

## OVERVIEW

### Chapter-I Introduction

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

During 2019-20, the Principal Accountant General (Audit) Nagaland planned for audit of 367 units out of total 1,094 units, after carrying out risk assessment and keeping in view the available manpower, of which 345 units were audited.

This Report *inter alia* contains two Performance Audits titled '**Direct Benefit Transfer**' and '**Mission for Integrated Development of Horticulture in Nagaland**' and 11 Compliance Audit Paragraphs which include a Compliance Audit on '**Ministry of Development of North Eastern Region funded Non-Lapsable Central Pool of Resources Projects in Nagaland**' and a Subject Specific Compliance Audit on '**Processing of refund claims under Goods and Service Tax**'.

### Chapter-II Social Sector

#### Performance Audit

#### MUNICIPAL AFFAIRS AND RURAL DEVELOPMENT DEPARTMENTS

#### Direct Benefit Transfer

The Performance Audit on Direct Benefit Transfer (DBT) covered the period from April 2017 to March 2020. Out of 65 schemes implemented by 15 Departments in Nagaland, two Centrally Sponsored Schemes (CSS) implemented by two Departments were selected on the basis of volume of expenditure.

#### Highlights:

- The State DBT Advisory Board did not conduct quarterly meetings since its constitution on July 2017 as envisaged in the DBT Mission guidelines. DBT implementation Support Layer consisting of three coordinators responsible for technical, non-technical and finance & administrative support to the State DBT Cell's operations were not constituted as envisaged in the DBT Mission guidelines.

*(Paragraphs 2.2.10.1 and 2.2.10.3; Pages 10 and 11)*

- The State DBT Cell did not upload data of all Centrally Sponsored Schemes implemented to the State/ Bharat DBT Portal as well as Portals of the respective Ministries/ Departments of the Central Government administering the particular scheme.

*(Paragraph 2.2.10.4; Page 11)*

- The overall achievement of DBT in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) as of March 2020 was only 11.60 *per cent*. The objective of DBT was not achieved in the State as 88.40 *per cent* of job card holders were paid through an intermediary level “Village Development Board” mainly due to non-availability of banking facilities.

*(Paragraph 2.2.13.1.1; Page 15)*

- The mission mode approach of the State Government/ implementing Department for full implementation of DBT in MGNREGS failed as no timeline was fixed to complete the exercise.

*(Paragraph 2.2.13.1.2; Page 17)*

- Delayed release of funds to the Implementing Department and payments to ineligible beneficiaries were noticed under Pradhan Mantri Awas Yojana-Urban (PMAY-U).

*(Paragraphs 2.2.12.1 and 2.2.13.2.1; Pages 13 and 19)*

***Recommendations:***

***The State Government may-***

- *constitute all the three Implementation Support Layers (Technical Support, Non-Technical Support and Finance & Administrative Support) under the State DBT cell.*
- *convene the State DBT Advisory Board Meetings at the prescribed intervals for successful implementation of all DBT schemes.*
- *ensure the enrolment of MGNREGS beneficiaries who are yet to be enrolled and sensitise the beneficiaries for Aadhaar seeding.*
- *implement the DBT scheme as envisaged whereby money is transferred directly into the bank accounts of the MGNREGS beneficiaries without any intermediary agency like Village Development Board.*
- *prioritise the development of Banking/ Post Office System in the State.*
- *use the services of India Post Payments Bank for DBT.*
- *take steps to obtain remaining installments of PMAY-U from GoI and release the same to beneficiaries.*

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**Compliance Audit Paragraphs**
**PUBLIC HEALTH ENGINEERING DEPARTMENT**

The Executive Engineer, Public Health Engineering Department (Urban) Dimapur Division did not exercise due diligence to check the correctness of the quantities executed before passing the bills for payment which resulted in fraudulent payment of ₹90.54 lakh without actual execution of 2,338 metres of drainage works in 18 villages.

*(Paragraph 2.3; Page 24)*

**Recommendation:**

*The State Government may fix responsibility for fraudulent payment made on short/non-construction of drainage. The State Government may also introduce Geotagging in order to monitor future works to ascertain factual correctness. The matter may be handed over to the investigative agencies for investigation.*

The Public Health Engineering Department made excess payment of ₹1.23 crore to the contractor by allowing higher rate over the State Government approved rate (Action Plan) for construction of Community Sanitary Complex and deviated from the approved action plans and specification during actual implementation.

*(Paragraph 2.4; Page 27)*

**Recommendation:**

*The State Government should initiate departmental inquiry and fix responsibility against officers/ officials of the division responsible for allowing higher rate and failure to exercise due diligence to check the correctness of the quantities executed before passing the bills for payment. The matter may be handed over to the investigative agencies for investigation.*

**MUNICIPAL AFFAIRS DEPARTMENT**

The Administrator, Dimapur Municipal Council did not take any step to monitor and cross verify the actual quantities of railway wagons which transported cement from the Goods Office, Dimapur Railway Station, as a result, an amount of ₹30.07 lakh toll was not collected and resulted in short collection of revenue.

*(Paragraph 2.5; Page 30)*

**Recommendations:**

*The State Government may-*

- (i) take appropriate action to fix the responsibility of DMC officials involved in dereliction of duty and also take steps to recover the short collected toll from the consignees of the wagons/ cement bags.*
- (ii) strengthen monitoring mechanism by periodic cross verification of records with the Goods Office, Dimapur Railway Station to prevent recurrence of such omissions.*

## Chapter-III Economic Sector

### Performance Audit

#### HORTICULTURE DEPARTMENT

#### Mission for Integrated Development of Horticulture in Nagaland

A Performance Audit on 'Mission for Integrated Development of Horticulture' was conducted during September 2019 to April 2021 covering the period from 2014 to 2020.

#### Highlights:

- Annual Action Plans 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; Pages 39 and 40)*
- 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); Pages 46 and 47)*
- 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); Pages 52 and 53)*
- Centre of Excellence 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; Pages 56 and 58)*
- 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; Pages 63 and 66)*

#### 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 nursery 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

### PLANNING AND COORDINATION DEPARTMENT

#### 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 (NER) through sanctioning the projects prioritised by the State Governments.

#### **Highlights:**

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 of funds by State Government 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.

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, 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 Public Accounts Committee of the State Legislature, the nodal as well as implementing departments did not take necessary corrective measures.

*(Paragraph 3.3; Page 72)*

**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.*

## Chapter-IV General Sector

### Compliance Audit Paragraphs

#### FINANCE DEPARTMENT (TREASURIES & ACCOUNTS)

Failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/ double/ excess drawals amounting to ₹2.78 crore.

*(Paragraph 4.2; Page 96)*

**Recommendations:**

- (i) *The State Government may investigate all such matters for all the Departments of the State.*
- (ii) *The Department may initiate disciplinary action against the erring officers responsible for the fraudulent drawals.*
- (iii) *The amount misappropriated should be recovered immediately from the concerned employees/ Drawing and Disbursing Officers/ Treasury Officers.*
- (iv) *The Government may also initiate steps to strengthen the internal control mechanism in all departments to prevent recurrence of fraudulent drawals and ensure that the checks and balances are in place.*

## Chapter-V Revenue Sector

### Subject Specific Compliance Audit

#### FINANCE (TAXATION) DEPARTMENT

#### Processing of refund claims under Goods and Services Tax

The provisions pertaining to refund contained in the Goods and Services Tax (GST) laws aim to streamline and standardise the refund procedures under GST regime. The Subject Specific Compliance Audit (SSCA) commenced on 20 November 2020 and was completed on 09 January 2021 covering all the three Divisions (Dimapur, Mokokchung and Kohima).

#### **Highlights:**

The Department did not adhere to the prescribed timelines leading to instances of delay in issuing of refund orders and communicating refund orders to counterpart tax authority. Further, lack of proper scrutiny of refund claims by the jurisdictional officers led to irregular allowance of refund in certain cases.

Systematic issues such as deficiency in record keeping at the level of Proper Officers/ Divisions to capture the full details of refund claims were noticed. Periodic reports were not forwarded to the Commissioner by the POs resulting in lack of effective monitoring.

*(Paragraph 5.2; Page 106)*

#### **Recommendations:**

- *The Department should ensure that Refund applications are supported by documents and processed in a timely manner as delay in processing of refund entail interest liability.*
- *Periodic reports may be forwarded to the Commissioner in a timely manner and monitoring of refund cases may be strengthened.*

#### Compliance Audit Paragraphs

#### FINANCE (TAXATION) DEPARTMENT

Twenty one dealers evaded Nagaland Value Added Tax of ₹4.59 crore by utilising invalid/ obsolete C Forms. In addition, an amount of ₹7.90 crore is also payable by them as penal interest.

*(Paragraph 5.3; Page 117)*



**Recommendation:**

*The Government may instruct the Department to realise the amount in above cases and action may be initiated against the officials whose negligence led to short realisation of revenue.*

Three Dealers defaulted in payment of tax amounting to ₹2.23 crore and are also liable to pay interest of ₹1.62 crore.

*(Paragraph 5.4; Page 119)*

**Recommendations:**

- (i) Due diligence may be exercised by the Assessing Authorities while assessing the self-assessed returns submitted by the dealers to avoid evasion of tax.*
- (ii) Time bound recovery of the Tax and penalty in these cases may be initiated and monitored at higher levels.*

**FINANCE DEPARTMENT (TREASURIES & ACCOUNTS)**

Lack of planning and proper monitoring mechanism with regard to procurement and supply of stamp duty materials resulted in accumulation of ₹20.77 crore stamp duty material. No stock verification was conducted to confirm the actual physical availability of these materials.

*(Paragraph 5.5; Page 120)*

**Recommendations:**

- *The Department may ensure the requirement of actual quantity by obtaining demands from the treasuries and after assessing the actual quantity available through regular physical verification of stock, before indent for printing of stamp duty materials.*
- *The State Government should assess and quantify the mutilated stocks and initiate steps to write off the damaged stamps.*
- *The Department should frame inventory management guidelines fixing stock limits such as minimum, maximum and re-ordering levels of various stamp duty materials, ensure proper storage of the usable stock and may adopt system like FIFO (First-In-First-Out).*

**FINANCE DEPARTMENT (NAGALAND STATE LOTTERIES)**

Due to flaws in implementation of the Nagaland Prohibition of Gambling and Promotion and Regularisation of Online Games of Skill Rules, 2016, the State Lotteries sustained revenue loss of ₹ two crore. Royalty receivable by the State Government also remained un-assessed as the active licensees neither maintained the designated accounts



nor the Department had any technical expertise to monitor and analyse the gross revenue of the licensees.

*(Paragraph 5.6; Page 123)*

**Recommendations:**

*The State Government may-*

- (i) take legal steps in any Court of Law to stop the illegal operation of online games without renewing the licences.*
- (ii) ensure that the licensees maintain designated accounts to check the drainage of State revenue.*
- (iii) recover the licence fee and penalty from defaulting license holders.*
- (iv) also ensure that the Department utilises the latest technology and technical expertise to analyse the gross revenue of the licensees earned from the online games of skill.*

### **MOTOR VEHICLES DEPARTMENT**

The Motor Vehicles Department failed to invoke the provisions of Nagaland Motor Vehicles Taxation Act, 1967 and Nagaland Passengers and Goods Taxation Act, 1967 to recover the outstanding motor vehicles tax from vehicle owners resulting in shortfall of tax collection to the tune of ₹9.37 crore.

*(Paragraph 5.7; Page 126)*

**Recommendation:**

*The Department should make effective use of the VAHAN software for detection of tax defaulters and invoke the relevant provisions of the Acts/ rules and recover the tax dues from the defaulting vehicle owners.*

## **Chapter-VI**

### **Economic Sector (Public Sector Undertakings)**

#### **Investments in Public Sector Undertakings**

As on 31 March 2020, total investment of the State Government and Others (capital, and long-term loans) in six PSUs was ₹118.57 crore.

*(Paragraph 6.1.2; Page 129)*

As on 30 September 2020, five working PSUs had 21 years arrears of accounts ranging from one to 10 years. During 2019-20, two PSUs finalised two accounts, while one PSU had not finalised any Annual Accounts after 2013-14.

*(Paragraph 6.1.5; Page 132)*

The losses of working PSUs has increased by 130 *per cent* in 2019-20 as compared to 2018-19 and the reason mainly due to deterioration in the operational results of the PSUs. The overall losses of working PSUs are basically due to less turnover of the PSUs from its operation.

*(Paragraph 6.1.8.2; Page 135)*

## **Chapter-VII**

### **Follow up of Audit Observations**

During 2019-20, two Audit Committee Meetings (ACMs) were convened in respect of the Health & Family Welfare Department under Social Sector and Rural Development Department under Economic Sector were held on 25 June 2019 and 02 July 2019 respectively to clear the outstanding audit observations. During the ACMs, 03 IRs consisting of 28 paragraphs pertaining to 01 entity in respect of Health & Family Welfare Department and 06 IRs consisting of 61 Paragraphs pertaining to 02 entities in respect of Rural Development Department had been discussed. Out of which, 04 and 20 paragraphs in respect of Health & Family Welfare and Rural Development Departments respectively had been settled.

***Recommendation:***

***Government needs to ensure that Audit Committees meet regularly to review, discuss, settle and take action on audit observations.***

*(Paragraph 7.1.4; Page140)*