CHAPTER-I
INTRODUCTION

CHAPTER I

INTRODUCTION

1.1 About this Report

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 (including Local Government Audit), Economic, General and Revenue Sectors.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. Auditing standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management and contribute to better governance.

This chapter, in addition to explaining the planning and coverage of audit, provides a synopsis of significant instances of non-compliance with applicable laws, rules, regulations, various orders and instructions issued by competent authorities.

1.2 Profile of the Office of the Accountant General (Audit), Nagaland

The Office of the Accountant General, Nagaland, Kohima was established on 17 December 1974. Following a restructuring of cadres in 1984, the audit functions were entrusted to the office of the Accountant General (Audit), Nagaland and the Accounts and Entitlement functions were entrusted to the Accountant General (A&E), Nagaland.

Under the directions of C&AG, the Office of the Accountant General (Audit), Nagaland conducts audit of Government departments, Public Sector Enterprises, Autonomous Bodies and other Institutions[1] under Social, Economic, General and Revenue Sectors, which are spread all over the State. The Accountant General (Audit) is assisted by one Senior Deputy Accountant General.

The authority of audit is derived from Article 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (C&AG's (DPC) Act). Under Section 13 of the C&AG's (DPC) Act, the Office of the Accountant General (Audit) has been entrusted with the audit of all expenditure incurred from the Consolidated Fund of the GoN. This office conducts audit of revenue receipts of the GoN under Section 16 of the C&AG's (DPC) Act. This office also conducts supplementary audit of the Balance Sheet of all State Government companies under Section 143 (6) (a) of the Companies Act, 2013. This office is responsible for audit of accounts of autonomous bodies and authorities falling under Sections 14, 15, 19 (2), 19 (3) and 20 (1) of the C&AG's (DPC) Act.

[1] Audit of World Bank assisted projects, Asian Development Bank assisted projects *etc.*

The C&AG prescribes the principles and methodologies for various audits in the Auditing Standards and the Regulations on Audit and Accounts, 2020.

1.3 Planning and conduct of Audit

The audit process commences with the assessment of risk of the departments based on the expenditure incurred, criticality/complexity of activities, priority accorded for the activity by the Government, level of delegated financial powers, assessment of internal controls, concerns of stakeholders and previous audit findings. Based on this risk assessment, the frequency and extent of audit are decided and an annual audit plan is formulated to conduct audit.

After completion of each audit, an Inspection Report (IR) containing audit findings is issued to the Head of the unit with a request to furnish replies within one month of receipt of the IR. Wherever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in the Government, are processed for inclusion in the Audit Report. The Audit Report is submitted to the Governor of Nagaland under Article 151 of the Constitution of India for causing it to be laid on the Table of the State Legislature.

The Audit Plan is prepared in such a manner that it fits into the long term and short term goals of audit in consonance with the overall "Vision and Mission" of the Supreme Audit Institution of India. It is prepared after carrying out a risk assessment and keeping in view the available manpower. Elements of the Audit Quality Management Framework (AQMF) *viz.* materiality, inputs from Voucher Level Computerisation (VLC), financial size of the units, data from various e-governance initiatives taken by Government, flagship programme undertaken by auditees, press reports/electronic media coverage, expected audit impact and continuous improvement based on past experience are taken into account to the extent possible while framing the plan. A sector-wise analysis of Government spending, investment policy of the Government in infrastructure development, industrialisation and socio-economic activities along with due consideration of the possible audit impact are taken into account in prioritising auditee units for preparing the audit plan.

Considering the availability of resources, focus is given to areas of high financial risk rather than thinly spreading out the available resources across the Government activities. The aim is to have a better socio-economic impact and add value to governance.

Out of 1,186 units, 362 units were planned for audit during 2023-24 after carrying out a risk assessment and keeping in view the available manpower, of which 364 units were actually audited during 2023-24.

1.4 Significant Audit Observations

During the year 2023-24, the State Government incurred an expenditure of

₹13,590.11 crore[2] against the budget provision of ₹15,482.96 crore[3] under Social, Economic and General Sectors. Sector-wise budget estimates and expenditure are depicted in **Charts 1.1** and **1.2**.

Chart 1.1: Sector-wise Budget Estimates (₹ in crore)

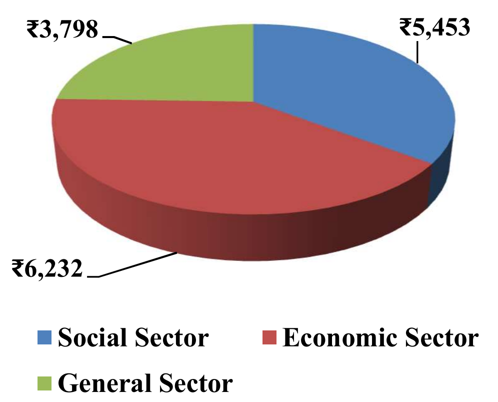
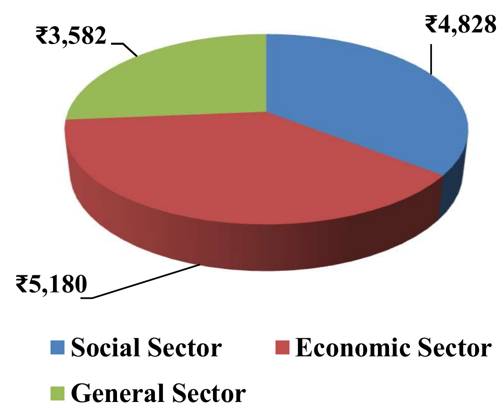


Chart 1.2: Sector-wise expenditure (₹ in crore)



Source: Appropriation Accounts, 2023-24

This Report, *inter alia*, contains four Performance Audits *viz.*, "Jal Jeevan Mission in Nagaland", "Implementation of Integrated Child Development Services (ICDS) Scheme in Nagaland", "Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Nagaland" and "Functioning of Regional Transport Offices/District Transport Offices in Nagaland". The Compliance Audit consists of one Subject Specific Compliance Audit *viz.* "Department's Oversight on GST Payments and Return filing (Phase II) in Nagaland" and major findings of audit from test check of the transactions of 323 units[4] involving an expenditure of ₹18,087.35 crore[5] under Social, Economic and General Sectors. The Report also contains an Information Technology (IT) Audit on "Treasury Computerisation in Nagaland". Significant audit findings are discussed in the respective chapters.

---

[2] Social: ₹4,828.16 crore; Economic: ₹5,179.95 crore; General: ₹3,582.00 crore
[3] Social: ₹5,453.71 crore; Economic: ₹6,231.53 crore; General: ₹3,797.72 crore
[4] Social: 101 units; Economic: 141 units; General: 81 units
[5] Social: ₹4,665.55 crore; Economic: ₹8,411.28 crore; General: ₹5,010.52 crore