OVERVIEW

EXECUTIVE SUMMARY

Chapter-I
Introduction

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from the Performance Audits and test audit of transactions of various departments of the Government of Nagaland pertaining to 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 2023-24, the Principal Accountant General (Audit), Nagaland, planned for audit of 362 units out of a total of 1,186 units, after carrying out risk assessment and keeping in view the available manpower, of which 364 units were actually audited.

This Report contains four Performance Audits titled "**Jal Jeevan Mission in Nagaland**", "**Implementation of Integrated Child Development Services (ICDS) Scheme in Nagaland**", "**Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**" **in Nagaland**, "**Functioning of Regional Transport Offices/District Transport Offices in Nagaland"**, Information Technology (IT) Audit on "**Treasury Computerisation in Nagaland**" and 10 compliance audit paragraphs which includes one Subject Specific Compliance Audit on "**Department's Oversight on GST payments and Return filing (Phase II) in Nagaland**".

A synopsis of the important findings contained in the Report is given below.

Chapter-II
Part-I
Social Sector

Performance Audit

Jal Jeevan Mission in Nagaland

PUBLIC HEALTH ENGINEERING DEPARTMENT

The Jal Jeevan Mission (JJM), a flagship scheme launched by the Prime Minister of India on 15 August 2019, aimed to provide potable water to rural areas through piped water supply. The mission's goal was to ensure that by the end of 2024, each of the 19 crore rural households in the country receives piped water supply through Functional Household Tap Connections (FHTCs). A Performance Audit on JJM in Nagaland was carried out covering the period from 2019-2024.

The significant findings of audit are highlighted below:

- The Village Action Plans were prepared without conducting baseline surveys and none of the 34 test-checked habitations prepared VAPs incorporating information such as the history of water supply schemes implemented in the village, the infrastructure created and an assessment of the existing water supply infrastructure by the DWSM.
- The number of FHTCs initially proposed for 34 villages in the four test-checked districts decreased from 16,400 to 16,288 in the finalised DPRs and was further reduced to 14,835 as reported in IMIS.
- The supply order for materials was awarded without inviting tenders, resulting in an avoidable extra expenditure of ₹288.12 crore and a corresponding financial benefit to the supplier.
- Delays in release of Central as well as State share by GoN to the Department ranging between 39 and 107 days (Central Share) and 10 and 255 days (State Share).
- Three out of the five PIUs did not use any HGM Maps even though 40 groundwater-based schemes were planned for implementation by these three PIUs.
- An expenditure of ₹23.05 lakh was incurred on the construction of a deep tube well, iron removal plant and an RCC tank. When attempts were made to connect individual households from the tube wells, no water could be drawn. Both the tube well and the submersible pump remained idle and non-functional.
- There was shortfall ranging from 64 to 95 *per cent* in conducting laboratory tests over the last five years. The district laboratories of the four test-checked districts did not conduct tests for sulphate, total arsenic, fluoride, nitrate, total coliform bacteria, and E. coli or thermo tolerant coliform bacteria. While out of the target of 71,448 tests of water sources in the four test-checked districts through usage of FTKs, only 14,231 tests (19.92 *per cent*) were conducted.
- Out of 34 test-checked WATSAN Committees, 30 had not opened any bank accounts for the deposit of community contributions towards the required five *per cent* of the capital cost.
- 10 villages out of 34 test-checked villages across the four test-checked districts, had conducted social audits.
- VAPs were prepared without adequate participatory appraisal or demand assessment, contrary to the decentralised, demand-driven approach mandated in the JJM Guidelines.

- In four out of the five PIUs, IoT and GIS software were neither planned nor provided and that the real-time dashboard was also not utilised for planning and monitoring household tap connections.
- Against the target to provide 16,288 FHTCs in 34 test-checked villages, the Department provided 8,251 FHTCs (50.66 *per cent*) depriving 5,851 households of the benefit of availing the scheme. The expenditure of ₹21.57 crore against 5,851 households proved fictitious as the services were not provided.

Recommendations:

The State Government may:

A. Strengthen Institutional Planning and Governance

(i) *Ensure mandatory baseline surveys and need assessments are conducted prior to the preparation of Village Action Plans (VAPs), and align projections with Census and verified household data.*

(ii) *Empower GPs and VWSCs with training, tools, and supervision to prepare realistic, community-owned plans.*

B. Improve Procurement and Financial Transparency

(iii) *Discontinue nomination-based procurement. Adopt centralised e-tendering in line with JJM Guidelines and GFR provisions to ensure transparency and value for money.*

(iv) *Adhere strictly to timelines for release of Central and State shares to prevent implementation delays.*

C. Ensure Functional and Sustainable Infrastructure

(v) *Mandate use of Hydro-Geo-Morphological (HGM) maps and smart sensors for better site selection, source sustainability, and daily monitoring of water drawal and distribution.*

(vi) *Conduct third-party validation of all completed works to assess physical and functional status, with accountability for incomplete or non-functional systems.*

D. Strengthen Water Quality Monitoring

(vii) *Establish fully equipped and staffed laboratories at sub-division and district levels with microbiological testing facilities and standard protocols.*

(viii) *Ensure 100 per cent source testing and FTK usage is achieved and recorded in WQMIS. Address manpower and connectivity gaps.*

E. Foster Community Ownership and Transparency

(ix) *Enforce collection and accounting of the five per cent capital cost and O&M contributions from beneficiaries through designated bank accounts.*

(x) *Institutionalise regular social audits and ensure public display of water quality test results at Panchayat offices and public institutions.*

(xi) *Intensify Information, Education & Communication (IEC) campaigns and participatory rural appraisal (PRA) activities to build local ownership and user awareness.*

F. Monitoring and Accountability

(xii) *Operationalise the JJM dashboard across all PIUs and integrate it with local MIS for consistent real-time monitoring.*

(xiii) *Conduct annual independent evaluation of scheme performance with feedback loops into future planning.*

Implementation of Integrated Child Development Services (ICDS) Scheme in Nagaland

SOCIAL WELFARE DEPARTMENT

The Integrated Child Development Services (ICDS) Scheme, was launched on 02 October 1975 by the Ministry of Women and Child Development, Government of India (GoI) aims to improve health, nutrition, and education of the targeted beneficiaries which included children up to the age of six years, pregnant and lactating mothers and adolescent girls aged 11-18 years. A Performance Audit on its implementation in Nagaland was conducted for the period 2018-19 to 2023-24. The significant findings of audit are highlighted below:

- Nagaland has 3,980 functional AWCs, against a population of 19,78,502 (2011 Census) and a projected population of 22,33,000 (2023), indicating that the number of AWCs is broadly adequate to meet the population-based requirement under the ICDS scheme as per prescribed norms, however, this did not ensure uniform access across all regions.

- An expenditure of ₹2.81 crore for procurement of medicine kits during 2018-2024 revealed serious lapses in inventory management, including non-maintenance of stock registers and untraceable distribution records.

- An expenditure of ₹1.36 crore for the procurement of uniforms and badges during 2021-2024 revealed absence of documentation in stock registers and non-receipt of supplies by the majority of sampled CDPOs.

- A standardised framework inclusive of input, output and outcome indicators for evidence-based monitoring was not formulated. Consequently, evaluation of the outcome-based indicators was not conducted at the district, block and village levels.

- Out of 4,09,851 beneficiaries, only 1,13,619 beneficiaries (28 *per cent*) in the State are being monitored through Poshan tracker App to track the nutritional status and growth of women and children, enabling timely intervention to combat malnutrition.

- The State failed to maintain reliable and comprehensive data on key nutritional indicators such as stunting, wasting, underweight, anaemia, and low birth weight.

Recommendations:

The State Government may-

(i) *conduct geo-tagged mapping of all AWCs to identify and address infrastructure gaps such as toilets, kitchens, electricity and drinking water.*

(ii) *implement real-time digital stock register and public disclosure of material distribution (e.g., food, kits) at all levels to ensure transparency and prevent misuse.*

(iii) *develop and adopt a unified monitoring framework with input, output, and outcome indicators for robust, real-time evaluation and accountability.*

(iv) *upgrading digital infrastructure by replacing obsolete smartphones and conducting periodic training of Anganwadi Workers (AWWs) and supervisors to improve usage of Poshan Tracker and digital record-keeping.*

(v) *leverage data from HMIS and Poshan Tracker to design targeted, area-specific interventions for reducing malnutrition, supported by regular food quality testing.*

Compliance Audit Paragraphs

HEALTH AND FAMILY WELFARE DEPARTMENT

Excess payment without supply of materials

Infrastructure Maintenance fund of ₹3.85 crore was diverted to procure medicines, hospital linens and nursing sundries of which items worth ₹0.88 crore were short supplied or rejected.

Recommendations:

The State Government may-

(i) *ensure that NHM funds are utilised as per the Scheme guidelines.*

(ii) *take necessary steps to recover the cost of short supplied or rejected supply items.*

(iii) *fix responsibility on the officers/officials responsible for releasing the payment to the suppliers without verifying the quantity and quality of the supply items.*

(iv) *incorporate enabling clause in all future contracts for obtaining security deposits against Performance Bank Guarantee and Liquidated Damages so as to safeguard its financial interests.*

MUNICIPAL AFFAIRS DEPARTMENT

Undue benefit

A Working Women Hostel was constructed by the Executive Engineer-II, Urban Engineering Wing, Directorate of Municipal Affairs, Nagaland, Kohima, for ₹13.26 crore (GoI share: ₹8.31 crore; GoN share: ₹4.95 crore) on a private plot of land resulting in undue favour to the land owner to that extent.

Recommendations:

The State Government may:

(i) *obtain ex-post-facto approval from the GoI for the subsequent changes made.*

(ii) *take necessary steps to review the Memorandum of Agreement entered into with NAPO so as to safeguard the financial interest of the Government.*

(iii) *ensure fixation of rent/hostel fees in a fair and transparent manner and extensive publicity of the Hostel for the benefit of the intended beneficiaries.*

Chapter-II
Part-II
Local Governments Audit

Under Article 243M of the Constitution of India**,** the State of Nagaland is exempted from the provisions of the 73rd Constitutional Amendment Act, 1992. Owing to its traditional local self-governing institutions in the form of Village Councils, Nagaland falls within this exemption.

As of March 2021, there were 1,280 recognised villages in the State, each governed by the Nagaland Village and Tribal Council Act, 1978 **(**erstwhile *Nagaland Village Council Act, 1978*), which mandates the establishment of a Village Council in every recognised village.

Under each Village Council, a Village Development Board (VDB) is constituted. The VDBs, *inter alia*, facilitate State functionaries that assists in identifying developmental works, selecting scheme beneficiaries and facilitating the implementation of Government schemes, including Centrally Sponsored Schemes (CSSs**)**.

The general body of a VDB comprises of all permanent residents of the village, managed by a committee chosen by the Village Council, with a Secretary, appointed for a term of three years, oversees the day-to-day affairs of the VDB. The Deputy Commissioner of the district acts as the ex-officio Chairman of all VDBs within the district.

Article 243Q of the Constitution of India grants constitutional status to Urban Local Bodies (ULBs) for self-governance in urban areas, covering 18 subjects under the 12th Schedule. In Nagaland, the ULBs are governed by the Nagaland Municipal Act, 2023, comprising 03 Municipal Councils and 36 Town Councils. As per Census 2011, 28.86 *per cent* of the State's population (5.71 lakh) lived in urban areas, with an urban literacy rate of 89.62 *per cent*.

The Nagaland Municipal (NM) Act, 2023 provides the statutory framework for the constitution, functioning and dissolution of ULBs, mandating them to perform obligatory functions such as urban planning, public health, sanitation, solid waste management, fire services, and urban forestry, with provision for additional functions as notified by the Government. Nagaland has 39 statutory towns (comprising 03 Municipal Councils and 36 Town Councils) of which 25 have elected Councils supported by Chief Executive Officers/Executive Officers from the State Civil Services, while the remaining 14 towns in the eastern region are administered by Government-appointed officers in the absence of elected representatives. To strengthen governance, the Government has also issued guidelines recommending the formation of committees within newly constituted ULBs.

No recruitment rules have been framed for ULBs, leading to staff being engaged on a contractual basis with Government approval, resulting in inconsistent staffing patterns across ULBs.

In Nagaland, out of 18 functions listed in the 12th Schedule, ULBs are fully responsible for only one, partially responsible for six and have no role in the remaining eleven, with limited revenue powers (no property tax) and absence of manpower policy restricting the ULBs to function as effective self-governing institutions.

The State has not constituted a Directorate of Local Fund Audit or entrusted Technical Guidance & Support to the C&AG, and audits of ULBs are conducted by the C&AG under Section 14 of the DPC Act, 1971. In addition, no system of internal audit exists in ULBs in Nagaland as the NM Act, 2023 does not provide for it. ULBs lack an institutionalised internal control mechanism to ensure compliance with Acts, Rules and Bye-laws.

The NM Act, 2023 excludes ULBs from levying property tax on land and buildings, leaving them heavily dependent on Government grants. The Municipal Accounts Code has not been prepared and ULBs currently follow a cash-based system and prepare only Receipt and Payment Statements.

Chapter-III
Economic Sector

Performance Audit

Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Nagaland

RURAL DEVELOPMENT DEPARTMENT

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is a Centrally Sponsored Scheme under the Ministry of Rural Development, GoI implemented on a cost sharing basis between the GoI and the State Governments. The GoI enacted the National Rural Employment Guarantee Act (NREGA), 2005, later renamed as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009. MGNREGA provides a legal guarantee of at least 100 days of wage employment in every financial year to rural household whose adult members are willing to do unskilled manual work at the minimum wage rate. A

Performance Audit of the Scheme was conducted covering the period from 2019-20 to 2023-24. The significant findings of audit are highlighted below:

- In 32 test-checked villages, the annual door-to-door survey was not conducted by the Programme Officers. Further, 24 Government employees were enrolled as unskilled workers under MGNREGA and ₹6.04 lakh was paid as wages to 19 Government employees.
- The percentage of Aadhaar seeded and Aadhaar authenticated JC holders was 51 and 43 *per cent* respectively in the State and 47 and 39 *per cent* respectively in the four test-checked districts.
- The Department did not prepare any IEC plan during 2019-2024. Additionally, no funds for IEC activities were received by the block offices and VDBs in the last five years and only limited IEC activities were conducted at the Directorate of RD, GoN.
- The Department had not re-appoint SQM/DQM following their three-year term expiry (constituted in 2019).
- Ten projects costing ₹2.87 crore stated to have been completed, did not exist physically and there was short execution of works in 51 projects amounting to ₹8.69 crore indicating possible misappropriation of funds to that extent.
- The offices of Ombudsman were not functional in all the three test checked districts. Moreover, no Citizens' Charter was prepared by the State Government during the audit period.
- There was a shortfall in conducting 2,676 social audits (59 *per cent*) in the State during 2019-2024 against the target in the audit plan of 4,536 social audits.

Recommendations:

(i) *An annual door-to-door survey should be institutionalised to include all eligible beneficiaries, remove ineligible persons (such as Government employees), and update Aadhaar-seeded job card records to eliminate authentication failures.*

(ii) *The Department should take focused steps, including field-level data correction, additional Aadhaar enrolment centres, and coordination with banks to expedite 100 per cent ABPS coverage for wage payments to prevent delays and leakages.*

(iii) *The State should develop an annual Information, Education and Communication (IEC) plan covering State, district, block, and village levels with clear timelines and targets to enhance worker awareness of their rights, entitlements, grievance mechanisms, and available mobile applications such as Janmanrega.*

(iv) The State must reconstitute and operationalise State and District Quality Monitoring Units (SQM/DQM) as per guidelines to independently monitor at least 10 per cent of the works for quality assurance and compliance.

(v) Dedicated technical staff must be appointed at village and block levels to ensure proper work measurement, adherence to sanctioned estimates, correct geo-location tagging, and validation of work execution as per approved specifications.

(vi) The State should operationalise fully functional grievance redressal systems and conduct mandated biannual social audits in every Village Development Board (VDB), with independent verification, resolution of audit observations, and public disclosure of audit reports.

Functioning of Regional Transport Offices/District Transport Offices in Nagaland

TRANSPORT (MOTOR VEHICLES) DEPARTMENT

The Motor Vehicles Department (MVD) under the Transport Department, GoN was established in the year 1963 on Nagaland attaining Statehood. The powers and functions of the Department are regulated under the provisions of the Motor Vehicles (MV) Act 1988, Central Motor Vehicles (CMV) Rules 1989, the Nagaland MV Act, 1967 and the MV Taxation Rules 1972. As on 31 March 2024, there are two Regional Transport Offices and six District Transport Offices that function under the MVD of the State. A Performance Audit of the Department was conducted covering the period from 2019-20 to 2023-24. The significant findings of audit are highlighted below:

- 6,292 out of 33,567 LLs were issued without conducting the mandatory tests in the three test-checked RTOs/ DTO.
- There is no ATS in Nagaland to carry out the automatic testing of vehicles for the issuance of fitness certificates. The construction of an Inspection and Certification Centre at Chumukedima, proposed for conversion into an ATS, was under progress.
- During 2019-2024, 8,633 vehicles registered in Nagaland defaulted on tax payments, resulting in cumulative outstanding dues of ₹9.03 crore.
- Two RTOs - Kohima and Mokokchung under-imposed a penalty of ₹23.41 lakh for overloading.
- The provisions for imposing penalties for various motor vehicle related offences were not complied with by the three test-checked RTOs/DTO.
- The VAHAN and SARATHI applications were operational across all RTOs/DTOs in Nagaland, however, an online payment gateway for citizen users had not been integrated.

- The GoN had signed a Memorandum of Understanding (MoU) with HDFC Bank to provide a payment gateway for e-challan and other online payments, this integration with the VAHAN application was still under development.

Recommendations:

(i) The Department should implement a mandatory digital testing system integrated with SARATHI, ensuring that all Learner's License applicants undergo time-stamped, system-recorded tests. Manual issuance without records must be discontinued, and RTOs held accountable for compliance.

(ii) The State Government may fast-track the establishment and operationalisation of Automated Testing Stations (ATS) at Chumukedima, Kohima, and Mokokchung, ensuring all fitness renewals comply with CMV Rules, 2022. Until ATS are fully functional, interim quality control measures must be implemented for manual fitness testing.

(iii) The Department should implement an automated tracking and alert mechanism within VAHAN to notify vehicle owners before permit or fitness certificate expiry. Simultaneously, strengthen enforcement through e-challan systems and mandate field inspections backed by real-time data validation.

(iv) The Department may develop and enforce a structured compounding protocol, including compulsory entry of Check Reports in VAHAN, seizure of documents or vehicles where required, and verification of compliance before closure of cases. Enforcement performance must be reviewed quarterly.

(v) The Department should immediately finalise and operationalise the integration of the HDFC payment gateway with VAHAN and SARATHI. All citizen-facing services should mandate digital payment options to enhance convenience, reduce cash handling, and improve transparency.

Compliance Audit Paragraphs

HORTICULTURE DEPARTMENT

Undue favour to Contractor-cum-landowner

A Botanical Garden-cum-Recreational Park was created at Jalukie, Peren at a cost of ₹2.87 crore on a privately owned land in violation of NEC guidelines. The facility remained idle for the last two years resulting in loss of potential revenue from its operation.

Recommendations:

The State Government may-

(i) take necessary steps to review the 'Deed of Land Donation' and ensure that land records are updated to reflect the Government's ownership, thereby safeguarding its interest.

(ii) ensure that the assets/facilities created out of the project is utilised as envisaged in the Detailed Project Report.

PLANNING AND TRANSFORMATION DEPARTMENT

Unauthorised utilisation of scheme fund

Funds amounting to ₹6.14 crore meant for construction of Boys and Girls Hostels was unauthorisedly diverted for construction of a private school in violation of the Pradhan Mantri Jan Vikas Karyakram (PMJVK) guidelines.

Recommendations:

The State Government may ensure that-

(i) all future DPRs under PMJVK scheme includes complete details of project land and its intended usage.

(ii) the assets created under Government sponsored projects are utilised for the intended purpose; and

(iii) responsibility of the erring officials is fixed for unauthorised utilisation of the Scheme funding towards construction of a private school and action as per rules may be taken against them.

TOURISM DEPARTMENT

Irregular payment for unexecuted works

The Executive Engineer, Directorate of Tourism, Nagaland, made an irregular payment of ₹0.43 crore to the contractor for unexecuted works based on fictitious entries in the Measurement Books (MBs) and Running Account Bills.

Recommendations:

The State Government may-

(i) initiate action against the contractor for submitting bills without execution of works and take steps to recover the excess amount paid to the contractor.

(ii) fix responsibility on and take action against the erring officers for making false entries in the MBs and failure to cross check the correctness of Contractor's bill before release of payment.

TRANSPORT DEPARTMENT

Unfruitful expenditure

The project ***"Conversion of NST Central Workshop into a Bus Station, Night Parking-cum-marketing Complex in Dimapur"*** remained incomplete even after a lapse of more than six years after incurring an expenditure of ₹10.61 crore. Moreover, the State Government had to bear an additional ₹16.64 crore burden without achieving the intended transport or revenue benefits.

Recommendation:

The State Government may earmark resources to complete the balance portion of the incomplete work so that the objective of the project is fulfilled without further delay.

Chapter-IV
General sector

Information Technology (IT) Audit

Treasury Computerisation in Nagaland

TREASURIES AND ACCOUNTS DEPARTMENT

The Ministry of Finance (MoF), GoI notified (July 2010) the implementation of Treasury Computerisation (TC) Mission Mode Project (MMP) under the National e-Governance Plan (NeGP). This initiative aimed to enhance efficiency, reduce costs, eliminate redundancies and modernise public expenditure management practices. The TC was designed to streamline budgeting processes, enhance cash flow management, facilitate real-time account reconciliation, strengthen the Management Information System (MIS), improve accuracy and timeliness in account preparation, enhance transparency in public delivery systems and elevate financial management quality in States and Union Territories (UTs). A Performance Audit of the implementation of TC was conducted covering the period from 2018-19 to 2023-24. The significant findings of audit are highlighted below:

- The rollout of TreasuryNet system was delayed due to delay in selecting vendor for application development, resulting in the timelines stipulated in the DPR not being achieved. The Department had not adopted project management tools to monitor the progress of completion of individual tasks for the project with respect to the critical path for the project and had not maintained a risk register to list and identify risks and mitigation measures.
- Failure to complete the stipulated milestones resulted in project implementation delays, causing the State Government to miss out on Central assistance of ₹2.84 crore.
- Out of 13 modules, five modules were not implemented. Moreover, the implemented modules did not incorporate all the business rules and features outlined in the DPR. As a result, key application controls required in the lifecycle of the financial management process - from budget to accounts - have not yet been implemented in the TreasuryNet application.
- The database contained several discrepancies, indicating inadequate mapping of rules, logical access controls and validation controls.
- Training needs analysis was not conducted, and required numbers of IT personnel were not available in the Treasuries and Sub-Treasuries.
- Neither the State Government nor the Department submitted any progress report to the PSC throughout the project's implementation.

Recommendations:

The State Government may-

(i) *adopt project management tools to identify the list of individual tasks to be completed, persons responsible for each task, sequential dependencies among tasks and the impact of delays on the critical path for the project timelines.*

(ii) *direct the Department to undertake a comprehensive review of its project governance mechanism, to identify and address the root causes for delays and adopt standard controls such as maintenance of risk register, periodic meetings of governance Committee(s) and periodic reports on progress in implementation of projects.*

(iii) *instruct the Department to prioritise the completion of all modules of TreasuryNet along with key functionalities and application controls.*

(iv) *instruct the Department to implement application controls for budget management and expenditure control.*

(v) *instruct the Department to take steps to conduct training needs analysis to provide the required training for Treasury Computerisation and deploy IT support staff in the Treasuries and Sub-Treasuries.*

(vi) *strengthen the monitoring mechanism to ensure that the PSC meets at prescribed frequencies to review the progress of implementation, to analyse risks and reasons for delay, and to follow up on action taken on its previous decisions.*

Compliance Audit Paragraphs

FINANCE (TREASURIES & ACCOUNTS) DEPARTMENT

Fraudulent/excess drawal of money

The failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/double/excess drawal of ₹0.88 crore, out of which ₹0.24 crore was pending to be recovered.

Recommendations:

The State Government may-

(i) *take steps to recover the amount misappropriated immediately from the concerned employees/DDOs/TOs with penal interest.*

(ii) *investigate the matter and take appropriate action against the delinquent officers for the criminal offense of fraudulent withdrawal/theft of public money.*

(iii) *initiate steps to strengthen the internal control mechanism in all departments to prevent recurrence of fraudulent drawals.*

(iv) refer the cases to the State Lokayukta for further investigation.

(v) direct all the departments to adhere to the recommendations made by the State PAC and ensure their strict compliance.

HOME (POLICE) DEPARTMENT

Excess expenditure

Engaging an unlicensed Supplier for procurement of Commercial Liquefied Petroleum Gas cylinders/refills without following the tendering process in violation of the applicable Regulations by the Director General of Police, Nagaland resulted in an excess expenditure of ₹3.46 crore.

Recommendations:

The State Government may-

(i) follow the prescribed tendering process for procurements and strengthen the internal control mechanism to promote transparency and compliance with procurement norms.

(ii) fix responsibility on the officials concerned for non-compliance of LPG (Regulation of Supply and Distribution) Order, 2000, leading to the financial loss to State Exchequer.

HOME (DISTRICT ADMINISTRATION) DEPARTMENT

Misappropriation of fund

The Deputy Commissioner of Phek District misappropriated ₹17.56 lakh from the Government funds meant for land acquisition towards development of Sub-Jail in Pfutsero.

Recommendations:

The State Government may-

(i) conduct departmental enquiry to fix responsibility on the erring officials for the unauthorised expenditure and recover the amount from the officials concerned.

(ii) ensure execution of the Sale Deed at the earliest to establish the ownership of the land acquired.

Chapter-V
Revenue Sector

Subject Specific Compliance Audit

Department's oversight on GST payments and Return filing (Phase II) in Nagaland

FINANCE (TAXATION) DEPARTMENT

Goods and Services Tax (GST) came into effect from 01 July 2017 replacing multiple taxes levied and collected by the Centre and States. GST is a destination-based consumption tax on the supply of goods or services or both levied on every value addition. The Centre and States simultaneously levy GST on a common tax base. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) are levied on intra-State supplies, and Integrated GST (IGST) is levied on inter-State supplies. A Subject Specific Compliance Audit (SSCA) was taken up considering the significance of the control mechanism envisaged for tax compliance and the oversight mechanism of the Commissioner of Taxes (Department), GoN in this new tax regime.

Audit revealed shortcomings in tax administration such as deficiencies in closed, non-finalised cases, cancellation of registration, ITC mismatch, short payment of tax and interest, turnover mismatches and errors in data entry were noticed. Audit has recommended corrective actions to address the shortcomings noticed.

Recommendations:

The Department may-

(i) *ensure time-bound compliance to the detailed procedures for scrutiny of returns.*

(ii) *take prompt steps to conduct internal audit under Section 65 of the NGST Act so that action could be initiated against the defaulters before time-barring of cases.*

(iii) *initiate action against late- filers and non-filers by assessing the tax liability through invoking of the ASMT-13 best judgment assessment order.*

(iv) *adhere to the Rules regarding the cancellation process to ensure that final returns in GSTR-10 are filed and the tax liability is discharged.*

(v) *ensure taxpayers' compliance to the deviations arising from non-adherence to the NGST Act and rules.*

(vi) *instruct the departmental units to ensure timely and complete production of records to Audit.*

(vii) *ensure remedial action for all the compliance deviations before they get time barred.*

Chapter VI
Economic Sector (Public Sector Enterprises)

As of 31 March 2024, the State of Nagaland had seven Public Sector Enterprises (five working Government companies and two non-working companies) wherein the investment of the State Government (equity capital and long-term loans) in the seven PSEs was ₹36.94 crore, consisting of ₹36.67 crore towards equity capital and ₹0.27 crore towards long term loans. As on 31 March 2024, the combined investment of the State Government and other stakeholders in the seven PSEs was ₹123.15 crore. The combined investment was highest in the Finance sector PSEs (₹82.61 crore) followed by Miscellaneous Sector PSEs (₹19.51 crore).

- As on 30 September 2024, a total of 15 Accounts pertaining to all five working PSEs were in arrears for the periods ranging between one to six years.
- During 2023-2024, the State Government had provided budgetary support in the form of grants/subsidy of ₹89.07 crore to five working PSEs.
- As on 30 September 2024, the turnover of the working PSEs stood at ₹6.03 crore during 2023-2024. The accumulated losses (₹91.92 crore) of two working PSEs *viz.* Nagaland Industrial Development Corporation Ltd. and Nagaland Hotels and Tourism Development Corporation Ltd. had completely eroded their paid-up capital (₹25.55 crore) as per their latest finalised accounts.