Guidelines for administration of NLCPR Scheme, 2016

[50] (1) Joint Secretary, In-charge of NLCPR, MDoNER; (2) Financial Adviser, MDoNER; (3) Additional Chief Secretary & Development Commissioner, Planning & Coordination Department; (4) Finance Commissioner, Finance Department; (5) Agriculture Production Commissioner, Agriculture Department; (6) Commissioner & Secretary, Planning & Coordination Department; (7) Commissioner & Secretary, Works and Housing Department; (8) Commissioner & Secretary, Health and Family Welfare Department; (9) Commissioner & Secretary, School Education Department; (10) Secretary, Power Department; and (11) Additional Development Commissioner, Planning & Coordination Department

The remaining five projects were not considered for selection as the financial and physical progresses were negligible[51]. The four selected projects covered four different districts including one district from Eastern Nagaland. Details of the selected projects are given in ***Appendix-3.3.1***.

Audit examined the records of three implementing departments in respect of four selected projects during October 2020 to January 2021. However, one project[52] implemented by the Public Works Department (Roads & Bridges) could not be taken up as the documents were seized (August 2020) by the State Lokayukta[53] for investigation.

Audit Findings

3.3.3 Deficiencies in assessment of infrastructural needs and planning of projects

Deficiencies in the preparation of concept notes of NLCPR/ North Eastern Council (NEC) funded projects was highlighted in Paragraph 2.6.8.1 of the Comptroller and Auditor General of India (C&AG) Audit Report, GoN, for the year ended 31 March 2013. The Public Accounts Committee (PAC) has recommended in its 120th Report that the implementing Department to improve the concept notes in justifying the need for the roads and to submit the Action Taken Note (ATN) to the PAC within two months from the date of presentation (13-08-2020) of the Report in the Legislature. However, ATN was yet to be submitted (May 2022). Moreover, the implementing departments did not take corrective measures to improve the quality of concept notes as recommended by the PAC and as such the deficiencies pointed out in the previous Audit Report continue to occur as discussed below.

Scrutiny of records revealed that 32 projects (₹1,154.98 crore) were included in the State priority list[54] of projects for the year 2015-17. Test-check of Concept Notes of 14 projects included in priority list of 2016-17 revealed that there was no Geo-tagging, detailed analysis of existing facilities (gap analysis) in the sector or full justification for retention of the particular project.

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51 GoI released 1st installment of its share in four projects and a token amount of ₹10 lakh (part payment of 1st installment) in one project

52 Upgradation of road from Aizuto Mission Centre to Shena Old Saptiqa EAC HQ via Atoizu and Tulo river including one bridge (25m span)-45 km (retained for 23 km. only)

53 Case no. A-NLP-20/2020; Complaint against payment without execution of works under PWD (Roads and Bridges) based on Paragraph 2.8 of the C&AG Audit Report for the year ending 31 March 2018; Under investigation (September 2021)

54 Revised NLCPR Scheme Guidelines (2016) stipulates for preparation of shelf of projects/ Priority List and submit it along with a comprehensive concept note, including Geo-tagging, scope of work with cost, infrastructure gaps analysis, likely benefits and outcomes spelling out the techno-economic viability of the project by the State Government. Further, linkages with existing schemes were required to be brought out for gaps analysis and to avoid duplication

Out of 32 projects (₹1,154.98 crore) proposed by GoN, 10 projects (₹395.99 crore) were retained[55] by MDoNER for further techno-economic examination. Of the remaining 22 projects, three projects (2015-16) were re-prioritised in the year 2016-17. The reasons for rejection of the remaining 19 projects are detailed in **Table 3.3.1**

Table 3.3.1: Reasons for non-retention of projects

Sl. No.	No. of projects	Reasons for rejection
1.	2	Road projects were not a new construction
2.	2	Other District Road (ODR) was covered[56] under the *Pradhan Mantri Gram Sadak Yojana* (PMGSY) scheme
3.	1	Road project was a case of construction of road at multiple locations
4.	3	Road projects were not considered as the State has already exceeded their entitlement (2016-17)
5.	11	Reasons for rejection were not available on records.

Source: Records furnished by Planning and Coordination Department, GoN

The year-wise number of projects included in the priority lists, number of projects retained and sanctioned is shown in **Table 3.3.2.**

Table 3.3.2: Year-wise State priority lists, retention and sanction of projects

(₹ in crore)

Year	Projects sent in Priority list		Projects retained from Priority list		Projects sanctioned by MDoNER		Remarks
	No.	Estimated cost	No.	Estimated cost	No.	Approved cost	
2015-16	14	255.49	3	71.27	3	51.80	--
2016-17	18	899.49	7	324.72	5	162.12	Latest priority list submitted by GoN before discontinuation[57] of the Scheme.
Total	**32**	**1,154.98**	**10**	**395.99**	**8**	**213.92**	**--**

Source: Compiled from information furnished by the Planning and Coordination Department, GoN

MDoNER sanctioned eight projects (₹213.92 crore) from the priority list of 2015-17 and one project[58] (₹36.12 crore) prioritised by the State prior to 2015-16 was also

[55] As per revised NLCPR Scheme Guidelines (2016), for retaining projects, the State Government was required to make a presentation before the inter-ministerial Committee of NLCPR, who would then make appropriate recommendation about retention/ non-retention on the merits of the projects. The State Government was required to prepare DPRs for the retained projects intimated by MDoNER and place it before the SLEC, which will scrutinise the techno-economic aspects of the DPRs and recommend its sanction. After receipt of recommendation(s) of the SLEC by MDoNER, the matter would be placed before NLCPR Committee in consultation with Integrated Finance Division, for sanction and release of funds to the State Government. Any work done prior to sanction of the project were not to be funded by MDoNER. (As per NLCPR Guidelines 2009, DPRs of the retained projects received from the State Government would be examined from technical and economic angle by the Technical Wing of the Ministry/ Central Ministries concerned/ Central Public Sector Undertaking)

[56] It was decided in the 144th Meeting of NLCPR Committee (30-08-2016) that in the case of road sector, only those road projects should be taken up under the NLCPR scheme which connect the National Highways and settlements not covered under PMGSY. The Committee recommended that new construction of roads beyond ODR level be supported under the Scheme

[57] NLCPR Scheme discontinued after introduction of Central Sector Scheme in December 2017 namely, "North East Special Infrastructure Development Scheme" (NESIDS) therefore, no new project was taken up by MDoNER thereafter

sanctioned during 2015-20. Thus, nine projects with a total estimated cost of ₹250.04 crore were sanctioned by MDoNER during 2015-20.

The NLCPR Committee recommended two projects (₹48.85 crore), which was not sanctioned by MDoNER (March 2020) as summarised in **Table 3.3.3**

Table 3.3.3: Reasons for non-sanctioning of two retained projects by MDoNER

Sl. No.	Name of project	Audit Observation	Reply of Government/ Department
1.	Solid Waste Disposal Site at Dzurouzou-Medi, Kohima	The SLEC recommended (November 2017) the DPR submitted (September 2017) by the Municipal Affairs Department, GoN for ₹20 crore. NLCPR Committee recommended (November 2017) the project for sanction at a cost of ₹20.00 crore, subject to comments from the Ministry of Housing and Urban Affairs (MoHUA). MoHUA observed (November 2017) that projects (₹92.17 crore) for SWM and Septage Management have already been provided at Kohima under the Asian Development Bank (ADB) funded North Eastern Region Urban Development Program to cater to the needs of solid waste management till 2048. Therefore, the proposed project under NLCPR is duplication[59] and hence, will not serve any additional purpose.	The Department in reply stated (January 2021) that the proposed dumping site is located at Dzurouzou-Medi on the extreme northern part of Kohima town, whereas the ADB funded dumping site is located at Lerie on the extreme southern part of the Town. The present SWM site at Lerie is unable to cater to the demands of the Town and the dumping site at Dzurouzou-Medi is used for dumping almost all the waste of the Town.
2.	Construction of two-lane road from ICAR Jharnapani to Sainik School Punglwa-17 KM (upto WBM & Bituminous works)	DPR of the retained (August 2012) project submitted (September 2012) by GoN was not accepted (October 2012) by MDoNER as the scope of works in the DPR differ from the scope of works for which it was retained by NLCPR Committee. GoN submitted revised DPR (March 2013) for ₹26.78 crore which was recommended (August 2016) by the NLCPR Committee for sanction. However, before issuance of Administrative sanction by MDoNER, the Ministry observed that part of the road has already been constructed. GoN re-prioritised the project (2016-17) and submitted (March 2017) revised estimate (₹ 28.85 crore) for 13 Km. NLCPR Committee recommended (May 2017) that realistic and factual estimates should be prepared based on joint inspection (June 2017) conducted by a team of Engineers from MDoNER and GoN, and also advised (November 2017) GoN to fast track the finalisation of the revised DPR and submit the recommendations of SLEC on or before 23 November 2017 to enable the Committee to take a final view by the end of November 2017. The revised DPR was not submitted to MDoNER within the timeline.	In reply, the Department accepted the facts and stated (January 2021) that in view of the bad road condition of this very important road, the work was executed in anticipation of sanction since it had already been included in the recommended list of projects under NLCPR. However, contrary to the directives of MDoNER, the revised DPR could be submitted only during December 2017 and the same was not sanctioned.

Source: Departmental records

[58] Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District- ₹36.12 crore which was prioritised by the State prior to 2015-16 but sanctioned by MDoNER on February 2016

[59] The SLEC recommendation must be accompanied with all regulatory and statutory clearances like forest and environment, land acquisition, non-duplication certificate, availability of stone quarry, *etc.*

3.3.4 Financial Management

3.3.4.1 Receipt and Utilisation of funds

Funding of projects under NLCPR scheme is on 90:10 sharing pattern between Central (MDoNER) and State Governments. The approved funds under the scheme were released in three instalments in the ratio of 40:40:20 for the projects sanctioned prior to the revised guidelines 2016.

The NLCPR guidelines 2016 reduced the number of instalments for release of funds to two *i.e.* 40 and 60 *per cent*. A token amount of ₹10 lakh is released on sanction of project with balance to be released on receipt of a copy of work order. The 2nd instalment of 60 *per cent* is subject to release and utilisation of full State share and the physical progress is not less than 50 *per cent.*

Scrutiny of records revealed that against the total approved cost (₹250.04 crore) of nine projects, MDoNER released ₹120.84 crore to GoN for the nine projects during 2015-20. The overall financial progress of the projects taken up under NLCPR as of March 2020 is shown in **Table 3.3.4**.

Table 3.3.4: Details of funds received and expenditure (March 2020)

(₹ in crore)

Year	No of projects approved	Total approved cost	Total tendered cost	Funds released by MDoNER to GoN	Funds to be released by the Finance Department, GoN (including GoN share) against MDoNER release	Funds released by Finance Department, GoN to implementing departments			Expenditure incurred by implementing departments
						MDoNER share	GoN share	Total	
2015-16	3	65.59	65.19	23.61	26.23	10.61	0.62	11.23	11.23
2016-17	0	0.00	0.00	23.33	25.92	30.84	2.00	32.84	32.84
2017-18	6	184.45	184.44	11.06	12.29	16.25	1.78	18.03	18.03
2018-19	0	0.00	0.00	46.00	51.11	41.59	0.58	42.17	42.17
2019-20	0	0.00	0.00	16.84	18.71	14.60	17.47	32.07	30.00
Total	**9**	**250.04**	**249.63**	**120.84**	**134.26**	**113.89**	**22.45**	**136.34**	**134.27**

Source: Compiled from information furnished by the implementing departments (GoI share limited to 90 per cent of tendered cost. Figures inclusive of departmental charges and work contract tax deducted at source by Finance Department, GoN)

As can be seen from the above table, GoN was required to release ₹134.26 crore (MDoNER share ₹120.84 crore and GoN share ₹13.42 crore) for implementation of NLCPR projects. Against this, GoN released ₹136.34 crore (MDoNER share ₹113.89 crore and GoN share ₹22.45 crore[60]) which was in excess of the actual State share required to be released during 2015-20. However, against MDoNER share released of ₹120.84 crore, GoN released only ₹113.89 crore resulting in short release of ₹6.95 crore. The State Government also did not contribute its share of ₹0.50 crore against one project[61].

[60] This is attributed to release of State share of ₹10.30 crore against five projects in advance as per the Scheme guidelines

[61] Development of Ziekezou Sports Complex, Kohima

Non-release of funds was against the basic principle of scheme guidelines which was indicative of State Government's lack of commitment towards timely execution of NLCPR funded projects.

The State Government did not offer any comment (August 2021).

3.3.4.2 Delay in release of funds to implementing departments

Delay in release of funds to the implementing departments on NLCPR/ NEC funded projects was highlighted in Paragraph 2.6.10.4 of the C&AG Audit Report, GoN, for the year ended 31 March 2013. The PAC has observed that PCD had delayed the release of funds to the implementing agency and recommended (120th Report) the implementing Department to take immediate steps to approach the Government for early release of funds in future.

The ATN was to be submitted to the PAC within two months from the date of presentation (13-08-2020) of the Report in the Legislature. However, ATN was yet to be submitted (May 2022). The PCD and implementing departments did not take corrective measures for early release of funds as recommended by the PAC and as such the deficiencies pointed out in the previous Audit Report continue to occur as discussed below.

Scrutiny of records of three test-checked projects revealed that there were delays in transfer of Central funds ranging from 120 to 568 days by the State Government to the implementing departments in contravention to the NLCPR guidelines[62] as shown in **Table 3.3.5**.

Table 3.3.5: Details of delays in release of funds to the implementing departments

(₹ in crore)

Sl. No.	Name of Project	Release of fund by MDoNER to GoN		Fund released by GoN to implementing departments		Delay in transfer of funds (in days)
		Date	Amount	Date	Amount	
1.	Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District	25-02-2016	13.00	19-07-2016	*14.45	130
		16-09-2016	12.80	15-03-2017	12.80	165
2.	Providing Water Supply by gravity to Mon village and four neighbouring villages in Mon District	02-11-2015	5.57	16-03-2016	*6.19	120
		21-12-2016	5.49	07-09-2017	5.49	245
		30-08-2018	2.76	26-03-2019	2.76	178
3.	Development of Ziekezou Sports Complex, Kohima	21-11-2017	0.10	12-07-2019	4.50	568
		27-07-2018	4.40			320
		30-12-2019	6.75	--	0.00	Not yet released (August 2021)
Grand Total			**50.87**	**--**	**46.19**	**--**

*Source: Records of the projects implementing departments. (*amount is inclusive of State share where State Government released its matching share along with the Central fund)*

The reasons for inordinate delay in release of funds (320 to 568 days) for the project at Sl. No. 3 were attributable to delays at various levels *i.e.* Implementing Department

[62] Paragraph 8.6 of the NLCPR Guidelines, 2009 stipulated that funds must be transmitted to the implementing agency by the State Government within 15 days (revised to one month in April 2016) from the date of release of funds from GoI and a certificate to that effect was required to be sent to MDoNER by the State Planning Department

did not submit proposals on time, delays from the PCD and the State Finance Department as shown in **Table 3.3.6**.

Table 3.3.6: Delay in processing at various levels for releases of funds

Sl. No.	Particulars	Date	Delay (in days)	
			For ₹0.10 crore	For ₹4.40 crore
1.	Release of funds by MDoNER:		--	--
	₹0.10 crore	21-11-2017		
	₹4.40 crore	27-07-2018		
2.	Submission of proposal by implementing Department for placement of fund	15-10-2018	298	50
3.	Clearance of Planning & Coordination Department	08-02-2019	414	166
4.	Placement of fund by State Finance Department	25-04-2019	490	242
5.	Date of submission of proposal by implementing Department for expenditure sanction and drawal authority	06-06-2019	532	284
6.	Expenditure sanction by State Finance Department	12-07-2019	568	320
Sl. No. 6 minus Sl. No. 2			**270**	**270**

Source: Departmental records

As can be seen from the above table, it took 270 days (nine months) to issue expenditure sanction by the Finance Department from the date of submission of proposal for placement of fund, in contravention to the NLCPR guidelines.

The delays in release of funds to the implementing departments impacted the progress of work and timely completion of projects thereby leading to resultant delays of four to 29 months in two selected projects which deprived timely delivery of the intended benefits of the projects ***(Appendix 3.3.1).***

The State Government accepted the facts (June 2021).

3.3.4.3 Submission of false Utilisation Certificates

NLCPR Guidelines (2009, 2016) stipulated that funds released by the GoI must be utilised within a period of 12 months from the date of release. Utilisation Certificates (UCs) shall be submitted in the prescribed proforma only when the expenditure on the project has been incurred by the implementing agency. UCs along with physical and financial progress report should be duly signed by the Secretary of the implementing Department and countersigned by the Planning Secretary of the State Government.

Scrutiny of records of three test-checked projects revealed that seven UCs involving ₹45.68 crore implemented by three departments[63] were submitted to MDoNER. It was observed that only ₹44.43 crore was actually released by the State Government. The Nodal Department also submitted (December 2019) UC for ₹1.25 crore (GoN share) even before the fund was released by the State Government. Out of the amount of ₹44.43 crore released, the implementing departments utilised ₹21.44 crore during the year 2015-20. However, the implementing departments submitted UCs for ₹22.99 crore without actual utilisation ***(Appendix-3.3.2)***. This resulted in false reporting of the actual expenditure by ₹24.24 crore[64].

[63] Public Works Department (Roads & Bridges), Public Health Engineering Department and Youth Resources & Sports Department

[64] ₹1.25 crore + ₹22.99 crore

Submission of incorrect UCs was in contravention to NLCPR guidelines and tantamount to misleading MDoNER with the ulterior motive of obtaining subsequent installments.

In reply, the PCD stated (July 2021) that UCs along with other progress reports were forwarded to MDoNER as and when implementing department submits report of utilisation duly authenticated by competent authority from their end.

The reply is not acceptable as the authenticity of UCs submitted to MDoNER was confirmed by the Planning Secretary[65] of the State Government.

Recommendation: ***The State Government may fix responsibility of the officials responsible for submission of false UCs to MDoNER.***

3.3.4.4 Inadmissible expenditure, Irregular deduction of VAT/WCT and Departmental Charges

Irregular deduction of ₹7.83 crore at source towards "Departmental Charges" from the funds allocated out of NEC/ NLCPR funded projects was highlighted in Paragraph 2.6.10.3. of the C&AG Audit Report-GoN, for the year ended 31 March 2013.

The ATN was to be submitted to the PAC within two months from the date of presentation of the Report in the Legislature. However, ATN was yet to be submitted (May 2022). The Finance Department did not take corrective action and continued to deduct Departmental Charges as discussed below.

Scrutiny of records of three test-checked projects revealed that the Finance Department, GoN deducted ₹1.03 crore as Work Contract Tax[66] (WCT) at the time of drawal of funds in two test-checked projects, instead of deducting the same from the contractor's bills. It was further observed that the implementing departments also deducted WCT while passing the contractor's bills against the two projects. The deduction of WCT by the Finance Department was irregular as the quantum of funds available to the State for project implementation under NLCPR was reduced by that extent.

Similarly, it was also observed that irregular deduction of Departmental Charges[67] amounting to ₹0.07 crore was made at source in case of one test-checked project.

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[65] UC was countersigned by the Additional Chief Secretary and Development Commissioner, Government of Nagaland

[66] As per Section 92 (3) of Nagaland VAT Act 2005 read with Section 48 of Nagaland VAT Act 2005, any person responsible for paying any sum to any dealer for execution of Works contract referred to in Section 8 wholly or partly in pursuance of a contract shall, at the time of payment of such sum in cash or by issue of a cheque or draft or any other mode of payment, deduct tax at applicable rate of such sum being paid in respect of such Works contract

[67] Finance Department, GoN issued an Office Memorandum (November 2005) that recovery of 13 *per cent* Departmental Charges (from all construction works of capital nature) can be waived or reduced in a specific case if there are justified reasons to do so. In cases of works sponsored by the Ministries of the GoI (CSS) or by any International Agency, recovery of Departmental Charges can be waived/ reduced if such a condition is imposed by the Sponsoring Authority

Further scrutiny of records revealed that an amount of ₹0.85 crore was diverted[68] by two implementing departments[69] for items of expenditure not provided in the administrative approval/ approved DPRs.

Details of inadmissible expenditure and irregular deduction of VAT and Departmental Charges are shown in **Table 3.3.7**.

Table 3.3.7: Details of inadmissible expenditure, irregular deduction of VAT and Departmental Charges

(₹ in lakh)

Sl. No	Name of the project	Implementing departments	Item of expenditure	Amount
1.	Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District	Public Works Department (Roads & Bridges)	Work Contract (W/C) tax	72.23
			Purchase of vehicle	15.13
			Repair and maintenance works	9.58
			Computer set and Printer	0.52
2.	Providing Water Supply by gravity to Mon village and four neighbouring villages in Mon District	Public Health Engineering	Work Contract (W/C) tax	30.93
			Departmental Charges	7.11
			Construction of Approach Road (Formation cutting executed 05 Km)	60.00
Total				**195.50**

Source: Records of the projects implementing departments

As a result, the two projects were deprived of the earmarked funds which also impacted the completion of projects as per the approved estimates.

The Engineer-in-Chief, PWD confirmed in the exit conference (July 2021) that the deduction was made at source by the Finance Department and vehicle was procured for monitoring of the project. The Department further stated (September 2021) that computer set and printer was procured against the project for proper office functioning.

In reply, the PHED stated (August 2021) that the deductions were made at source by the Finance Department and the approach road was initially not in the estimates. However, considering the difficulty in carrying GMS pipes to the source (Talem river), approach road was constructed after obtaining technical approval from competent authority.

The replies are not acceptable as diversion of NLCPR projects funds by two departments was contrary to NLCPR guidelines and deduction by the Finance Department, GoN towards WC tax and Departmental Charges was also irregular. The implementing Department did not obtain approval from MDoNER and diverted ₹0.60 crore for construction of approach road.

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68 The administrative and financial sanction accorded by NLCPR stipulated that funds should be utilised strictly for the purpose for which they were sanctioned and no diversion of fund would be allowed. NLCPR Guidelines (2009, 2016) further stipulated that no maintenance work/ cost will be funded from NLCPR funds

69 PWD (R&B) and PHED

3.3.5 Project Implementation

3.3.5.1 Overview of the projects sanctioned

Scrutiny of records of the PCD and implementing departments revealed that out of nine projects sanctioned by MDoNER during 2015-20, only two projects[70] were completed (one project after delay of 19 months) and five out of seven incomplete projects ***(Appendix-3.3.3)*** due for completion latest by March 2020 were still ongoing even after a lapse of three to 29 months from the scheduled date of completion. The delay in completion of projects deprived the targeted beneficiaries of the intended benefit of the projects.

It was also observed that, only one project[71] out of the three test-checked projects was completed within the stipulated timeline and the remaining two projects were still ongoing with delays ranging from four to 29 months from the scheduled date of completion. The reasons for delay in the two test-checked projects are discussed below:

(i) Para 4.1 (v) (c) of NLCPR guidelines (August 2009) stipulated that all regulatory and statutory clearances like forest and environment, land acquisition, *etc.* should be identified and timeframe for obtaining the same has to be indicated in the DPR.

The project "Providing Water Supply by gravity to Mon village and four neighboring villages in Mon District" was approved (October 2015) by MDoNER at a cost of ₹15.47 crore, to be completed by October 2017.

Scrutiny of records revealed that based on the tendered cost (₹15.36 crore), GoI limited its share to ₹13.82 crore (90 *per cent* of tendered cost). Accordingly, MDoNER released the entire share of ₹13.82 crore[72] and GoN in turn released ₹15.36 crore (including its share of ₹1.54 crore) to the Executive Engineer, PHED Mon Division. As per MBs and RA bills, the Division had spent ₹15.36 crore against the ongoing project with time overrun of 29 months (March 2020). JPV (January 2021) revealed that laying of pipeline from water source (Talem river) was found completed up to 2 KM only as against the target to cover 30 Km from the water source to the main reservoir.

The delay in completion of the project was attributable to a dispute between the water source (Talem river) donors (Chenmoho and Sheanghah Chingnyu villages) and the beneficiary villages, which is yet to be settled with Sheanghah Chingnyu village (January 2021). The approach road constructed towards the water source (Talem river) was partly damaged due to landslides which also hampered the progress of laying the pipe works.

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[70] (1) Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District (2) Project Upgradation of road from Aizuto Mission Centre to Shena old Saptiqa EAC HQ via Atoizu and Tulo river i/c one bridge (25m span) 45 km. (retained for 23 kms. only) in Nagaland

[71] Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District

[72] ₹5.57 crore (November 2015), ₹5.49 crore (December 2016) and ₹2.76 crore (August 2018)

In reply, the PHED stated (August 2021) that the project can be physically completed by March 2022.

The reply is not acceptable as all regulatory and statutory clearances should be settled timely for completion of project within the stipulated timeline. Besides, there is already time overrun of 46 months (August 2021) which will continue to deprive the beneficiaries of the benefit of potable drinking water. The status of completion of the project was not intimated by the Department (May 2022).

(ii) The project Development of Ziekezou Sports Complex, Kohima was sanctioned (November 2017) by MDoNER, to be completed by November 2019. The work was awarded (April 2018) to M/s Charlie Sekhose for ₹12.50 crore, to be completed by March 2021.

Clause 2 of the Contract Agreement stipulated that the contractor shall be liable to pay compensation of an amount equal to one *per cent*, or such amount as the Project Engineer may decide on the estimated cost of the whole work for every day that the due quantity of work remains incomplete, provided that the entire amount of compensation to be paid shall not exceed 10 *per cent* on the estimated cost of the work as shown in the tender.

Scrutiny of records revealed that MDoNER released the entire share of ₹11.25 crore[73] to the State Government which in turn released ₹4.50 crore (1st instalment of GoI share) to the Executive Engineer, PWD (Housing) Youth Resources & Sports Division Kohima. Out of the fund released by the State Government, the implementing Department utilised ₹3.56 crore (August 2021).

It was observed that in spite of availability of funds, there is no significant progress in works as is evident from the physical (28 *per cent*) and financial (35 *per cent*) progress report of the project (August 2021). The delay in completion of the project (01 year 09 months) was therefore attributable to slow execution of works by the Contractor. The Project Engineer, however, did not initiate any action under Clause 2 of the Contract Agreement for payment of compensation by the contractor.

The Department did not offer any specific reply on the issue (August 2021).

Recommendation: The State Government should strengthen the monitoring and supervision of NLCPR projects at all levels to ensure that the desired project objectives are achieved. The State Government may fix the responsibility of officials responsible for delay in completion of the projects and initiate action to recover penalty from the contractor as per the Contract Agreement.

3.3.5.2 Award of works without advertised tenders

Rule 137 of GFR 2005 read with Sub rule (iii) stipulates that every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy and transparency in

[73] 21-11-2017 (₹0.10 crore), 27-07-2018 (₹4.40 crore) and 30-12-2019 (₹6.75 crore)

matters relating to public procurement and for fair and equitable treatment with the suppliers and promotion of competition in public procurement. Rule 150 (1) of GFR further stipulates that invitation to tenders by advertisement should be used for procurement of goods of estimated value ₹25 lakh and above.

The terms and conditions of sanctions and NLCPR Guidelines also stipulated that once the project is approved by MDoNER, it shall be mandatory on the part of the State Government to award contract after following a transparent tender procedure by giving wide publicity in print media, website, *etc.* Tender notices, *etc.* issued by the State Government are necessarily to be linked to MDoNER website.

Scrutiny of records of the three test-checked projects revealed that there were irregularities in tendering process for selection of contractors/ suppliers as detailed in **Table 3.3.8**.

Table 3.3.8: Award of works without open/ advertised tenders

Sl. No.	Name of project	Implementing Department	Audit findings
1.	Development of Ziekezou Sports Complex, Kohima	Youth Resources & Sports Department	Short Notice Tender (10 April 2018) for ₹12.50 crore was not advertised in any newspapers, departmental website or linked to MDoNER website. The urgency for adopting "Short Notice Tender" was not available on records. In response to the Tender Notice, three contractors submitted their bids and tenders were opened (one invalid) on the fourth day (13 April 2018) from the date of issue of tender notice. The work was awarded (April 2018) to M/s Charlie Sekhose, being the lowest bidder (₹12.50 crore).
2.	Construction of Road from Sainik School Punglwa to Jalukie (from ODR to intermediate lane) -28 Km in Peren District	Public Works Department (Roads & Bridges)	The project was sanctioned (February 2016) by MDoNER for ₹36.12 crore. Notice Inviting Tender (March 2016) was not publicised either in print media, website or linked to MDoNER website. In response to the NIT, three contractors submitted their bids out of which one bidder was disqualified (April 2016) for not enclosing Deposit at Call. Out of the remaining two bidders, the work was awarded (May 2016) to M/s Hi Tech Construction & Co., Dimapur, being the lowest bidder (₹35.83 crore).
3.	Providing Water Supply by gravity to Mon village and four neighbouring villages in Mon District	Public Health Engineering Department	The project was not implemented on turnkey basis as stipulated in the MDoNER's administrative approval (October 2015). Instead, the implementing Department split the works into 31 parts and awarded three work orders (₹13.99 crore) to three contractors without any advertisement. Out of those 31 parts, nine work orders (₹0.26 crore) were awarded to two contractors through limited tenders and 19 work orders (₹1.11 crore) were executed as departmental works by SDO (PHED) Mon Sub-Division (***Appendix-3.3.4***).

Source: Records furnished by the implementing departments

Thus, only few firms acquainted with the projects and functioning of the departments were able to participate in the bids. The selections of the firms were irregular as open tendering was not done which violated General Financial Rules and Scheme guidelines. The adoption of such an unauthorised course of action resulted in lack of competition and transparency in selection of the contractors/ suppliers.

The Chief Engineer, PWD (Housing) Nagaland did not offer any comment (August 2021).

In reply, the Chief Engineer PWD (R&B) stated (September 2021) that NIT was not published in print media, website, *etc.*, but notice was issued in the Department's Notice Board and all prescribed tender formalities were observed.

PHED while accepting the audit findings stated (August 2021) that the contract could not be awarded on turnkey basis due to various local situations such as:

(a) Source/ land ownership belongs to different villages, so to comply with traditional rights of landownership, some civil works were issued to the landowners.

(b) Laying of pipeline is a technical work involving maximum numbers of workers which is not possible to be taken up by private firms.

(c) Local issues related with the landowner on the right of way where pipeline passes through many villages. Accordingly, contract was split up based on the site and local conditions.

The replies of the implementing departments are not acceptable as it violated Rules 137 and 150 of GFR, 2005 and the Scheme guidelines. Besides, lack of competitive bidding resulted in selection of incompetent contractors/ firms which adversely impacted the timely completion of projects (as discussed in **Paragraph 3.3.5.1**).

3.3.5.3 Execution of projects

Para 325 of NPWD Code stipulated that the measurement book (MB) which is maintained in the prescribed form is a most important record, since it is the basis of all accounts of quantities whether of work done by the daily labour or by the piece or by contract, or of materials received. It must be an original record of actual measurements or counts. Measurement of works done or materials received should be recorded in MBs at the site of work.

Para 131 of NPWD Code stipulated that as the accounts of works are based on the Master Roll and the MB, the Sub-Divisional Officer (SDO) is to see that these initial records are written up in accordance with prescribed rules to avoid all doubts about their authenticity.

Para 341 of NPWD Code stipulated that before the bill of contractor is prepared, the entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the SDO and the calculation of and "contents or area" should be checked arithmetically under his supervision.

Para 101 of NPWD Code stipulated that the Executive Engineer is overall responsible for the efficient execution and measurements of all works within his division. It is therefore part of his duties to organise and supervise the execution of works and to see that they are suitable and economically carried out with materials of good quality.

Scrutiny of records and JPV of three test-checked projects revealed instances of payment without execution of works, procurement of materials at exorbitant rates and extension of undue financial benefit to the contractors as discussed below:

(i) Payment made for unexecuted items of work

Release of payments to contractors against unexecuted works out of NLCPR funded projects was highlighted in Paragraphs 2.6.11.5.2, 2.6.11.5.3 and 2.6.11.5.4 of the C&AG Audit Report-GoN, for the year ended 31 March 2013. The PAC has recommended (120th Report) the implementing Department, *inter alia,* to strictly follow the rules and regulations of the work/ project.

The ATN was to be submitted to the PAC within two months from the date of presentation (13 August 2020) of the Report in the Legislature. However, ATN was yet to be submitted (May 2022). The implementing departments did not take corrective measures as recommended by the PAC and as such the irregularities pointed out in the previous Audit Report continue to occur as discussed below.

(a) Development of Ziekezou Sports Complex, Kohima

The project Development of Ziekezou Sports Complex, Kohima was sanctioned (November 2017) by MDoNER, to be completed by November 2019. The work was awarded (April 2018) to M/s Charlie Sekhose for ₹12.50 crore, to be completed by March 2021.

It was observed that MDoNER released the entire share of ₹11.25 crore[74] to the State Government which in turn released ₹4.50 crore (1st instalment of GoI share) to Executive Engineer, PWD (Housing) Youth Resources & Sports Division Kohima. Out of the fund released by the State Government, the implementing Department paid ₹3.56 crore in three RA Bills[75] for works (December 2020) which were certified to be completed as recorded in the MB.

JPV (December 2020) by Audit along with the Departmental officials (EE, SDO and Junior Engineer) revealed discrepancies as shown in **Table 3.3.9**.

Table 3.3.9: Details of item-wise unexecuted works

(₹ in lakh)

Sl. No.	Particulars	Works executed & payments made as per MB and RA bill	As per JPV	Value of unexecuted works
1.	R/Wall (2.5 m height)	83.7 m length	The total length of the R/wall was measured 161.50 running meter top width 1m. The lengthwise stretches of height (above ground level) of R/wall were: 3 m height = 30.13 m length 1.8 m height = 39.00 m length, and 1.5 m height = 92.37 m length. No weep holes were found in the entire stretch.	25.47
2.	R/Wall (3 m height)	105.5 m length		

74 21-11-2017 (₹0.10 crore), 27-07-2018 (₹4.40 crore) and 30-12-2019 (₹6.75 crore)

75 1st RA Bill (₹1.29 crore on 18-09-2019); 2nd RA Bill (₹1.14 crore on 11-12-2019); and 3rd RA Bill (₹1.13 crore on 08-06-2020)

Sl. No.	Particulars	Works executed & payments made as per MB and RA bill	As per JPV	Value of unexecuted works
3.	Bay C	Value of works recorded as executed and paid ₹38.15 lakh	Work not yet started.	38.15
4.	Bay D	Value of works recorded as executed and paid ₹28.19 lakh	Work not yet started.	28.19
5.	Bay E	Value of works recorded as executed and paid ₹23.67 lakh	Work not yet started.	23.67
Grand Total				**115.48**

Source: Departmental records and JPV report

As can be seen from above table, the contractor did not execute the above five items of works valued at ₹1.15 crore whereas, the contractor was paid for execution of all the above items of works by recording fictitious entries in the Measurement Book.

Photographic evidence showing incomplete works at Ziekezou Sports Complex, Kohima

Under construction Bay

CRSM Retaining wall

Thus, the Department made an excess payment of ₹1.15 crore to the contractor without actual execution of the aforementioned items of works. The work which was stipulated to be completed by November 2019 remained incomplete even after lapse of 30 months (May 2022).

The above instances of payment without actual execution/completion indicated the failure of the Division to ensure the correctness of the bills submitted by the contractor.

In reply, the Department stated (July 2021) that the measurement of Retaining wall taken during the JPV was as per the originally approved DPR while the working estimate was in process at the Office of Chief Engineer, PWD (Housing). As per the approved (December 2020) working estimates, the total length of Retaining wall works out to 205.10 R/Mtr. Further, the works for construction of Bays-C, D and E were in the process of commencement during JPV.

The reply is not acceptable as the audit findings were based on the measurement done during the JPV in the presence of Departmental officers and MB/ RA bills submitted to Audit wherein the payment for unexecuted works for ₹1.15 crore was made to the contractor. The failure of the Division to ensure the correctness of bills submitted by the contractor led to payment without actual execution of works.

Recommendation: The State Government should consider filing an FIR, besides initiating departmental inquiry to fix the responsibility of officials involved in making such irregular payments.

(b) Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District

The work Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District sanctioned (February 2016) by MDoNER for ₹36.12 crore was awarded (May 2016) to M/s Hi Tech Construction & Co. Dimapur, Nagaland for ₹35.83 crore, stipulated to be completed by February 2018.

Scrutiny of records revealed that based on the tendered cost (₹35.83 crore), GoI limited its share to ₹32.25 crore (90 *per cent* of tendered cost). MDoNER released its share of ₹25.80 crore[76] to GoN which in turn released ₹29.41 crore (including its share of ₹3.61 crore) to the EE, PWD (R&B), Peren Division. As per entries in the MB and the RA bills, the work for the entire stretch of 28 Km was recorded fully complete (February 2018) and the contractor was paid ₹29.41 crore[77] (March 2020).

JPV (December 2020) by Audit along with the Departmental officials (EE, SDO and Junior Engineer) revealed that the total length of the road from Sainik School Punglwa junction (Zero point) to Jalukie (End point-Samziuram Village Welcome Gate) was only 26 Km. This shows that the DPR was inflated for non-existing 2 km. road. This resulted in payment of ₹1.70 crore to the contractor without actual execution of work in the non-existing 2 km. road by passing inflated bills submitted by the Contractor.

Further, it was also observed that fixing and lighting works on bridges have been executed as recorded in the MB and RA bills for which an amount of ₹7.35 lakh was paid to the contractor. During JPV (December 2020) it was however, noticed that fixing and lighting works on bridges were not executed. This resulted in payment of ₹7.35 lakh to the contractor without actual execution of work.

The excess payment of ₹1.77 crore (₹1.70 crore + ₹0.07 crore) without actual execution/completion indicated the failure of the Division to ensure the correctness of the bills submitted by the contractor.

The Engineer-in-Chief, PWD stated in the exit conference (July 2021) that, the actual execution of the road was for a total of 29 Km, which included a branching off road (circular road) from the main road. The audit findings on non-fixing of lighting on bridges was accepted by the Department and assured that the installation of lighting

[76] 25-02-2016 (₹13 crore) and 16-09-2016 (₹12.80 crore)

[77] 3rd and final instalment of MDoNER share (₹6.45 crore) was released on May 2020. GoN released the fund to the implementing Department on October 2020 and it was fully expended on the project by the EE PWD (R&B) Peren Division (as of March 2021)

will be done. On the basis of the Audit findings, fixing and lighting work on bridges was completed (September 2021).

The reply regarding road work execution is not acceptable since the original drawings and specifications as incorporated in the DPR also do not indicate any branching off the road (circular road) as stated by the Engineer-in Chief. The Department could not furnish any records relating to execution of additional works, including the approval of MDoNER. Besides, the audit findings were based on the measurement done during the JPV in the presence of Departmental officers and records submitted to Audit.

Recommendation: The State Government may fix the responsibility of the erring officials responsible for facilitating payment without actual execution of work.

(ii) Avoidable expenditure on procurement of materials

The project "Providing Water Supply by gravity to Mon village and four neighbouring villages in Mon District" was approved (October 2015) by MDoNER at a cost of ₹15.47 crore with the objective of supplying 55 litre *per capita per* day potable water to Mon village and four neighbouring villages. The scheduled date of completion of the project was October 2017. However, the project is reported to be still ongoing with time overrun of 29 months (March 2020).

Scrutiny of records revealed that based on the tendered cost (₹15.36 crore), GoI limited its share to ₹13.82 crore (90 *per cent* of tendered cost). Accordingly, MDoNER released the entire share of ₹13.82 crore[78] to GoN which in turn released ₹15.36 crore (including its share of ₹1.54 crore) to the EE, PHED, Mon Division. The supply work was awarded (January 2016) to M/s Millennium Construction, Dimapur without advertised tendering (as discussed in **Paragraph 3.3.5.2**). As per the terms and conditions of supply, the materials should be procured from the approved Manufacturer-Indus Tube Limited, New Delhi at the prevailing Government Approved Rates. The reason for not procuring materials directly from the manufacturer was not available on records.

It was observed that out of the total expenditure of ₹15.36 crore, the implementing Department utilised ₹12.51 crore (81 *per cent*) for procurement of GMS pipes of nine different specifications (IS: 1239 of 2004 PT-I) through the supplier M/s Millennium Construction, Dimapur.

To ascertain the reasonableness of GoN approved rates, audit issued a requisition for records relating to price analysis conducted by the Department. In reply, the Department stated that the particular files were misplaced during shifting of the office from the old location to the New Secretariat area. Except the Administrative approval (July 2012) by GoN for revision of rates of GMS pipes, no records in connection with

[78] ₹5.57 crore (November 2015), ₹5.49 crore (December 2016) and ₹2.76 crore (August 2018)

preliminary market survey or price analysis and determination of supplier's margin to be allowed were furnished to audit.

A comparative analysis of GoN approved rates with the neighbouring States of Manipur and Mizoram (without full-fledged railhead facility) by audit revealed that GoN approved rates was exorbitantly higher (71 to 125 *per cent*) as compared with the approved rates of the neighbouring States. The above observations clearly proved that the Department did not exercise due diligence while framing the approved rates. This also indicated that the Department accepted the abnormally high rates and no records regarding conduct of preliminary market survey, to ensure that the price quoted by the selected suppliers were reasonable and consistent with the quality required, was made available to audit. The Department also paid ₹79.74 lakh as excise duty to the supplier for procurement of 25,000 metres of 150 mm GMS pipes which was exempted[79] by GoI. This resulted in avoidable excess expenditure of ₹5.58 crore *(**Appendix-3.3.5**)*.

The Secretary, PHED stated in the exit conference (July 2021) that land ownership issue was a major problem/ hindrance faced by the PHED which hampered the implementation of project. Tender process could not be done as most of the local contractors do not meet/ fulfil the eligibility criteria and also due to problems of land ownership. A Committee would be constituted to look into the fixing of rates and action would be taken in due course to rectify the overpayment.

In reply, the Department stated (August 2021) that materials were procured through local supplier as per the rates approved by the State Government. Since the pipes are meant for distribution system, water fee will be imposed on the consumers by the Department; hence the supplier was paid inclusive of excise duties.

The replies are not acceptable as there was no competitive bidding and the award of the contract was done without ascertaining the reasonableness of prices in relation to the prevailing market rates/ manufacture's price, which led to avoidable excess expenditure of ₹5.58 crore. Further, the pipes (150 mm GMS pipes) procured were intended to be utilised from source to first storage (as noticed during JPV conducted during January 2021), which was excise duty exempted.

3.3.6 Monitoring and Evaluation of projects

Deficiencies in monitoring and evaluation of NLCPR/ NEC funded projects were highlighted in Paragraph 2.6.14 C&AG Audit Report, GoN, for the year ended 31 March 2013.

The PAC has recommended (120th Report) the implementing Department to carry out periodic inspection at various levels for effective system of reporting and monitoring. The ATN was to be submitted to the PAC within two months from the date of presentation (13-08-2020) of the Report in the Legislature. However, ATN was yet to be submitted (May 2022).

[79] No.354/34/2008 TRU dated 16-05-2011

The State Government/ implementing departments, however, did not take corrective measures as recommended by the PAC and as such the irregularities pointed out in the previous Audit Report continue to occur as discussed in the succeeding sub-paragraphs.

(i) Monitoring by the Ministry and compliance by the State:

During the Secretary, MDoNER[80] visit (August 2019) to Nagaland, the Chief Secretary (CS) and other concerned officers connected with implementation/ execution of the NLCPR projects were asked to improve and strengthen the Project Management System with a view to ensure timely completion of projects so as to avoid any cost overruns. CS was requested to undertake regular periodic review on monthly basis of pending projects and chalk out a definite time frame for completion of all the ongoing projects which are pending for more than two years so that within a maximum of six months period, all these projects get completed. It was, however, observed that after the Secretary, MDoNER visit, only one review meeting was held (June 2021) under the Chairmanship of Chief Secretary for NLCPR projects.

Officials from MDoNER conducted five inspections in four projects (out of nine NLCPR projects) during 2015-20 and raised issues in delay in commencement of work, slow progress of works, deficiencies in works executed, *etc.* However, the problems of delays in completion of projects, deficiencies in works executed, *etc.* remained unaddressed as discussed in the foregoing paragraphs.

Further, MDoNER requested (December 2018) the SLEC to review projects which are stalled or progressing slowly because of procedural or technical issues and to take an informed view towards resolution. The State Government was also advised to place the issue of pending work order in respect of one project[81] before the SLEC at the earliest for appropriate decision. The SLEC however, did not hold review meeting to take appropriate course of action for speedy implementation of projects which were stalled or progressing slowly. The last meeting of SLEC was held in December 2017. This indicated lapses on the part of the MDoNER officials who were members of the SLEC to monitor the implementation of NLCPR projects.

In reply, the PCD stated (August 2021) that the SLEC meeting held in December 2017 was the last SLEC for NLCPR (exclusively). Thereafter, SLEC for NESIDS has replaced SLEC for NLCPR though issues related to ongoing NLCPR projects were also discussed. SLEC meeting was held during 2020-21, however it was for NESIDS projects only. Review meetings for NLCPR and NESIDS could not be held during

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80 NLCPR Guidelines (2009, 2016) stipulated that the monitoring and evaluation of implementation of the project shall also be undertaken through field inspections by officers of MDoNER, as well as through impact studies, social audits and evaluations conducted by government or through independent agencies at the request of MDoNER. The Ministry should also review of implementation of projects with State Government

81 The project "Construction of New High Court Complex at Kohima Phase-I (Construction of residence for Hon'ble Chief Justice of High Court and Construction of residences for Justice of High Court (six blocks)" was sanctioned (December 2017) by MDoNER at a cost of ₹12.87 crore, stipulated to be completed by December 2020. Till date, MDoNER released (December 2017) only the token amount of ₹10 lakh due to pending work order

2020-21 due to novel Corona virus pandemic. During the current financial year 2021-22, review meeting was held (June 2021) under the Chairmanship of Chief Secretary for projects under NLCPR.

(ii) Monitoring by the State Level Empowered Committee and Quarterly Review Meeting under the Chief Secretary:

Scrutiny of minutes of meeting of SLEC for NLCPR and NESIDS revealed that seven meetings[82] were conducted during 2018-20 for techno-economic appraisal and recommendation of vetted DPRs and review of ongoing projects. It was observed that issues related to ongoing NLCPR projects were discussed only in two meetings[83] out of seven SLEC meetings.

Further scrutiny of records revealed that out of the 20 quarterly review meetings[84] (2015-20) to be conducted by the CS, only five[85] review meetings (25 *per cent*) were held to review the progress of implementation of NLCPR projects.

No evaluation study/social audit on utilisation and impact of NLCPR projects was conducted either by GoN or MDoNER till August 2021.

(iii) Appointment of Nodal Officer for Monitoring and Uploading Project Information in Online MIS Scheme Portal:

Of the three test-checked projects implemented by three departments, only one department (PHED) had appointed nodal officer[86] for project implementation and monitoring. The remaining two test-checked projects were executed and monitored by the respective PWD divisions[87].

It was also observed that the State Government did not ensure furnishing/ uploading online all the data/information relating to progress of projects (starting from the submission of the priority list upto the completion of the projects) as prescribed by MDoNER in the online MIS[88] Scheme portal (https://nlcpr.mdoner.gov.in)

Thus, it was evident that monitoring at the State Government level was inadequate. This aspect assumes greater importance, given the slow progress in execution and inordinate delays in completion of projects.

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[82] 24-04-2018, 30-01-2019, 16-04-2019, 22-05-2019, 07-06-2019, 09-08-2019 and 16-03-2020

[83] 24-04-2018 and 30-01-2019

[84] NLCPR Guidelines (2009, 2016) stipulated that the Chief Secretary of the State shall hold quarterly meeting to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meetings to MDoNER

[85] 18-12-2016, 20-04-2017, 04-07-2017, 28-08-2017 and 05-04-2018

[86] NLCPR Guidelines (2009, 2016) stipulated that the State would nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring

[87] EE, PWD (Housing) Youth Resources & Sports Division Kohima and EE PWD (R&B) Peren Division

[88] NLCPR Guidelines (2009, 2016) stipulated that the State Government should ensure that the data entry of the progress of the project starting from the submission of the priority list by the State Government upto the completion of the project shall be made by the designated officials of the State Government on the online data entry Management Information System (MIS) already in vogue

3.3.7 Transparency and Publicity of Information about NLCPR projects

Lack of publicity of information on ongoing/ completed NLCPR/ NEC projects had been highlighted in C&AG Audit Report, GoN, ending March 2013 vide Paragraph 2.6.14.3. The PAC has recommended (120th Report) the implementing Department to disseminate information about ongoing/ completed projects.

The ATN was to be submitted to the PAC within two months from the date of presentation (13-08-2020) of the Report in the Legislature. However, ATN was yet to be submitted (May 2022). The implementing departments did not take corrective measures to disseminate information about ongoing/ completed projects as recommended by the PAC and as such the deficiencies pointed out in the previous Audit Report continue to occur as discussed below.

During JPV (December 2020-January 2021), it was noticed that only one project[89] out of three projects inspected displayed on site project information board as stipulated in the NLCPR guidelines[90]. The objective to disseminate information to the public at large as envisaged in the guidelines was not achieved.

In reply, the Government accepted the facts and stated (July 2021) that directives shall be issued to the implementing departments and the contractors for compliance.

3.3.8 Conclusion

Out of nine projects sanctioned (total approved cost of ₹250.04 crore) by MDoNER during 2015-20 and expenditure incurred of ₹134.27 crore, only two projects were completed (one project after delay of 19 months) and five out of seven incomplete projects were due for completion by March 2020 or earlier but still ongoing with delays ranging from three to 29 months from the scheduled date of completion.

Deficiencies in assessment of infrastructural needs and lack of proper planning of projects by the State Government were noticed in audit. Concept Notes did not contain detailed analysis of existing facilities (gap analysis) in the sector and full justification for retention of the particular project. Two projects retained at a cost of ₹48.85 crore were not sanctioned by MDoNER due to duplication with existing facilities, preparation of unrealistic estimates, delay in submission of revised estimates, *etc.* There were instances of short release by State Government, of MDoNER and States' matching share and submission of false UCs to MDoNER. Irregular diversion/ deduction of ₹1.96 crore towards VAT/ WCT, departmental charges, procurement of vehicle, *etc.*, were noticed.

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[89] Construction of Road from Sainik School Punglwa to Jalukie (from ODR to Intermediate Lane)-28 Km in Peren District

[90] The State Government, immediately after project approval is received, was required to put up display boards at the project site indicating the date of sanction, likely date of completion, estimated cost of the project, source of funding *i.e.* Non-lapsable Central Pool of Resources (Government of India), contractor(s) name and the physical Target. After completion of the projects, the State Government was required to put a permanent display on sites like plaque on the wall *etc.* after asset is created by displaying details of NLCPR funding

Government Orders and codal provisions relating to the tendering process were not adhered to by the implementing departments. The implementing departments made payment of ₹2.92 crore to the contractors without actual execution of works and incurred avoidable expenditure of ₹5.58 crore due to procurement of materials at exorbitant rates.

Monitoring at the State level was inadequate as only five against the stipulated twenty review meetings were held, no evaluation studies were conducted, data relating to progress of projects was not uploaded in MIS portal, *etc.* Despite being pointed out in the C&AG Report and the recommendations of the PAC of the State Legislature, the nodal as well as implementing departments did not take necessary corrective measures.

3.3.9 Recommendations

The State Government may-

- ***take appropriate measures to complete the time overrun projects at the earliest.***
- ***ensure timely release of funds to complete the ongoing projects within the stipulated timeline.***
- ***review projects which are stalled or progressing slowly because of land disputes, procedural or technical issues etc. and take appropriate course of action so that projects are completed without further delay.***
- ***initiate departmental enquiry and fix responsibility against officers/ officials responsible for passing bills based on fictitious measurements, submission of false utilisation certificates; excess payments and also facilitating payments without actual execution of works, delay in completion of the project.***
- ***strengthen monitoring and supervision to ensure proper quality of work, effective implementation and also to prevent irregularities in payment, incorrect measurements, etc.***