CHAPTER-III
ECONOMIC SECTOR

CHAPTER - III

ECONOMIC SECTOR

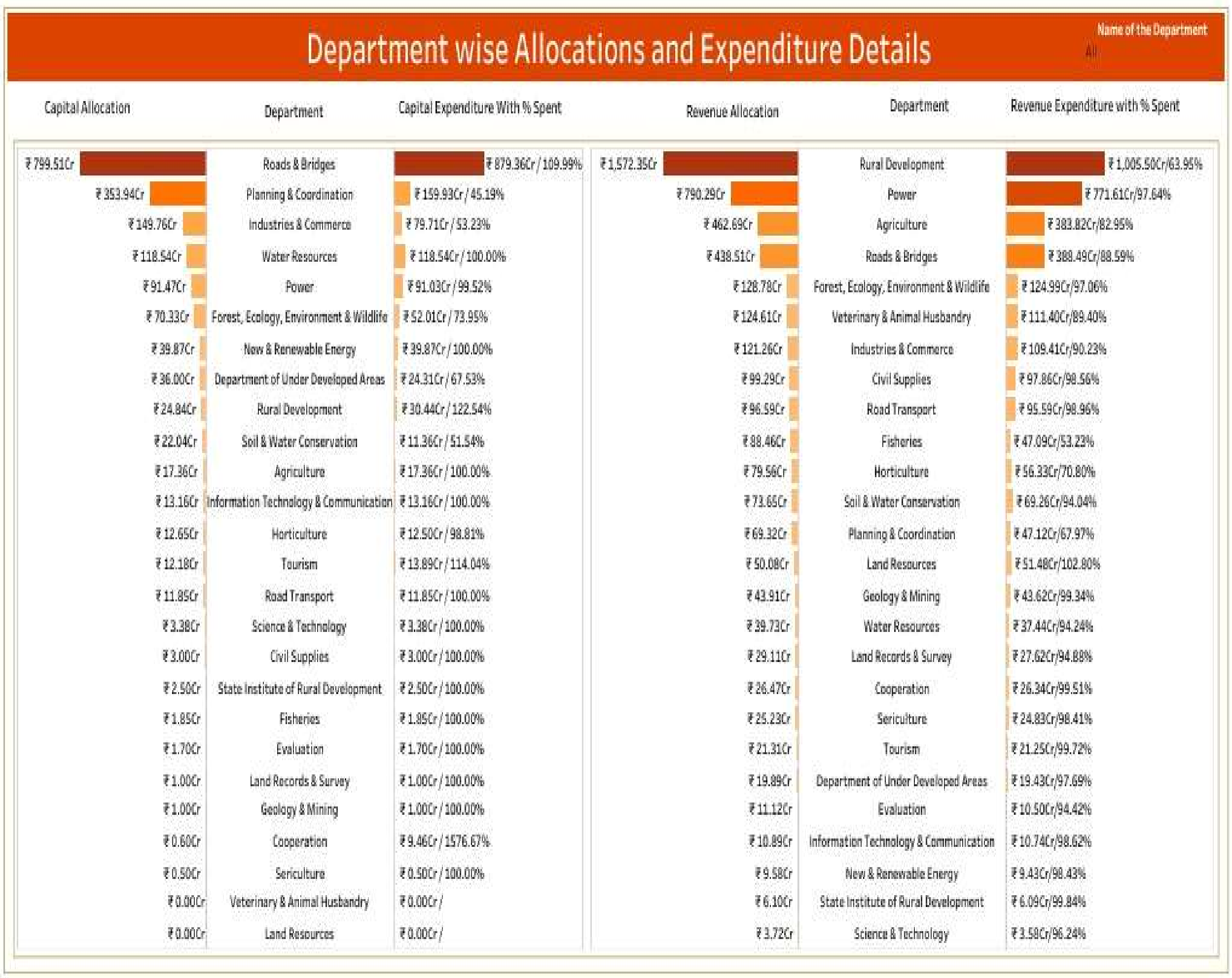
3.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2024 deals with audit observations on the working of the State Government Departments under Economic Sector.

During 2023-24, total budget allocation of the State Government in the Departments under Economic Sector was ₹6,231.53 crore against which actual expenditure incurred was ₹5,180.53 crore (83 *per cent*). The Department-wise details of Budget Allocations and Expenditure incurred during 2023-24, are shown in **Heatmap 3.1.1**.

Heatmap 3.1.1: Details of Department-wise Budget Allocations and Expenditure during 2023-24.

(₹ in crore)



Source: Appropriation Accounts, 2023-24

Key Insights

1. Revenue Allocation *vs* Expenditure

- **Rural Development** had the highest allocation (₹1,572 crore) but actual expenditure was only ₹1,006 crore (64 *per cent* utilisation), reflecting significant under-spending.
- **Power** sector shows efficient utilisation (₹790 crore allocation vs ₹772 crore expenditure – 98 *per cent*).
- **Roads & Bridges** also absorbed most of its allocation (₹439 crore allocated, ₹388 crore spent – 88 *per cent*).
- **Agriculture** (₹463 crore allocation) appears smaller in expenditure footprint, indicating either delays or unreported spending.

2. Capital Allocation *vs* Expenditure

- **Roads & Bridges** is the dominant sector, with ₹799.5 crore allocation and ₹879.4 crore expenditure – overspending above allocation (110 *per cent*).
- This **indicates** either additional fund infusion or cost overruns.
- **Planning & Coordination** had ₹353.90 crore allocated, but actual expenditure is much lower (₹159.93 crore) in relative terms, pointing to execution delays in terms of Capital Expenditure.
- **Water Resources and Industries & Commerce** received capital allocations, but expenditure is modest, again suggesting under-utilisation.

3. Efficiency Insights

- **Power** stands out as the best-performing sector with almost full utilisation of its revenue allocation.
- **Rural Development** is a concern area, with a utilisation gap of nearly ₹566 crore on the revenue side.
- **Roads & Bridges** is absorbing massive funds in both capital and revenue sides, even exceeding its capital allocation, making it the single most investment-heavy sector.

4. Sectoral Priorities

- **Rural Development (Revenue)** and **Roads & Bridges (Capital)** dominate their respective categories.
- Other sectors like **Agriculture, Water Resources and Industries & Commerce** are much smaller in both allocation and expenditure, reflecting secondary priority.

5. Overall Pattern

- Capital investments are tilted heavily towards infrastructure (roads, planning, resources).
- Revenue side spending shows a stronger focus on **Rural Development and Power**, though utilisation in rural schemes lags significantly.

Audit was conducted in 141 units of nine Departments involving an expenditure of ₹8,411.28 crore (including expenditure of previous years audited during the year) during 2023-24 under the Economic Sector.

This chapter contains audit observations on two Performance Audits *viz.* "Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Nagaland" and "Functioning of Regional Transport Offices/District Transport Offices in Nagaland" and four compliance audit paragraphs.

Performance Audit

RURAL DEVELOPMENT DEPARTMENT

3.2 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Nagaland

A Performance Audit on the "Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Nagaland" was carried out covering the period from 2019-20 to 2023-24. This Performance Audit brought out the following significant findings.

Highlights

- *The State Government accumulated liability of ₹22.37 crore as penal interest for delayed release of funds to the State Employment Guarantee Council during 2019-2021.*

  Paragraph 3.2.8.5

- *There was shortfall in release of State matching share of ₹104.39 crore during 2019-2023.*

  Paragraph 3.2.8.6

- *An amount of ₹29.53 crore was diverted for salaries of functionaries already engaged by the State Government and for purchase of vehicle and repairs.*

  Paragraph 3.2.8.7

- *The State generated an average of 46 days of employment per household against the entitled 100 days during 2019-2024 due to Job Card holders being unaware of their rights to demand for 100 days of wage employment.*

  Paragraph 3.2.9.1

- *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.*

  Paragraphs 3.2.9.3 & 3.2.9.4

- *The percentage of Aadhaar seeded and Aadhaar authenticated JC holders were 51 and 43 per cent respectively in the State and 47 and 39 per cent respectively in the four test-checked districts.*

  Paragraph 3.2.9.6

- *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.*

Paragraph 3.2.9.11

- *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.*

Paragraph 3.2.10.1

- *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.*

Paragraph 3.2.11.2

- *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.*

Paragraph 3.2.11.4 and 3.2.11.7

- *The Department had not re-appoint SQM/DQM following their three-year term expiry (constituted in 2019).*

Paragraph 3.2.11.6

Audit Snapshot

Why did we do this audit?

- To assess compliance with MGNREG Act and Guidelines.
- To verify fund management, planning, monitoring and employment generation.
- To evaluate transparency and delivery of guaranteed wage employment.

What did we find?

- Only 46 average employment days provided *vs*. 100-day guarantee.
- Delays in release of funds and shortfalls in State matching share disrupted execution.
- Acute shortage of Gram Rozgar Sahayaks (GRS) and mates at village level.
- Inadequate IEC activities led to low awareness.
- Large shortfall in social audits (59 *per cent*).
- Weak monitoring, IEC and grievance redressal.
- Overall governance and oversight failures undermined MGNREGA's objective of ensuring rural livelihood security.

Registered Households - 4.71 lakh

Registered Workers - 8.37 lakh

Average Employment Days – 46 days

Total expenditure incurred: ₹3,288.36 crore

What do we recommend?

- Conduct baseline surveys and prepare village development plans.
- Timely release of SEGF funds to avoid interest.
- Stop diversion of administrative funds.
- Follow GFR, 2017 for procurements above ₹25 lakh.
- Appoint GRS and Mates at village level.
- Conduct annual door-to-door job card verification.
- Achieve 100 *per cent* Aadhaar Based Payment System coverage.
- Implement comprehensive IEC at all levels.
- Restore independent SQM/DQM quality monitoring.
- Conduct biannual social audits & publish Citizens' Charter.

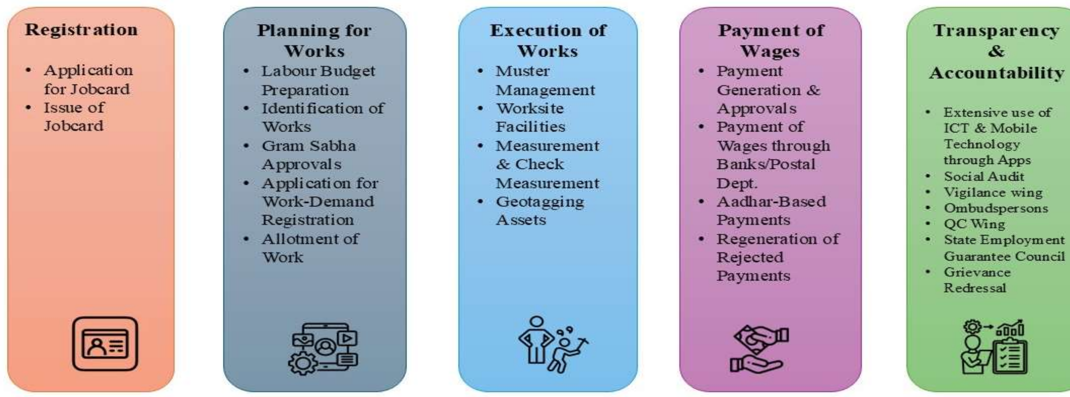
3.2.1 Introduction

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is a Centrally Sponsored Scheme under the Ministry of Rural Development (MoRD), Government of India (GoI) implemented on a cost sharing basis between the GoI and the State Governments[1]. The GoI enacted the National Rural Employment Guarantee

[1] GoI will bear 100 *per cent* of wages of unskilled manual workers and 75 *per cent* of the cost of material and the State Government will bear the remaining 25 *per cent*.

Act (NREGA), 2005, later renamed as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.

An overview of MGNREGS is shown below:



MGNREGA provided a legal guarantee of at least 100 days of wage employment in every financial year to a rural household whose adult members are willing to do unskilled manual work at the minimum wage rate.

Novel Features of MGNREGS: Demand-Driven and Rights-Based Legal Guarantee

Aspect	What Makes it Novel
Legal Entitlement	Every rural household has the *right to demand* up to 100 days of guaranteed wage employment per financial year for unskilled manual work. This right is enforceable under the Mahatma Gandhi National Rural Employment Guarantee Act, 2005.
Demand-Driven Nature	Unlike supply-driven schemes, work must be provided within 15 days of a demand. If not, the State Government must pay unemployment allowance.
Accountability Mechanism	Legal penalties and compensation provisions create accountability on the part of the State if entitlements are not met.
Social Audits & Transparency	Social audits by Gram Sabhas and proactive disclosure of information are institutionalised to prevent corruption and empower beneficiaries.

The rights and entitlements of MGNREGS workers are shown below:

Major entitlements of the MGNREGS Scheme

- **Right to a Job Card.**
- **Right to demand and receive work within 15 days.**
- **Right to unemployment Allowance.**
- **Right to plan and prepare a Shelf of Projects.**
- **Right to obtain work within a radius of five kilometres.**
- **Right to worksite facilities.**
- **Right to notified wage rate.**
- **Right to receive wages within 15 days.**
- **Compensation for delay in payment of wages.**
- **Right to time-bound redressal of grievances and right to conduct concurrent social audits of all MGNREGS expenditure.**

The Rural Development (RD) Department is the project implementing agency in the State. As per Paragraph 6.10 of MGNREGS Operational Guidelines, 2013, the Gram Sabha (GS) shall approve the Annual Plan of Gram Panchayat (GP) and submit the same to the Programme Officer (PO) at Block level. In Nagaland, the role of the GS is performed by the Village Development Board (VDB). The Block Office consolidates the works proposed by all VDBs under its jurisdiction and submits the consolidated plan to the District Office for preparation of the State Labour budget. The Labour budget submitted by the RD Department is then approved by the Empowered Committee of MoRD, GoI.

3.2.2 Organisational set up

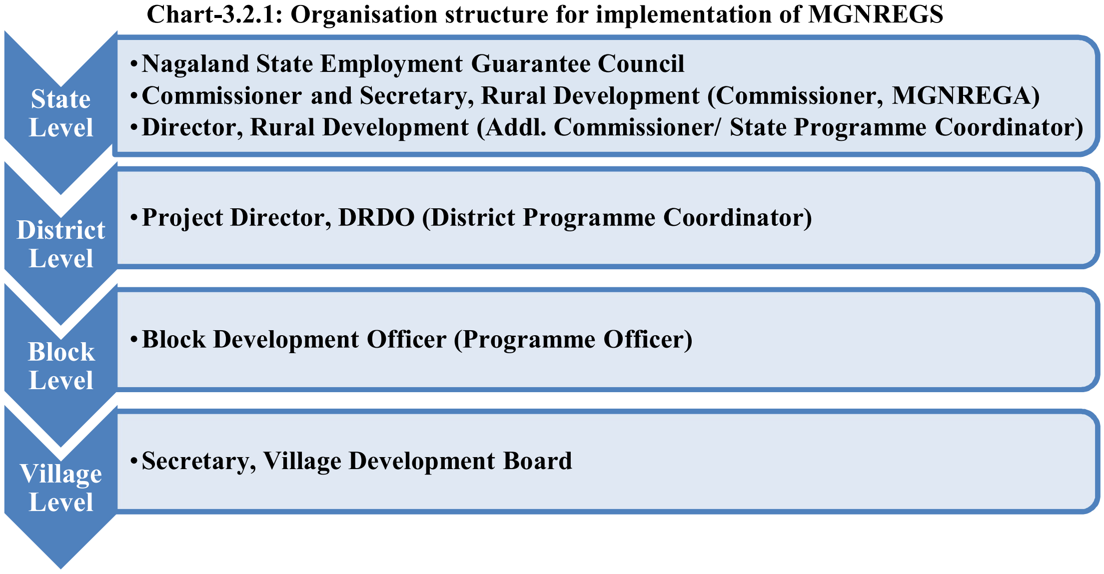
At the State level, the RD Department is the nodal agency for the implementation of the scheme. A State Employment Guarantee Council (SEGC) to advise the State Government on the implementation of the scheme was set up in the year 2007. At the district level, the Project Director (PD), District Rural Development Agency (DRDA) is designated as the District Programme Coordinator (DPC) who is assisted by Programme Officer (PO) for administering the scheme implementation. At the block level, the Block Development Officer (BDO) is designated as Programme Officer (PO) for overseeing the scheme. Junior Programme Coordinator and other officials assist the BDO. Finally, the VDB which functions under the traditional Village Council is the project implementing agency for MGNREGA at the grassroots level.

Key stakeholders at various levels		
National Level	• Central Employment Guarantee Council • Ministry of Rural Development	• Overall monitoring and provide advice to the Central Government. • Policy formulation, providing financial and technical support to States, monitoring and evaluation of the Scheme.
State Level	• State Government • State Employment Guarantee Council	• Policy formulation, guidelines and overall supervision of MGNREGA implementation. • Advises the State Government on MGNREGA implementation and policy matters.

Key stakeholders at various levels		
District Level	• District Programme Coordinator • District Rural Development Office	• Oversees the overall implementation of MGNREGA within the district. • Managing the technical aspects of MGNREGA projects.
Block Level	• Programme Officer • Block Panchayat	• Coordinating MGNREGA activities within the block, including work allocation, monitoring and resolving grievances.
Village Level	• Village Panchayat • Village Employment Council	• Identifying works, managing Job Card holders, and overseeing the implementation of MGNREGA projects within the village.
Civil Society	• Civil Society Organisations • Self Help Groups	• Awareness generation, capacity building, and social accountability.

The organogram for implementation of the scheme at different levels is shown in **Chart 3.2.1**:

Chart-3.2.1: Organisation structure for implementation of MGNREGS



Source: Departmental records

3.2.3 Audit Objectives

The Audit objectives were to assess whether:

- Planning process and financial management practices were adequately geared towards achieving the goals of the Act, while adhering to relevant rules and regulations;
- Fair access to employment opportunities was achieved, as well as employment adequately generated, leading to social protection and livelihood security as envisaged;

- Durable and useful assets were created and maintained in compliance with rules and regulations, while ensuring convergence with other programmes/ schemes; and
- Appropriate and adequate monitoring, social audit and grievance redressal systems were in place and functioning as envisaged to achieve greater transparency and accountability.

3.2.4 Audit Criteria

The Audit findings were benchmarked against the following criteria:

- MGNREG Act, 2005 and Operational Guidelines, 2013 issued under the Act;
- Annual Master Circulars[2] (AMCs) issued by the MoRD, GoI;
- Nagaland Rural Employment Guarantee Scheme Rules, 2005;
- General Financial Rules (GFR), 2017, relevant orders, instructions, minutes of committee meetings issued by the MoRD, GoI and the State Government;
- Nagaland Public Works Department (NPWD) Schedule of Rates, 2016.

3.2.5 Audit Scope and Methodology

An entry conference was held on 16 May 2024 with the Joint Secretary to the Government of Nagaland (GoN), RD Department, wherein the audit objectives, criteria, scope and methodology were discussed. The Performance Audit (PA) covered the period from 2019-20 to 2023-24 and involved test-check of records, data analysis, joint physical verification (JPV) of works and survey of beneficiaries of the scheme. An exit conference was held on 18 November 2024 with the Commissioner and Secretary, RD Department and other departmental officials[3], wherein the audit findings were discussed. The State Government's replies had been appropriately incorporated in the Report.

3.2.6 Audit Sampling and selection

Out of 16 districts in the State, four[4] districts were selected for test-check. Further, eight[5] blocks (from each district two blocks) and 32 villages (from each block four villages) were selected. The method used for selection was stratified random sampling and probability proportional to size without replacement. Besides, 323 beneficiaries (minimum 10 beneficiaries in each of the 32 selected villages) were randomly selected for beneficiary survey.

3.2.7 Acknowledgement

Audit acknowledges the co-operation extended by the RD Department, test-checked District Programme Coordinators (DPCs), Programme Officers (POs) and VDBs during the conduct of the Performance Audit.

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[2] Annual Master Circulars are comprehensive documents issued by the MoRD each year. They provide detail guidelines and instructions for implementing the MGNREGA scheme, covering various aspects like planning, execution, financial management and monitoring of works.

[3] Director and Rural Development Officer of RD Department

[4] Dimapur, Mokokchung, Phek and Zunheboto

[5] Dimapur (Aghunaqa & Chumukedima), Mokokchung (Longchem & Mangkolemba), Phek (Phek & Sekzruzu) and Zunheboto (Akuluto & Ghathashi)

Audit Findings

3.2.8 Audit Objective: Whether planning process and financial management practices were adequately geared towards achieving the goals of the Act, while adhering to relevant rules and regulations?

3.2.8.1 Failure to conduct mandatory Baseline Survey for planning under MGNREGS

Paragraph 6.2 of the MGNREGA Operational Guidelines, 2013 stated that a survey of job card (JC) holders was to be mandatorily conducted in every Gram Panchayat (GP) in order to prepare a baseline data to assess the quantum and timing of demand for employment in the village. The paragraph further recommended that expert institutions may be empanelled separately in each State to finalise the framework and methodology for the pilots for the baseline survey and train teams from each District to conduct the surveys.

Audit observed that during 2019-2024, the Department did not empanel expert institutions and did not conduct a baseline survey. Audit further observed that the absence of baseline survey data resulted in non-preparation of the development plan and preparation of an improbable labour budget as discussed in **Paragraphs 3.2.8.2** and **3.2.8.3** respectively.

The scheme guidelines provided that expert institutions may be empanelled separately in each State to provide technical and professional support in planning, design, and implementation. However, empanelment of expert institutions was not mandatory under the guidelines. Audit observed that while the State Government did not empanel expert institutions during the period covered, this did not constitute a violation of scheme provisions *per se*. Nevertheless, the absence of empanelled expert institutions resulted in limited access to technical expertise, which contributed to deficiencies in the preparation of realistic Development Plans, labour budget estimation, and project execution, as discussed in preceding paragraphs.

In reply, the State Government stated (December 2024) that the Agricultural Finance Corporation, Guwahati and the National Institute of Rural Development were engaged to carry out a baseline survey up to 2016 and that the same data was utilised in preparation of yearly labour budget. It was further stated that due to short receipt of the administrative expenses fund from the Ministry and tight timelines, the Department could not engage experts to conduct the baseline survey post 2016.

As per Paragraph 6.2 of the MGNREGA Operational Guidelines, 2013, a baseline survey was to be mandatorily conducted in every GP to assess the quantum and timing of demand for employment. This survey was intended to be a periodic and dynamic exercise aligned with actual field conditions. The use of data collected upto 2016 does not satisfy this requirement for the audit period 2019-2024. The reliance on pre-2016 data during 2019-2024 undermines the accuracy of labour demand estimation. Factors such as changes in population, migration patterns, new job card registrations, and evolving work preferences directly affect the employment demand and necessitate updated surveys. The absence of empanelled expert institutions may have contributed to the non-conduct of baseline surveys, but it did not absolve the Department from its responsibility to ensure that updated baseline data was prepared through its own administrative mechanisms.

The Department's claim of insufficient administrative funds does not justify deviation from mandatory provisions as an amount of ₹29.53 crore was diverted from administrative expenses towards impermissible items of expenditure (**Paragraph 3.2.8.7**). The responsibility to ensure appropriate allocation and utilisation of administrative expenses rests with the implementing authority to ensure core planning functions like baseline survey are not compromised.

The non-conduct of updated baseline surveys led to deficiencies in preparation of realistic Development Plans and labour budgets, as already brought out in **Paragraphs 3.2.8.2** and **3.2.8.3**. This directly affected the overall effectiveness and credibility of MGNREGA implementation in the State.

3.2.8.2 Non-preparation of Development Plan at village level

Section 16 (3) & (4) of the MGNREG Act states that every GP shall, after considering the recommendations of the Gram Sabha and the Ward Sabhas, prepare a Development Plan and maintain a shelf of possible works to be taken up under the Scheme as and when demand for works arises. The Gram Panchayat shall forward its proposals for the development projects including the order of priority between different works to the Programme Officer for scrutiny and preliminary approval prior to the commencement of the year in which it is proposed to be executed. Further, Paragraph 6.1.3 of the MGNREGA Operational Guidelines, 2013 provides that DPC has to ensure strict adherence to the principles of bottom-up approach from planning to approval of the selected shelf of projects by each of the Gram Sabhas in the district.

Audit observed that during 2019-2024, the Development Plan was not prepared at the village level and instead a list of works identified in the Gram Sabha meeting was submitted to the Block office. Audit further observed that the reason for non-preparation of Development Plan was lack of baseline survey data and technical staff at the village level. In the absence of a Development Plan, there is a significant risk that the identified projects may not be aligned with the actual labour demand or the specific needs of the community, as the required planning and technical assessments were not conducted by VDBs. Audit also observed that non-preparation of Development Plan resulted in execution of impermissible works, unfruitful works and diversion of works as discussed in **Paragraphs 3.2.10.2** and **3.2.10.3**.

In reply, the State Government stated (December 2024) that the list of works to be taken up in the following year was discussed and approved in the village Gram Sabha meeting and was then submitted to the Block office for preparation of estimates and uploading in NREGASoft MIS. It was also stated that lack of GRS and technical staff at village level led to non-preparation of comprehensive Development Plan at village level.

The reply of the State Government is not acceptable as the bottom-up approach of planning required each VDB to prepare a comprehensive Development Plan as envisaged in the Scheme Guidelines. The "list of works" approach followed by GPs falls short of statutory compliance as it is an ad hoc approach. The reply was also not acceptable as non-appointment of key functionaries at the village level was due to the fact that administrative expenses fund component was not provided to the VDBs to pay the salaries as discussed in **Paragraph 3.2.9.2**.

3.2.8.3 Shortfall in estimation, projection and generation of person days

As per the Guidelines for "Planning for Works and preparation of Labour Budget" issued by the MoRD, GoI, the State Government was to prepare a realistic budget. Labour Budget (LB) was an estimation of the anticipated demand for unskilled manual work and was based on the amount of total expenditure to be incurred while generating a person day wage employment including cost for wages, materials and administrative expenses. The year-wise number of estimated person days at block/ district level, projected person days submitted by the Department to the MoRD, approved person days by GoI, actual person days generated at village level and the shortfall thereof is shown in **Table 3.2.1.**

Table 3.2.1A: Labour Budget - Estimation, Projection, Approval and Actual Generation of Person Days

(Figures in lakh Person Days)

Year	Estimated PDs	Projected PDs	GoI Approved PDs	Actual PDs Generated
2019-20	417.48	417.48	125.50	138.48
2020-21	410.95	410.95	200.00	180.11
2021-22	369.53	212.88	200.00	192.58
2022-23	419.42	300.00	200.00	196.83
2023-24	504.07	300.00	191.00	178.73

Source: Departmental records

Table 3.2.1 B: Shortfall in Person Days Generation (Absolute & Percentage Terms)

(Figures in lakh Person Days)

Year	Absolute Shortfall vs Estimate	Shortfall vs Estimate (in *per cent*)	Absolute Shortfall vs Projection	Shortfall vs Projection (in *per cent*)	Absolute Shortfall vs Approval	Shortfall vs Approval in (in *per cent*)
2019-20	278.99	67	278.99	67	(-)12.98	-10
2020-21	230.83	56	230.83	56	19.89	10
2021-22	176.95	48	20.29	10	07.42	04
2022-23	222.59	53	103.17	34	03.17	02
2023-24	325.34	65	121.27	40	12.27	06

Source: Departmental records

As may be seen from **Table 3.2.1**, there was wide variation in person days estimation and projection against person days generated in the State. During 2019-2024, the shortfall in person days generated against the estimation ranged between 48 and 67 *per cent*. Similarly, the shortfall in person days generated against projection ranged between 10 and 67 *per cent*. In the test-checked districts, the shortfall in person days generated against estimation of the districts/blocks ranged between 37 and 46 *per cent* (***Appendix-3.2.1***). Audit observed that the shortfall in actual generation of person days was due to inadequate planning (discussed in **Paragraphs 3.2.8.1** and **3.2.8.2**) and delay in utilisation of funds by the State Government as discussed in **Paragraph 3.2.8.5**. Thus, the labour budget submitted by the Department to the MoRD was not realistic in the absence of baseline survey and Development Plan. The mismatch between projections and actual generation undermined the credibility and accuracy of future labour budgeting exercises, thereby impacting scheme outcomes.

In reply, the State Government stated (December 2024) that the number of person days generated was determined by the GoI approved labour budget.

The reply is not acceptable as the State Government should have taken steps to prepare a realistic labour budget based on baseline survey and Development Plan. The reply essentially passes responsibility to the MoRD saying GoI sanctioned only a certain number of person-days. However, the State's responsibility lies in furnishing accurate estimates through proper demand assessment at GP/Block level which forms the basis for the MoRD approval. Further, the State is legally bound to follow bottom-up demand estimation as per MGNREGA Act and guidelines.

3.2.8.4 Funding Pattern

MGNREGS is a Centrally sponsored demand driven employment scheme implemented on a cost sharing basis between GoI and State Government. Under MGNREGS, the GoI was to bear 100 *per cent* of wages of unskilled manual workers and 75 *per cent* of the cost of material including wages of skilled and semi-skilled workers and the State Government was to bear the remaining 25 *per cent*. The State Government also had to bear expenditure on delayed payment of the wages[6] to the workers, unemployment allowance[7] and administrative expenses of the State Employment Guarantee Council (SEGC).

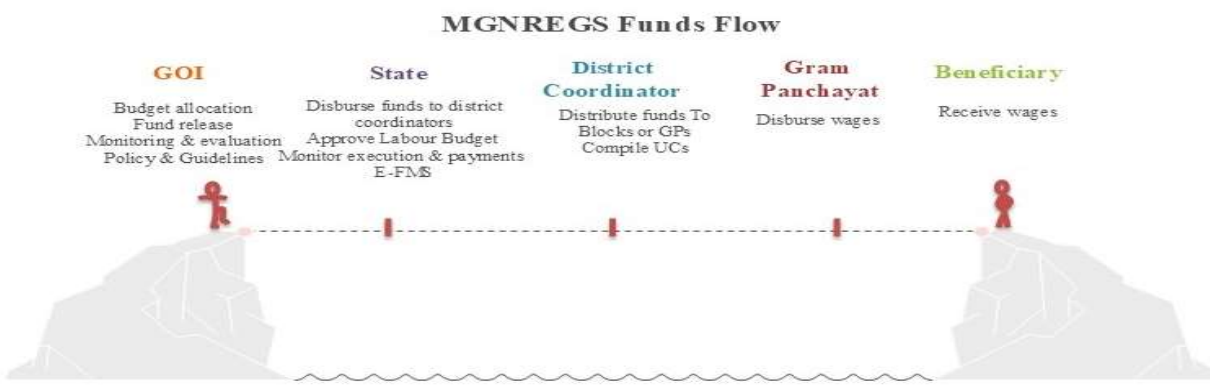
Table 3.2.2: Key Components of MGNREGA funding

Expenditure Item	Funded by
Wages for unskilled manual labourers	100 *per cent* by Centre
Material cost and wages for skilled/semi-skilled labour	75 *per cent* by Centre, 25 *per cent* by State
Administrative expenses (including staff salaries)	75 *per cent* by Centre, 25 *per cent* by State
Unemployment allowance (if due work is not provided)	100 *per cent* by State

[6] MGNREGA workers are entitled to receive delay compensation at a rate of 0.05 *per cent* of the unpaid wages per day for the duration of the delay beyond the sixteenth day of the closure of the MR.

[7] MGNREGA workers are entitled to receive unemployment allowance if employment is not provided within fifteen days of receipt of his/her application seeking employment.

The fund flow under MGNREGS is shown below:



The funds released and expenditure incurred during 2019-2024 are shown in **Table 3.2.3.**

Table 3.2.3: Grant received *vis-à-vis* expenditure incurred during 2019-20 to 2023-24

(₹ in crore)

Year	Opening Balance	Fund Release		Interest/ Misc. receipts	Total Fund Available	Total Expenditure	Closing Balance
		GoI share	State share				
1	2	3	4	5	6=2+3+4+5	7	8=6-7
2019-20	156.93	330.45	39.21	2.50	529.09	464.98	64.11
2020-21	64.11	483.82	0	1.63	549.56	466.24	83.32
2021-22	83.32	597.48	43.57	0.83	725.20	515.13	210.07
2022-23	210.07	857.52	69.67	4.00	1,141.26	932.75	208.51
2023-24	208.51	643.72	80.81	0.94	933.98	909.26	24.72
Total		**2,912.99**	**233.26**	**9.90**	**-**	**3,288.36**	**-**

Source: Information furnished by the Rural Development Department, GoN

The audit analysis of fund flow and utilisation under MGNREGS during 2019-2024 revealed systemic deficiencies in financial planning and fund management. Despite substantial releases from the GoI, there were recurring instances of significant unspent balances at the end of each financial year, peaking at ₹210.07 crore (29 *per cent* of total available funds) in 2021-22, indicating delays in fund utilisation and weak absorption capacity at the State level. The irregular contribution of State share, including nil contribution in 2020-21, reflects non-adherence to the prescribed cost-sharing norms of the Scheme.

The substantial variations in year-wise fund releases and closing balances further point to deficient labour demand estimation, poor preparation of realistic labour budgets, and inadequate planning at the village level, as already brought out in earlier audit findings. The persistent underutilisation of available funds not only undermined the intended objectives of timely employment generation under the scheme but would also have adversely affected the financial efficiency and credibility of the labour budgeting process in the State.

Audit also observed that interest earnings on idle funds were not proportionate to the magnitude of unspent balances, indicating weaknesses in fund management practices. Audit findings on financial management are discussed in the succeeding paragraphs.

3.2.8.5 Delay in release of funds

Paragraph 2 of the sanction letters issued by the GoI states that the State Government is required to transfer these funds along with the State share to the State Employment Guarantee Fund (SEGF) for programme implementation within three days positively from the date of receipt of these funds (for 2019-20 to 2021-22) and 15 days from the receipt of Central funds in the State Treasury (for 2022-23 to 2023-24). Besides the State Government is liable to pay interest at 12 *per cent* (for 2019-20 to 2020-21) for any delay beyond the specified period. Audit observed that the State Government released an amount of ₹1,710.34 crore to the SEGF/PIA with delays ranging from 04 to 238 days. The details of delay in release of funds are given in ***Appendix-3.2.2*** and summarised in **Table 3.2.4**.

Table 3.2.4: Delay in release of funds from GoN to SEGF/PIA

(₹ in crore)

Financial Year	Delay Period (Days)	Amount of Grant Released (₹ crore)	Penal Interest Applicable	Interest Amount (₹ crore)
2019-20	41 to 238	370.10	Yes	8.33
2020-21	44 to 160	483.82	Yes	14.04
2021-22	43	307.33	No	NA
2022-23	22 to 25	334.06	No	NA
2023-24	4 to 80	215.03	No	NA
Total	-	1,710. 34	-	22.37

Source: Departmental records

As can be seen from **Table 3.2.4**, the State Government was liable to pay penal interest of ₹22.37 crore for delay in release of funds during 2019-20 and 2020-21. Moreover, the delay in release of funds by the State Government resulted in delay of fund utilisation which in turn deprived the State Government of the opportunity to avail more funds to achieve 100 days of employment, besides leading to the undue creation of an interest liability of ₹22.37 crore. The reasons for persistent delays in release of funds by the State Government were neither on record nor stated to Audit.

While accepting the Audit observation, the State Government stated (December 2024) that it had noted the Audit observation and the matter would be pursued for timely release of fund.

3.2.8.6 Shortfall in release of State matching share

As per funding pattern of the scheme, the State Government was to bear 25 *per cent* of the cost of materials including wages for skilled and semi-skilled labour. Further, Paragraph 2.4.2 (vii) of the MGNREGA Operational Guidelines, 2013, stated that it was the responsibility of the State Government to ensure that the State share of the MGNREGS budget was provisioned for and released to SEGF in the beginning of the financial year so that it could be used as a revolving fund. The year-wise release of State matching share by the State Government was shown in **Table 3.2.5.**

Table 3.2.5: Shortfall in release of State share

(₹ in crore)

Sanction Year	State share due	Actual release	Shortfall amount	Shortfall against
2019-20	43.20	39.65	3.55	1st tranche - 4th instalment, 2nd tranche – 1st instalment
2020-21	53.76	43.57	10.19	1st tranche – 1st instalment (backlog)
2021-22	91.98	45.99	45.99	1st tranche – 1st instalment (backlog)
2022-23	82.75	38.09	44.66	1st tranche – 1st instalment (backlog)
2023-24*	66.40	66.40	0	
Total	**338.09**	**233.70**	**104.39**	

Source: Data of Rural Development Department, GoN * *as on 31 March 2024*

Audit observed persistent shortfall in release of State matching share for implementation of MGNREGS during 2019-2024. Against the total obligation of ₹338.09 crore, the State Government released only ₹233.70 crore (69 *per cent*), resulting in cumulative short release of ₹104.39 crore (31 *per cent*). The consistent under-provisioning and delayed release of State share directly affected the implementation of works, particularly the material component envisaged in the labour budget.

The short release of State share not only restricted the scope and timely execution of approved works but also undermined the capacity of the Programme Implementing Agencies to plan, procure and execute material-intensive activities as per approved labour budgets. As the material component constitutes a significant portion of asset creation and durable livelihood infrastructure under MGNREGS, such funding gaps adversely impacted the quality and sustainability of works taken up during the period.

Furthermore, the recurring shortfall reflects weak financial planning and poor adherence to scheme guidelines, which mandate provisioning of State share at the beginning of the financial year to ensure smooth and uninterrupted fund flow. The delays in releasing matching share also contributed to overall fund parking, inefficient fund utilisation, and reduced employment generation capacity, as discussed in succeeding audit findings.

While accepting the Audit observation, the State Government stated (December 2024) that the matter had been taken up and the State matching share of 2023-24 had been released in full.

3.2.8.7 Irregular utilisation of Administrative Expenses Fund

Section 22(1)(c) of the MGNREG Act read with Paragraph 12.5.2 of the MGNREGA Operational Guidelines, 2013 states that the Central Government will provide up to six *per cent* of the total expenditure on MGNREGA in a financial year as administrative expenses for capacity building, IEC activities, MIS, quality management, setting up of a grievance redressal system, operational expenses, social audit, worksite facilities, ex-gratia payment on death/disablement and medical treatment of Job Card holders during the course of work. Further, Paragraph 12.5.6 of the MGNREGA Operational Guidelines, 2013 specifies that expenses relating to purchase/repair of old vehicles, civil works and salaries/remuneration of functionaries already engaged by the Government are not allowed to be made from administrative expenses. Audit, however, observed that an amount of ₹29.53 crore under administrative expenses component was incorrectly utilised towards vehicle purchases (₹2.14 crore), vehicle repairs (₹0.27 crore), payment of staff salaries/honorarium of DRDA (₹26.26 crore) and honorarium for MIS coordinators of PMAY-G (₹0.86 crore) as shown in **Table 3.2.6.**

Table 3.2.6: Irregular utilisation of Administrative Expenses Fund

(₹ in lakh)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24	Total
Purchase of vehicles	26.16	61.95	119.12	5.15	1.28	213.66
Repair of vehicles	2.23	0	2.30	20.60	2.37	27.50
DRDA salaries	761.77	880.68	467.45	516.24	0	2,626.14
PMAY-G salaries	41.82	43.96	0	0	0	85.78
Total						**2,953.08**

Source: Purchase vouchers and CA reports

The diversion of scheme fund intended for administrative purposes resulted in reduction of funds available for planning, IEC, quality management, appointment of key functionaries at village level and setting up of a grievance redressal system.

While accepting the Audit observation, the State Government stated (December 2024) that the Department resorted to purchase of vehicles because hiring of vehicles was not economical as hiring charge of a vehicle for 1-2 years exceeds the cost of new vehicle. It was further stated that the fund was temporarily transferred to meet the salary of DRDA staff on loan basis which would be recovered. Under PMAY-G, a temporary loan was advanced from MGNREGA fund to tide over the shortfall in release of administrative funds and ₹20 lakh has been recovered.

Though the State Government accepted the Audit observation, the rationale for purchase of vehicles and advancing loan from administrative expenses component was not acceptable. As per Paragraph 12.5.6 of MGNREGA Operational Guidelines 2013, administrative expenses fund shall not be utilised for purchase or maintenance of vehicles, payment of salaries to existing Government staff, or funding any expenditure of other schemes. The State Government's argument that hiring vehicles would be costlier, or that expenditures were incurred as temporary loans, does not override the mandatory scheme provisions which strictly define permissible uses of administrative funds.

The claim that salaries of DRDA and PMAY-G staff were temporarily paid out of MGNREGA administrative fund as recoverable advances is not acceptable. Utilisation of the scheme funds for purposes outside the approved administrative components constitutes misutilisation at the point of diversion itself, regardless of whether subsequent recovery is affected or not. Diversion of ₹29.53 crore from administrative funds reduced the financial resources available for core management functions such as planning, monitoring, grievance redressal, IEC activities, and technical quality control, thereby weakening the programme management systems essential for effective implementation of MGNREGA.

Repeated diversion of administrative funds across multiple years demonstrates systemic lapses in financial management, weak internal controls, and non-adherence to statutory fund utilisation norms.

3.2.8.8 Non-remittance of interest

Paragraph 5 of the scheme sanction letters issued by the MoRD, GoI stipulates observance of Rule 230 (8) of the GFR, 2017 for refund of interest receipts to the Consolidated Fund of India (CFI). Further, Paragraph 12.3.1 of the MGNREGA Operational Guidelines, 2013, states that interest accruing on account of MGNREGA funds should be a part of the SEGF and shall be spent only as per instructions of the Central Government.

Audit observed that interest earned on scheme funds for the period 2019-20 and 2020-21 amounting to ₹3.77 crore[8] was not remitted to the CFI and was instead utilised as part of the Scheme fund.

In reply, the State Government stated (December 2024) that the interest earned was automatically added in the Scheme funds and utilised as there was no specific instruction from the Ministry for refund.

The reply of the State Government is not acceptable as Paragraph 5 of scheme sanction letters issued by MoRD, GoI stipulates refund of interest receipts to the CFI and there was no instruction from the Ministry for utilisation of these interest receipt funds by the Department. The irregular retention and utilisation of interest earnings reflect non-compliance with mandatory fund flow requirements under the MGNREGA financial management framework.

Recommendations:
The State Government may ensure that-

(i) ***development plans are prepared to adopt a bottom-up approach in preparing a realistic Labour Budget to achieve minimum 100 days of wage employment to every rural household in a year.***
(ii) ***matching State share and GoI scheme funds are released to the implementing agency without delay.***
(iii) ***scheme fund is not diverted towards inadmissible expenditure.***

3.2.9 Audit Objective: Whether fair access to employment opportunities was achieved, as well as employment adequately generated, leading to social protection and livelihood security as envisaged?

3.2.9.1 Low number of employment days generated

Section 3(1) of the MGNREG Act provided a legal guarantee of at least 100 days of wage employment in every financial year to every rural household (HH) whose adult members were willing to do unskilled manual work at the minimum wage rate. The total number of registered Households, Workers and Job Cards issued during 2019-2024 is given in **Table 3.2.7**.

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[8] ₹2.30 crore (2019-20) + ₹1.47 crore (2020-21)

Table 3.2.7: Year wise total Registered Households, Job Cards and Registered Workers

Year	Total Registered Households	Total Job Cards issued	Total Registered Workers
2019-20	4,36,793	4,36,346	7,33,997
2020-21	4,47,824	4,47,593	7,45,705
2021-22	4,56,704	4,56,154	7,73,326
2022-23	4,65,864	4,64,709	7,93,819
2023-24	4,71,418	4,70,464	8,37,030

Source: Departmental reply and MIS Report as on December 2024

As can be seen in table above, a total of 4,36,793 households were registered under the scheme with 7,33,997 registered workers during the year 2019-20. The number of registered households had increased to 4,71,418, with 8,37,030 registered workers during 2023-24.

Audit observed that during the period from 2019-2024, an average of 46 days[9] of employment was generated for registered HHs in the State (***Appendix 3.2.3 (i)***). Further, the number of HHs receiving 100 days of employment was very low ranging from 17 HHs in 2021-22 to 289 HHs in 2023-24 **(*Appendix 3.2.3 (ii)*)**. The failure to generate sufficient person-days of employment and to enable a larger number of households to access their full entitlements under MGNREGA reflects weaknesses in awareness generation, demand registration, and planning processes at the field level. The legal guarantee of up to 100 days of wage employment under Section 3 of the Act was not fully realised due to institutional and administrative deficiencies, as also corroborated by field verification where 86 *per cent* of surveyed beneficiaries expressed willingness to work for more days than actually provided.

In reply, the State Government stated (December 2024) that the guarantee of 100 days was the maximum permissible figure and not a mandatory allocation figure to the State and that it provided employment according to the approved labour budget from GoI. It was further stated that because of less demand and other factors beyond the control of the Department, the State had not achieved the person days approved by GoI. It was also stated that directives had been issued to sensitise beneficiaries on their rights and entitlements.

The reply of the State Government is not acceptable as the MGNREGA explicitly aims to provide a legal guarantee of upto 100 days of wage employment and as 280 (86 *per cent*) of the 323 beneficiaries surveyed in 32 test-checked villages responded that they were willing to work for more number of days than the employment offered by the VDB in last five years. Further, the contention of "less demand" is contradicted by the broader employment scenario in the State. As per the Periodic Labour Force Survey published by the Ministry of Statistics and Programme Implementation, GoI, the unemployment rate in Nagaland for individuals aged 15 years and above fluctuated between 7.10[10] and 25.70 *per cent* during the period. The high

[9] Dimapur (37 days), Mokokchung (47 days), Phek (42 days) and Zunheboto (37 days)

[10] *Unemployment rate in Nagaland: 25.70 per cent (2019-20),19.20 per cent (2020-21), 9.10 per cent (2021-22), 4.30 per cent* (2022-23) and 7.10 *per cent* (2023-24)

unemployment rate coupled with the survey findings clearly indicates that adequate demand for wage employment under MGNREGA existed, and hence the argument of "less demand" cannot be accepted. Moreover, all beneficiaries surveyed were not aware of their right to demand for work under the Scheme as discussed in **Paragraph 3.2.9.11**.

3.2.9.2 Lack of key functionaries at village level

Paragraph 4.1 of the MGNREGA Operational Guidelines, 2013 stipulated deployment of one Gram Rozgar Sahayak (GRS) or Employment Guarantee Assistant in each GP who would assist the GP in executing MGNREGA works. The GRS was responsible for overseeing the process of registration/distribution of Job Cards, filing job applications and maintenance of all MGNREGS-related registers at the GP level. Further, a mate or worksite supervisor was required for each work-site to record attendance and take initial measurement of work, which is validated by Technical Assistant/Junior Engineer.

Audit observed that the GRS and mates were not employed in any of the 32 test-checked villages. Audit further observed that the reason for non-employment of key functionaries at the village level was due to administrative expenses component not being provided to the VDBs to pay their salaries. The non-deployment of GRSs and mates in the test-checked villages represented a critical structural deficiency in MGNREGA's implementation framework. Despite the Operational Guidelines mandating deployment since 2013, the State Government failed to appoint these key functionaries for more than a decade, thereby impairing the delivery of core scheme activities such as registration, job card management, demand processing, worksite supervision, and measurement recording. The delayed deployment of 1,328 mates at a later stage does not mitigate the prolonged period of non-compliance observed during the audit period 2019-2024.

While accepting the Audit observation, the State Government stated (December 2024) that due to short receipts of administrative expenses fund from GoI, key functionaries were not deployed in the villages. The Department, however, added that recently 1,328 mates have been placed in the villages to assist the VDBs in smooth implementation of the scheme.

The reply of the State Government should be seen in the context of a significant time period of more than a decade having elapsed after the notification of the Operational Guidelines in 2013 and the State Government having failed to appoint the key functionaries of the Scheme in the VDBs. Further, the justification on short receipt of fund is not acceptable as an amount of ₹29.53 crore was diverted from administrative expenses towards impermissible items of expenditure (**Paragraph 3.2.8.7**).

3.2.9.3 Non-conduct of door to door survey

Paragraph 3.1.1 (ii) of the MGNREGA Operational Guidelines, 2013, states that a door-to-door survey should be undertaken by each GP every year to identify eligible households who have been missed out and wish to be registered under the Act. The application register for Job Card (JC) holders is also required to ensure an accurate record of registered households.

Audit observed that the annual door-to-door survey was not conducted by the POs in the 32 test-checked villages. Audit further observed that the application register required for registration of JC holders was also not maintained. The failure to conduct annual door-to-door surveys and maintain job card application registers represents a critical compliance lapse that undermined the core principle of universal access to guaranteed employment under MGNREGA. The absence of proactive identification and registration processes could have led to the exclusion of eligible households, under-reporting of employment demand, and sub-optimal implementation of the scheme during the audit period.

While accepting the Audit observation, the State Government stated (December 2024) that directives had been issued to POs for compulsory maintenance of application register and to conduct annual door-to-door survey.

3.2.9.4 Government employees registered as Job Card holders

Paragraph 1.4(v) of the MGNREGA Operational Guidelines, 2013 states that MGNREGA aims to provide rural employment to the marginalised section of the population.

Audit observed that in the 32 test-checked villages, 24 Government employees were enrolled as unskilled workers under MGNREGA and ₹6.04 lakh was paid as wages to 19 Government employees (***Appendix-3.2.4***). The enrolment of Government employees as MGNREGA beneficiaries undermined the scheme's intent, as it diverted funds meant to support marginalised and economically vulnerable communities. MGNREGA guidelines prohibit wage payments to individuals already in regular Government service. The irregular payments occurred due to absence of verification controls while issuing Job Cards and failure to cross-check registration data with the State Government's Personnel Information Management System (PIMS). The inclusion of ineligible beneficiaries reflects serious lapses in scheme oversight and financial management, resulting in mis-utilisation of public funds.

While accepting the Audit observation, the State Government stated (December 2024) that directives had been issued to the POs for identification and cancellation of Job Cards of the Government employees.

3.2.9.5 Custody of Job Cards

Paragraph 3.1.5(iv) of the MGNREGA Operational Guidelines, 2013 states that Job Card must always be in the custody of the household to whom it is issued and if for any reason, it is taken by implementing agencies, it should be returned on the same day after the updates. Further, the Job Cards found in the possession of any Panchayat or MGNREGA functionary, without a valid reason, will be considered as an offence punishable under Section 25 of the MGNREG Act.

During beneficiary survey conducted by Audit, 280 out of 323 beneficiaries surveyed (87 *per cent*) stated that their Job Cards were kept in the VDB offices. Further, the beneficiaries reported that the primary reason for keeping Job Cards in VDB offices was to avoid the risk of loss or improper handling. The widespread retention of Job Cards by VDB offices led to Job Cards without signature of Head of Household in 50 out of 323 beneficiaries surveyed. Such widespread retention of Job Cards constitutes a serious violation of Paragraph 3.1.5(iv) of the MGNREGA Operational Guidelines, 2013 and Section 25 of the MGNREG Act. The Job Card is a legal document which enables beneficiaries to demand work, record employment details, and verify payments received. Retaining Job Cards at the VDB office deprives beneficiaries of independent access to their legal entitlements, compromises transparency in wage payments, increases the risk of manipulation of records, and undermines the demand-driven design of the scheme. The systemic nature of this practice reflects weak field-level monitoring and failure to enforce basic scheme safeguards.

While accepting the Audit observation, the State Government stated (December 2024) that directives have been issued to DPCs and POs for necessary corrective action.

The State Government's post-audit corrective instructions, while noted, do not address the persistent non-compliance during the audit period.

3.2.9.6 Slow progress in Aadhaar Based Payment System (ABPS)

GoI introduced Aadhaar-based payment system (ABPS) to facilitate direct transfer of wages to the unskilled workers' bank accounts for efficient process of wage distribution. The ABPS is a method of disbursing payments to MGNREGA workers using their Aadhaar number as their financial address. Further, GoI had advised the State Government to bring all beneficiaries into the ABPS platform by 31 December 2023. In addition, GoI (February 2016) directed the State Government to expedite the process of Aadhaar enrolment of the MGNREGA workers and seeding the same into their bank accounts by organising camps at the block or GP level. Audit observed that as of September 2024, the percentage of Aadhaar seeded and Aadhaar authenticated[11] JC holders was 51 *per cent* and 43 *per cent* respectively in the State and 47 *per cent* and 39 *per cent* respectively in the four test-checked districts as shown in **Table 3.2.8**:

Table 3.2.8: Status of Aadhaar seeding and authentication of MGNREGA workers as on September 2024

Particulars	Total number of workers	Aadhaar seeded	Percentage of Aadhaar seeded	Aadhaar Authenticated	Percentage of Aadhaar authenticated	Eligible for ABPS
State	**5,78,247**	**2,92,842**	**51**	**2,50,725**	**43**	**1,81,306**
Dimapur	1,00,483	40,627	40	32,297	32	22,660
Mokokchung	43,388	31,724	73	30,184	70	21,802

[11] Regulation 2(C) of the AADHAAR (Authentication) Regulations, 2016 defines the AADHAAR authentication as the process by which the AADHAAR number along with demographic information or biometric information of an individual is submitted to the Central Identities Data Repository for its verification and such Repository verifies the corrections, or the lack thereof, on the basis of information available with it.

Particulars	Total number of workers	Aadhaar seeded	Percentage of Aadhaar seeded	Aadhaar Authenticated	Percentage of Aadhaar authenticated	Eligible for ABPS
Phek	49,667	25,450	51	19,348	39	12,064
Zunheboto	50,363	17,376	35	13,648	27	9,796
Total of test-checked districts	**2,43,901**	**1,15,177**	**47**	**95,477**	**39**	**66,322**

Source: Departmental reply and MIS as on September 2024

The slow progress in adoption of ABPS reflects persistent weaknesses in field-level data management, inadequate Aadhaar seeding and authentication processes, limited banking infrastructure in rural areas, and poor coordination with enrolment and banking agencies. Despite GoI's target of universal ABPS coverage by December 2023, the State was unable to ensure full migration to the platform, thereby compromising the efficiency, transparency, and accountability of MGNREGA wage disbursements. The implementation gaps observed remain a significant systemic issue requiring institutional corrective measures.

While accepting the Audit observation, the State Government stated (December 2024) that the main reasons for non-achievement of 100 *per cent* ABPS were location of Aadhaar enrolment centres at district and few sub-division headquarters, mismatch in job card details seeded in NREGASoft MIS with Aadhaar, 23 unbanked rural blocks out of total 74 blocks and location of bank branches in urban/semi-urban areas.

3.2.9.7 Non-provision of unemployment allowance

Section 7(3) of the MGNREG Act states that the State Government is liable to pay unemployment allowance to the household concerned if an applicant is not provided employment within fifteen days of receipt of his/her application seeking employment.

Audit observed that the State had no provision for unemployment allowance and all 323 beneficiaries surveyed were unaware of their entitlement to unemployment allowances. Moreover, the State Government had notified Nagaland MGNREGS Payment of Unemployment Allowance Rules, 2023 on 17 February 2023. Reasons for non-allocation of unemployment allowance by the Department were neither on record nor stated to Audit. The State Government's failure to establish an effective mechanism for payment of unemployment allowance under Section 7(3) of MGNREG Act deprived eligible workers of their statutory entitlement in cases where employment was not provided within fifteen days of demand. Despite notifying the Nagaland MGNREGS Payment of Unemployment Allowance Rules only in February 2023, no unemployment allowance had been paid during the audit period. Audit further observed that the absence of any claims for unemployment allowance was not indicative of absence of demand, but rather a direct consequence of weak Information, Education and Communication (IEC) efforts by the State, resulting in low awareness levels among workers regarding their entitlements. The persistent non-allocation of funds for unemployment allowance reflects systemic lapses in compliance with statutory obligations and deficiencies in institutional arrangements necessary to operationalise this provision of the Act.

In reply, the State Government stated (December 2024) that unemployment allowance was not paid as there was no demand from Job Card holders. The reply is not acceptable since the lack of demand for unemployment allowance is a consequence of the workers' lack of awareness of their entitlement, which in turn reflected the less than effective IEC activities conducted by the State Government to increase awareness regarding the unemployment allowance.

3.2.9.8 Non-coverage of workers under JBY and RSBY

Paragraph 8.9 of the MGNREGA Operational Guidelines, 2013 stipulates that MGNREGA workers are eligible for coverage under two insurance schemes[12] *i.e.*, the Janashree Bima Yojana (JBY) and Rashtriya Swasthya Bima Yojana (RSBY). The JBY, implemented by the Ministry of Finance provides life coverage and disability benefits to rural people. RSBY is a health insurance scheme implemented by the Ministry of Labour and Employment extended to all MGNREGA workers who have worked for more than 15 days in the preceding financial year. Under JBY, beneficiaries have to contribute ₹100 per annum as premium and while beneficiaries have to contribute ₹30 per annum as registration or renewal fee under RSBY.

Audit observed that none of the households were covered under JBY and only 22 out of 4,72,942 households in the State were covered under RSBY. Audit observed that despite the eligibility of MGNREGA workers for insurance coverage under the JBY and RSBY as per Paragraph 8.9 of the MGNREGA Operational Guidelines, 2013, no meaningful coverage was achieved even after a decade of the guidelines coming into effect. The negligible level of coverage, with no household covered under JBY and only 22 households under RSBY, reflects systemic failures in institutional arrangements, lack of administrative initiative, and weak IEC efforts to create awareness among beneficiaries. The non-coverage of workers deprived them of critical financial risk protection against illness, disability, or death, thereby defeating one of the key social security objectives embedded in the MGNREGA framework. The Department's post-audit instructions to initiate corrective measures do not offset the persistent non-compliance observed during the audit period.

In reply, the State Government stated (December 2024) that directives had been issued to DPCs and POs for wide publicity and to extend coverage of the insurance scheme to eligible beneficiaries. The reply is not acceptable since a significant time period had lapse after the notification of the Operational Guidelines in 2013 and the coverage of the insurance schemes remained negligible.

3.2.9.9 Non-adoption of NREGSoft in work estimation

Paragraph 7.7.1 of the MGNREGA Operational Guidelines, 2013 states that payments to workers based on work valuated using Schedule of Rates (SoRs) appropriate for a contactor-led and machine-based system of work execution will lead to underpayment

[12] The two types of insurance provided under social security exclusively for MGNREGS workers are:
(i) JBY which provides life coverage and disability benefits to rural people. and
(ii) RSBY which has been extended to all MGNREGA workers/beneficiaries who have worked for more than 15 days in the preceding financial year.

of unskilled wages. Further, Paragraph 7.8.1 of the MGNREGA Operational Guidelines, 2013 states that work estimates should be generated from the NREGSoft with the help of back-end standard template which is designed for each type of work.

Audit observed that the estimates for works were prepared basing on the SoR of Nagaland Public Works Department (NPWD) due to lack of a functional Time and Motion System (TMS) module in the live server of the SECURE[13] Software. The non-compliance with the MGNREGA guidelines by using NPWD's SoR instead of estimates generated through NREGSoft led to inaccurate valuations of work.

The continued reliance on NPWD's SoR for preparation of work estimates, in contravention of Paragraphs 7.7.1 and 7.8.1 of MGNREGA Operational Guidelines, 2013, resulted in systemic deviation from the prescribed estimation methodology under MGNREGA. As the NPWD SoR is designed for mechanised and contractor-led execution, its application in MGNREGA's unskilled manual work framework risks undervaluing the quantum of work executed by labourers and may potentially lead to underpayment of wages to beneficiaries. The State Government's failure to operationalise the TMS module in the NREGSoft system for several years reflects weak institutional arrangements and delayed compliance with scheme provisions, undermining accurate estimation, financial integrity, and wage protection under the scheme. The subsequent approval of the TMS study in December 2022 does not offset the prolonged non-compliance during the audit period.

While accepting the Audit observation, the State Government stated (December 2024) that TMS study was carried out and the report was approved (December 2022) by the State Government and pending with the MoRD for enabling in the live server.

3.2.9.10 Non-installation of Citizen Information Board

Paragraph 7.10.1 (V) of the MGNREGA Operational Guidelines, 2013 states that the Citizen Information Board (CIB) with MGNREGA logo must be set up containing essential information, details of work, estimates, rate at which each of these have been estimated, work status, quantities of materials that are to be used, basic dimensions of the work, person-days that will be generated, rate at which workers will be paid and amount of work to be done for this to be paid, expected benefit from the work etc. The details must be displayed on the Citizen Information Board and at the public place in the GP.

Paragraph 25(a) of Schedule I of MGNREGA stipulated installation of durable Citizen Information Board (CIB) displaying details of work such as cost and quantity of labour and material used at every worksite of the scheme. Further, the MoRD developed a suggestive framework and instructed (April 2017) all States and UTs to adopt a standardised CIB design made of cement and concrete to ensure durability and uniformity. The pro-active disclosure of information at the worksite through the suggestive framework for CIB for each work was reiterated in Paragraph 10.5 of the AMCs issued by GoI from time to time. During the JPV of works executed across

[13] Software for Estimate Calculation Using Rural Rate for Employment

eight test-checked blocks, Audit observed that out of 332 worksites, only 164 had CIBs made of cement and concrete. In the remaining 168 worksites, temporary metal signboards were installed, which displayed limited information regarding the projects as shown in **Table 3.2.9**.

Table 3.2.9: Installation of CIB at scheme worksites

District	Block	No. of VDBs	No. of works selected for JPV	Concrete CIB installed	Temporary CIB installed
Dimapur	Chumukedima	4	43	41	2
	Aqhunaqa	4	40	0	40
Mokokchung	Mangkolemba	4	68	68	0
	Longchem	4	36	23	13
Zunheboto	Ghathashi	4	36	0	36
	Akuluto	4	27	18	9
Phek	Phek	4	41	0	41
	Sekhruzou	4	41	14	27
Total		**32**	**332**	**164**	**168**

Source: JPV report

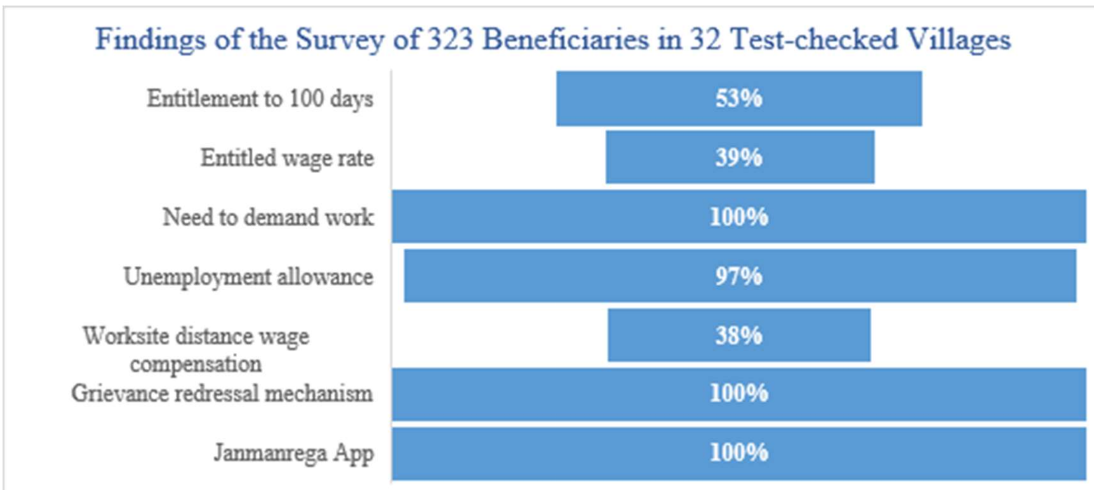
The deviation from prescribed norms for installation of CIBs at MGNREGA worksites reflects non-compliance with GoI directives for standardised concrete-based CIBs. The continued use of temporary metal signboards at 168 out of 332 worksites compromises the durability, visibility, and completeness of information available to the public regarding project cost, labour engagement, and material utilisation. This weakens the transparency framework of MGNREGA, reduces citizen oversight, and undermines one of the core design features intended to promote community-level accountability under the scheme. The State Government's post-audit assurance of corrective action does not address the persistent non-compliance observed during the audit period.

In reply, the State Government stated (December 2024) that the Audit observation had been noted for compliance and that necessary directives had been issued to POs for installation and replacement of temporary metal signboards with concrete CIBs.

3.2.9.11 Inadequate Information, Education and Communication activities

Paragraph 5.4.2 of the MGNREGA Operational Guidelines, 2013 states that all States should develop an Information, Education and Communication (IEC) plan of the scheme with focus on reaching out to the registered workers as well as other groups which could benefit from the scheme. The IEC plan should clearly indicate State, district, block and local level activities. Further, Paragraph 5.5 of the said Guidelines highlights the activities to be taken up under IEC such as project initiation meetings, use of help lines and rural common service centres, wall paintings, door to door contact programme, interactive sessions and quiz competitions on MGNREGS in schools and colleges. While Paragraph 12.5.2 of the said Guidelines states that at least two-thirds of the administrative expense should be spent at the block-level and below. Panchayats, in accordance with their needs and requirements may utilise the administrative expenses for approved activities.

Audit observed that the Department did not prepare any IEC plan during 2019-2024. Audit further observed that no funds for IEC activities were received by the block offices and VDBs in the last five years and only limited IEC activities such as wall paintings and printing of pamphlets were conducted at the Directorate of RD, GoN. The reason for the non-preparation of IEC plan was because the Department conducted IEC activities as per need basis and did not rely on a structured IEC plan. The Department's failure to develop an IEC plan in all probability would hinder the scheme's outreach and effectiveness, particularly in informing workers about their rights and opportunities as observed in beneficiary survey of 323 beneficiaries in 32 test-checked villages as stated below:



Audit observed that the absence of a structured IEC plan during 2019-2024 reflects persistent non-compliance with Paragraph 5.4.2 of the MGNREGA Operational Guidelines, 2013. Limited centralised IEC activities conducted at the Directorate level were insufficient to meet the scheme's requirements for decentralised outreach at State, district, block, and GP levels. The lack of a structured IEC framework significantly impaired the scheme's ability to inform workers about their entitlements, as evidenced by the audit's beneficiary survey where a substantial proportion of workers remained unaware of their legal rights to guaranteed employment, applicable wage rates, unemployment allowances, demand registration process, worksite facilities, grievance redressal mechanisms, and citizen-centric monitoring tools such as Janmanrega. The Department's reliance on ad-hoc IEC actions and post-audit justifications failed to address systemic information gaps that directly undermined beneficiary access, demand generation, and overall effectiveness of MGNREGA implementation in the State.

In reply, the State Government stated (December 2024) that in earlier years (2014-15) the State prepared annual IEC plans for MGNREGS. It was further stated that the Ministry IEC calendar for implementation of activities was circulated for compliance and that the Department had organised activities as per timelines and reports submitted to the Ministry. The reply is not acceptable since it did not align with the requirements specified in the MGNREGA Operational Guidelines, which envisaged a structured and pre-planned IEC strategy.

Recommendations:

The State Government may ensure that-

- ***(i)*** ***minimum 100 days of wage employment is provided to every desiring rural household in a year.***
- ***(ii)*** ***at least one third of the fund allocation under administrative expenses reaches Block/Village level to appoint key functionaries at the village level.***
- ***(iii)*** ***an annual door-to-door survey is conducted to provide opportunities to eligible beneficiaries for enrolment as MGNREGS workers.***
- ***(iv)*** ***periodic verification of Job Cards is conducted to remove ineligible beneficiaries.***
- ***(v)*** ***Job Cards are periodically updated with full name as recorded in Aadhaar card to expedite Aadhaar seeding and prevent authentication failure.***
- ***(vi)*** ***standardised cement and concrete CIBs are installed in every worksite of the scheme.***
- ***(vii)*** ***the Department develop and implement an annual IEC plan by including specific activities and targets at the State, district, block, and village levels.***

3.2.10 Audit Objective: Whether durable and useful assets were created and maintained in compliance with rules and regulations, while ensuring convergence with other schemes?

Paragraph 1.2 of the MGNREGA Operational Guidelines, 2013 stated that creation of durable assets and strengthening the livelihood source of the rural poor was an important objective of the Scheme. Audit observed that a total of 513 works were executed during 2019-2024 in the 32 test-checked VDBs under eight blocks in four districts, at a cost of ₹106.75 crore. A JPV of 332 completed works out of 513 works amounting to ₹75.54 crore was conducted in these villages and outcomes are detailed in ***Appendix-3.2.5 to 3.2.7*** and summarised in **Table 3.2.10.**

Table 3.2.10: Statement showing summary of JPV of works in 32 villages

(₹ in lakh)

District	Block	No. of VDBs	No. of works selected for JPV	Unexecuted works		Short executed works		Impermissible works executed	
				No.	Cost	No.	Cost	No.	Cost
Dimapur	Chumukedima	4	43	-	-	16	440.64	-	-
	Aqhunaqa	4	40	1	11.22	13	113.83	-	-
Mokokchung	Mangkolemba	4	68	-	-	-	-	28	653.87
	Longchem	4	36	1	11.42	4	63.01	-	-
Zunheboto	Ghathashi	4	36	-	-	4	119.72	-	-
	Akuluto	4	27	-	-	7	63.23	2	57.60
Phek	Phek	4	41	5	182.45	1	31.87	1	183.90
	Sekhruzu	4	41	3	81.61	6	37.13	7	60.59
Total		**32**	**332**	**10**	**286.70**	**51**	**869.43**	**38**	**955.96**

Source: JPV reports

As may be seen from **Table 3.2.10**, 10 sanctioned works amounting to ₹2.87 crore remained unexecuted while 51 works amounting to ₹8.69 crore were short executed despite payments being made and works reported as completed. The payments were released to the VDBs after certification of completion by the concerned BDOs and JEs/SOs. In turn the State Government submitted UCs to the Ministry based on the reported payments made/expenditure incurred. Further, the VDBs executed 14 impermissible works amounting to ₹9.56 crore, which were outside the purview of the Guidelines. The magnitude and nature of these deficiencies reflect systemic lapses in work selection, technical supervision, measurement verification, and financial oversight, resulting in irregular expenditure of ₹21.12 crore and undermining the creation of durable and permissible assets as mandated under the scheme.

Significant findings noticed during JPV are discussed in the succeeding paragraphs.

3.2.10.1 Unexecuted and short execution of works

Paragraph 7.13.1 of the MGNREGA Operational Guidelines, 2013 states that all measurements of work done shall be recorded in the measurement book (MB) duly authorised and issued by the competent authority. Further, Paragraph 7.13.5 of the Guidelines states that measurements recorded in MBs by Overseer/Junior Engineer should be checked by an authority higher than the measurement officer which is crucial for effective monitoring and ensuring quality of MGNREGS works. JPV of 332 works in the 32 test-checked villages showed that 10 sanctioned works remained unexecuted amounting to ₹2.87 crore (***Appendix-3.2.5***), while 51 works were short executed, amounting to ₹8.69 crore (***Appendix-3.2.6***), despite payments being made and recorded in MBs. Instances of unexecuted and short execution of works are highlighted in the **Chart 3.2.2.**

Chart 3.2.2: Summary of 332 works in 32 test-checked villages

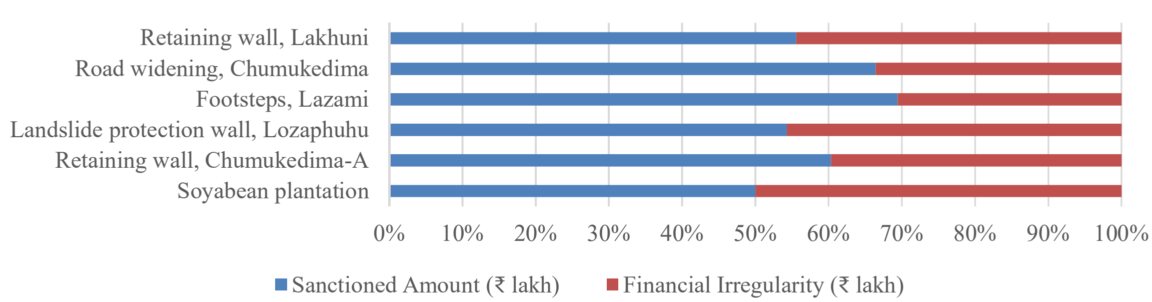


Table 3.2.11: Statement showing instances of unexecuted works

Sl. No.	Audit finding	Photographic evidence
Unexecuted works		
1	**Name of work: Soyabean plantation in Chozuba Village during 2023-24 (DP/23841)** **Block: Phek** **Estimated cost: ₹73.39 lakh** **Actual cost: ₹72.44 lakh** **Schedule date of completion:12.12.2023** **Actual date of completion:12.12.2023** **Date of payment: 22.02.2024** During JPV, Audit could not find soyabean saplings which indicated non-execution of work. In reply, the State Government stated (December 2024) that the VDB in its resolution agreed to divert the cultivation of soyabean towards cultivation of kiwi. The reply was not acceptable as all Cash memos, MBs and cash book showed fictitious purchase of soyabean seeds and the payment released accordingly. Further, JPV with the Department representatives and VDB in July 2024 revealed that full grown kiwi tree was already planted at the geotagged location which is also not acceptable as the work was reported as completed only in December 2023.	 **Photograph 3.2.1:** Non plantation of Soyabean in Chozuba village

Table 3.2.12: Statement showing instances of short execution of works

Sl. No.	Audit finding	Photographic evidence
Short execution of works		
1	**Name of work: Construction of retaining wall at Chumukedima 'A' Village during 2020-21 (RP/19264)** **Block: Chumukedima** **Estimated cost: ₹53.29 lakh** **Actual cost: ₹53.25 lakh** **Schedule date of completion: NA** **Actual date of completion:11.06.2020** **Date of payment: NA** Audit observed that there was short execution of earthwork and soiling with stone amounting ₹35.05 lakh. In reply, the State Government stated (December 2024) that the work was executed at two locations. The reply was not acceptable as the Department representatives and VDB had jointly certified during JPV that the work was executed at the verified geo tagged site.	 **Photograph 3.2.2:** Construction of retaining wall, Chumukedima-A

Sl. No.	Audit finding	Photographic evidence
2	**Name of work: Construction of landslide protection wall below Vesuta's Residence at Lozaphuhu village during 2022-23 (LD/13992)** **Block: Phek** **Estimated cost: ₹38.11 lakh** **Actual cost: ₹37.86 lakh** **Schedule date of completion: NA** **Actual date of completion:09.10.2023** **Date of payment: NA** Audit observed that there was short execution in earthwork, rubble masonry and backfilling behind the wall with granular materials amounting to ₹31.87 lakh. In reply, the State Government stated (December 2024) that the reasons behind short execution was high cost of the materials in remote villages and execution of work by VDB without technical expertise. The reply was not acceptable as the work should have been executed as per estimates prepared by the Block office.	 **Photograph 3.2.3:** Construction of protection wall, Lozaphuhu
3	**Name of work: Construction of road widening and soiling at Chumukedima village during 2022-23 (RC/29649)** **Block: Chumukedima** **Estimated cost: ₹56.38 lakh** **Actual cost: ₹56.36 lakh** **Schedule date of completion: NA** **Actual date of completion: 27.06.2022** **Date of payment: NA** Audit observed that there was short execution in WBM Grading-III amounting ₹28.48 lakh. In reply, the State Government stated (December 2024) that the work was executed at the given location using WBM Grading-II measuring L-1590 m on the request of VDB and the remaining fund was utilised for road widening and soiling of adjacent village road measuring 1,300 m based on resolution of general body meeting of the village. The reply was not acceptable as the Department representatives and VDB had jointly certified during JPV that the work was executed at the verified geo tagged site.	 **Photograph 3.2.4:** Road widening and soiling, Chumukedima-A

<table>
<tr><th>Sl. No.</th><th>Audit finding</th><th>Photographic evidence</th></tr>
<tr><td>4</td><td>Name of work: Construction of retaining wall at Lakhuni Village during 2022-23 (LD/14113)

Block: Longchem

Estimated cost: ₹35.85 lakh
Actual cost: ₹35.85 lakh
Schedule date of completion: NA
Actual date of completion: 16.06.2022
Date of payment: NA
Audit observed that 70 m against the estimate of 350 m in length was executed resulting in short execution of 280 m in length amounting to ₹28.68 lakh. In reply, the State Government stated (December 2024) that the work was executed at five different locations. The reply was not acceptable as the Department representatives and VDB had jointly certified during JPV that the work was executed at the verified geo tagged site.</td><td>

Photograph 3.2.5: Construction of retaining wall, Lakhuni</td></tr>
</table>

The irregularities highlighted in **Table 3.2.11 and 3.2.12** reflects systemic lapses in technical supervision, worksite monitoring, adherence to geo-tagging protocols, and compliance with approved work estimates, resulting in financial mismanagement and dilution of scheme objectives.

3.2.10.2 Execution of impermissible works

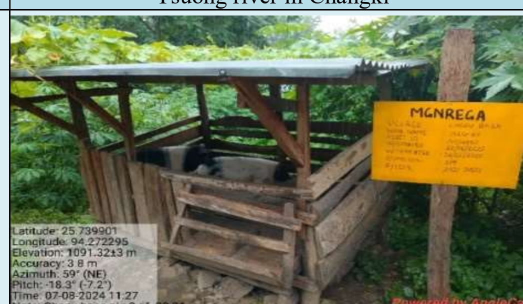
Paragraph 4(1) of Schedule I of the MGNREGA stipulates the list of permissible works that can be taken up under the Scheme. Further, Paragraph 7.2.2 of the MGNREGA Operational Guidelines, 2013 states that if the State Government believes that the current list of permissible works is not proving adequate to generate sufficient employment, the State Government should draw up a proposal of such works to be sent to the Ministry for approval. In addition, Paragraph 7.3.10 of the Guidelines stipulates that States must seek clearance from the Ministry whenever there is any doubt about an activity being permissible or not. Audit observed that out of 332 works in 32 test-checked villages taken up during 2019-2024, 14 works were impermissible (***Appendix-3.2.7***).

Summary of expenditure on impermissible works

Type of Impermissible Work	No. of Works	Total Amount (₹ lakh)
Panchayat building constructions (beyond ceiling)	2	431.82
Bridge construction	1	375.00
Livestock distribution (piglets/chicks)	3	48.42
Total (sampled works)	6	855.24

A few instances of such works are highlighted in **Table 3.2.13**.

Table 3.2.13: Statement showing instances of execution of impermissible works

Impermissible works		
Sl. No.	**Audit findings**	**Photographic evidence**
1	Construction of Panchayat buildings were taken up in the test-checked VDBs in Khar village (2019-20 and 2020-21) and Phek village (2020-21, 2021-22 and 2022-23) at a cost of ₹247.92 lakh and ₹183.90 lakh respectively which are beyond the permissible ceiling limit of ₹20 lakh as per Paragraph 6.7.4 of Annual Master Circular of 2021-22 issued by MoRD.	 **Photograph 3.2.6:** Construction of Multi-Complex Community Hall in Khar village
2	Construction of bridge on Tsuong river was undertaken by VDB of Changki village during 2019-2021 amounting to ₹375 lakh which is not permissible under MGNREGS.	 **Photograph 3.2.7:** Construction of bridge on Tsuong river in Changki
3	Three VDBs under Sekruzu Block distributed chicks and piglets to individual household beneficiaries amounting to ₹48.42 lakh during 2020-21 and 2022-23. The VDBs proposed and executed these impermissible works without adhering to the Scheme guidelines.	 **Photograph 3.2.8:** Piglet distributed in Chozu Basa

The execution of impermissible works listed in **Table 3.2.13** was not referred to the Ministry for seeking their clearance regarding their permissibility under MGNREGS.

Audit observed that 14 impermissible works were executed under MGNREGA in the test-checked villages during 2019–24 in violation of Paragraph 4(1) of Schedule I and Paragraphs 7.2.2 and 7.3.10 of the MGNREGA Operational Guidelines. These included construction of Panchayat buildings exceeding the permissible cost ceiling, bridge construction, and distribution of livestock to individual households, collectively involving an irregular expenditure of ₹9.56 crore. Execution of such inadmissible works reflects serious weaknesses in scheme planning, administrative oversight, and adherence to scheme guidelines, leading to mis-utilisation of scheme funds.

In reply, the State Government stated (December 2024) that permissible works list provided by the Ministry had a limited applicability in Nagaland and therefore, works were taken up as per the immediate community needs which were not currently permissible but generate additional employment and strengthen livelihood resource base of rural poor. It was further stated that necessary directives had been issued to DPCs and POs to refuse proposal of impermissible works from VDBs. The reply proved the audit contention that inadmissible works were executed under MGNREGS.

3.2.10.3 Unfruitful expenditure and diversion of funds

Paragraph 14.1 of the MGNREGA Operational Guidelines, 2013 places importance on quality and durability of assets created as the proper implementation of the Scheme has the potential to transform rural areas by creating durable assets that would not only enhance the livelihood security of rural poor but also result in substantial infrastructural development in rural areas. Further, Paragraph 6.8 of the said Guidelines states that all the works approved under District Annual Development Plan shall be accorded administrative sanctions by the DPC or as per norms set by State Government. In parallel, the DPC will coordinate the preparation of detailed technical estimates and sanctions. Only works that are accorded administrative and technical sanctions will become available for allocation. The Public Accounts Committee (PAC), Nagaland in its Report (2018-19) recommended that the RD Department, GoN should take approval of the competent authority and maintain a register on the deviation of plan/projects so as to avert deviation in future projects highlighted in the C&AG Audit Report (2011-12).

During the JPV (June and July 2024) of works in the 32 test-checked villages, Audit observed that the VDBs had executed three works costing ₹16 lakh, which were non-functional and therefore rendered the expenditure unfruitful. Audit further observed that six works amounting to ₹101.13 lakh were diverted to other works not included in the original sanction, as detailed in ***Appendix-3.2.8***. The inability to create durable assets not only resulted in unfruitful expenditure but also undermined the long-term goals of MGNREGA to improve rural infrastructure and enhance livelihood security. Further, the diversion of funds indicated deficiencies in planning, execution, and monitoring phases of project implementation. These deficiencies reflect weaknesses in the planning, technical supervision, and monitoring frameworks at both the implementing agency and oversight levels. The Department's post-audit assurance of corrective action does not mitigate the systemic non-compliance observed during the audit period.

While accepting the Audit observation, the State Government stated (December 2024) that necessary directions had been issued to DPCs and POs for corrective action. Notably, this assurance had already been reiterated in the Action Taken Note submitted in response to the PAC's recommendation.

3.2.10.4 Non-compliance to General Financial Rules on procurement

Rule 161 of the GFR[14], 2017 states that advertised tender should be called for the procurement of goods[15] valuing ₹25 lakh and above. Further, Rule 173 of the GFR, 2017 states that purchases should be made in a transparent, competitive and fair manner to secure best value for money. In addition, the State Government directed (July 2017) all Government Departments to call for bids through open tenders through e-procurement for supply works of ₹20 lakh and above.

Audit observed that purchases valuing ₹25 lakh and above amounting to ₹6.23 crore (2019-20 to 2022-23) were made from the scheme's administrative expenses fund without calling for tenders as shown in ***Appendix-3.2.9***.

Audit observed the following significant issues in these procurements:

- Multiple job card printing orders were placed with the same vendor (M/s NV Press) on closely spaced dates in December 2022, each slightly exceeding ₹25 lakh, suggesting possible splitting of tenders to remain below higher sanction thresholds and competitive bidding requirements.
- MIS Room setup was executed twice within a span of less than two years from different vendors for providing goods (M/s Temptation, Dimapur) and services (M/s Infinity World, Guwahati) amounting to ₹0.55 crore and ₹0.57 crore respectively.
- A large procurement of ₹3.51 crore was incurred in 2022-23 for worksite tents was awarded to M/s Komorebi Supply based on the request of the firm without competitive tendering, rate reasonableness assessments, or technical justification supporting the scale of this procurement.

Audit further noted that these purchases were debited to the Administrative Expenses Fund, which under Paragraph 12.5.6 of the MGNREGA Operational Guidelines prohibits such high-value asset creation expenditures under administrative heads.

The recurring pattern of fragmented procurements, absence of competitive tendering records, and diversion of administrative funds for asset creation indicate non-compliance with the GFR provisions and MGNREGA scheme norms, leading to the risk of financial irregularities, lack of transparency, and inefficient utilisation of scheme funds.

While accepting the Audit observation, the State Government stated (December 2024) that the purchases were in view of exigent situation and smooth implementation of the scheme and assured compliance to provisions of the GFR, 2017 in future purchases. The fact, however, remains that these actions were in clear violation of the provisions of the GFR, 2017 and MGNREGA Operational Guidelines and cannot be justified retrospectively on the grounds of urgency.

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[14] which is followed by GoN

[15] Rule 143 of the GFR, 2017 states that the term 'goods' also includes works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and maintenance.

3.2.10.5 Non-installation of electronic items in the MIS Room

Rule 21 of the GFR, 2017 states that every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy and see that all relevant financial rules and regulations are observed, by his own office and by subordinate disbursing officers. Audit observed that the works for setting up of a MIS training-cum-monitoring video conference room exclusively for MGNREGS were awarded to M/s Infinity World, Guwahati and M/s Temptation at a total cost of ₹1.13 crore. JPV conducted in June 2024 showed non-installation of items as detailed in **Table 3.2.14**.

Table 3.2.14: Shortfall in supply and installation of equipment

Sl. No.	Particulars (Date of payment)	Project Cost (in ₹)	Short supply of items	Quantity (in nos.)	Shortfall (in ₹)
1	M/s Infinity World Guwahati (30.04.2019)	55,46,000	Projector Ben Q	1	1,28,000
			IP Phone (₹98,700 each)	4	3,94,800
2	M/s Temptation, Dimapur (19.12.2020)	57,35,810	Wireless Antenna PTP Devices (₹4,47,500 each)	2	8,95,000
Total		**1,12,81,810**	-	-	**14,17,800**

Source: Department records and physical verification.

As may be seen from **Table 3.2.14**, the supplier failed to fully supply and install equipment worth ₹14.18 lakh, resulting in incomplete establishment of the MIS training-cum-monitoring room despite full payment. The absence of these key components compromised the functional effectiveness of the MIS facility. The Department's failure to produce any records of initial installation, repair requests, or disposal orders indicates lapses in financial propriety, internal controls, and asset management, in violation of Rule 21 of the GFR, 2017 and established procurement principles.

In reply, the State Government stated (December 2024) that the above items were installed initially but removed for repairs due to technical snag and thereafter declared beyond repair.

The reply of the State Government was not acceptable as there was no record indicating that the items were sent for repairs.

3.2.10.6 Irregular procurement of material by the VDBs

Paragraph 7.1.7 of the Annual Master Circular of MGNREGS 2019-20 states that if some items are to be used across the entire block *e.g.*, bricks, reinforcement bars, then the requirement from each GP for the entire financial year may be aggregated at the Block level. It further states that the Block officer shall call a tender for such aggregated items so that materials are procured at competitive rates and economies of scale were achieved. The Block officer shall then approve the vendors along with rates for procurement of the aggregated items and in all such cases; the GPs may procure the material at approved rates through approved vendors.

Audit observed that materials like bricks, cement and steel were purchased by the VDBs directly from suppliers without calling for quotations/tenders. By not adhering to the Master Circular, the scheme missed out on securing materials at competitive rates, leading to inefficiencies and possibly higher costs. The direct procurement of materials without a proper tendering process undermined transparency and accountability in the utilisation of public funds.

In reply, the State Government stated (December 2024) that it had declared VDBs as a vendor and as such Block officers were compelled to issue work orders to VDBs for execution of Scheme works. The reply was not acceptable as the State Government cannot supersede the Centrally mandated instructions that are designed to ensure financial propriety and cost-efficiency.

Recommendations:
The State Government may ensure that-

- ***(i)*** ***works reported as completed should be verified through field inspections to avoid non-execution and short execution of works.***
- ***(ii)*** ***clarification regarding the incorporation of works not specified in the schedule of permissible works is sought from the Ministry and necessary approvals are obtained before sanctioning of such works.***
- ***(iii)*** ***there is creation of durable assets and unfruitful expenditure is avoided by ensuring that funds sanctioned for approved projects are not diverted to other works.***
- ***(iv)*** ***provisions of the GFR, 2017 on procurement are strictly observed.***
- ***(v)*** ***materials required for scheme works in villages are procured at competitive rates by adopting tendering process at the Block level.***

3.2.11 Audit Objective: Whether appropriate and adequate monitoring, social audit and grievance redressal systems were in place and functioning as envisaged to achieve greater transparency and accountability?

3.2.11.1 State Employment Guarantee Council

Section 12 of the MGNREG Act stipulates that every State Government should set up a State Employment Guarantee Council (SEGC). The SEGC is responsible for advising the State Government on the implementation, evaluation and monitoring of the scheme and for preparing an Annual Report on MGNREGA to be presented to the State Legislature. Further, the SEGC should convene at least one meeting annually to discuss the progress of the Scheme in the State. The PAC in its Report (2018-19) recommended the RD Department, GoN to submit separate Annual Report of SEGC to the Committee on the shortfall highlighted in the C&AG Report (2011-12).

Audit observed that though the State Government had constituted (March 2008) the SEGC headed by the Chief Minister as the Chairman. The SEGC was reconstituted (June 2016) with the Minister, RD Department as the Chairman. During the audit period, the SEGC did not prepare the Annual Report on MGNREGA for presentation to the State Legislature in contravention of the directions issued by the PAC. Audit further observed that during 2019-20 to 2023-24, meeting of the SEGC was convened only on three occasions (February 2021, March 2022 and December 2022) against the minimum requirement of five meetings. As such, the SEGC failed to fulfil its responsibilities of advising the State Government on the implementation of the scheme. The failure to ensure regular functioning of the SEGC reflects serious deficiencies in institutional oversight, monitoring, and advisory mechanisms that are critical for the effective implementation and evaluation of MGNREGA in the State. The Department's post-audit assurances of future compliance do not mitigate the prolonged statutory non-compliance observed during the audit period.

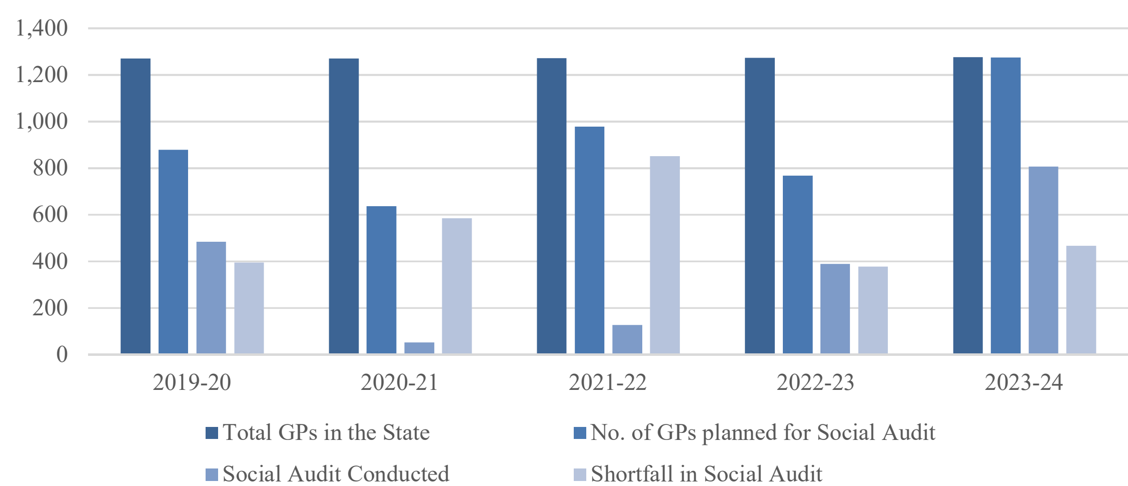
While accepting the Audit observation, the State Government stated (December 2024) that the SEGC meetings are held on need basis and the observation on non-submission of Annual Report to the State Legislature has been noted for compliance.

3.2.11.2 Shortfall in Social Audit and pending observations

Section 17 of the MGNREG Act stipulates conduct of 'Social Audit' as a means of continuous public vigilance. The basic objective of social audit is to ensure public accountability in the implementation of projects, laws and policies. Additionally, Section 3(1) of the MGNREGA Audit of Schemes Rules, 2011 states that social audit should be conducted in each GP at least twice a year. The PAC in its Report (2018-19) recommended the RD Department, GoN to conduct regular Social Audit so as to ensure transparency and public accountability in the implementation of project highlighted in the C&AG Audit Report (2011-12).

Audit observed that the Social Audit Unit (SAU) prepared an annual social audit plan aiming to cover each VDB once a year, contrary to the requirement of biannual audits (*i.e.* two such audits in a year). Audit further observed that 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, details are given in ***Appendix-3.2.10***.

Chart 3.2.3: Shortfall in conducting social audit



Audit also observed that no social audit was conducted during 2020-21 in the 32 test-checked VDBs, while in the remaining four years, the shortfall ranged from 44 to 75 *per cent*. Further, against 16,290 audit observations raised by SAU in the State during 2019-2024, corrective measures were taken only against 10,661 social audit observations as shown in ***Appendix-3.2.10.*** Similarly, in the 32 test-checked VDBs, SAU raised 426 audit observations during 2019-2024 with 90 outstanding observations (21 *per cent*). Inadequate social audits undermine the accountability and transparency objectives of MGNREGA, allowing potential irregularities in the Scheme's implementation to persist. Additionally, the incomplete follow-up on social audit observations suggests that issues identified during audits may not be adequately addressed, limiting the impact of the social audit process.

While accepting the Audit observation, the State Government stated (December 2024) that paucity of funds and unfavourable climatic conditions for travel were the reasons for shortfall in conduct of social audit. It was further stated that necessary directions had been issued to POs for settlement of social audit observations.

The reply of the State Government was not acceptable as the mandatory provisions under Section 17 of the MGNREG Act and Section 3(1) of the MGNREGA Audit of Schemes Rules, 2011 require regular biannual social audits to ensure continuous public oversight. Constraints such as limited funds or climatic conditions should have been anticipated and factored into the State's annual social audit planning and budgeting processes. Further, despite the PAC's recommendations, the persistent shortfall over multiple years reflects systemic weaknesses in administrative planning, fund management, and compliance with statutory obligations.

3.2.11.3 Concurrent Social Audit

Paragraph 25(b) of Schedule I of the MGNREG Act mandates conduct of concurrent social audits to ensure transparency and accountability. The provision states that self-help groups, village social auditors, Village Monitoring Committees (VMCs), and other village-level organisations have had the right to inspect all records of works and expenditures in the village on a fixed day each week. The VMCs are required to submit a signed report of their observations to the POs.

Audit observed that concurrent social audits were not conducted in the test-checked blocks and VMCs which are responsible for ensuring continuous oversight of MGNREGA activities, were not formed. The Department's failure to establish VMCs and conduct concurrent social audits undermined the transparency and accountability mechanisms necessary for the effective implementation of the Scheme as provided under the MGNREGA guidelines.

In reply, the State Government stated (December 2024) that the Village Council members visited the work site to monitor and ensure proper implementation of works by VDBs. It was further stated that, necessary directions had been given for formation of Village Monitoring Committee for concurrent social audit.

3.2.11.4 Functioning of Ombudsman

Paragraph 13.14 of the MGNREGA Operational Guidelines, 2013 states that the State Government must establish the office of an Ombudsman in all districts for expeditious redressal of grievances regarding implementation of the scheme. The main duties of the Ombudsman were to submit monthly and annual reports, highlighting action to be taken against erring MGNREGA functionaries and summarise report of cases disposed by ombudsman to SEGC.

Audit observed that the State Government appointed Ombudsmen for all districts to address the complaints against the Village Councils/VDBs elected members and staff. Audit, however, observed that in three test-checked districts, the offices of Ombudsman were not functional, as they had neither submitted monthly/annual reports to higher authorities nor summary reports to the SEGC. The failure to operate Ombudsman offices undermines the grievance redressal mechanism of MGNREGA's accountability framework.

In reply, the State Government stated (December 2024) that a workshop had been organised for all appointed Ombudspersons to discuss their roles and functions. It was further stated that instructions had been issued to district implementing agencies to ensure proper functioning of Ombudsperson as per the MoRD guidelines. The reply of the State Government was not acceptable as non-functionality of the Ombudsman offices persisted over a long period of time, suggesting that the State Government failed to address the issue in a timely manner.

3.2.11.5 Functioning of Vigilance Cell

Paragraphs 13.6.2, 13.6.3 and 13.6.4 of the MGNREGA Operational Guidelines, 2013 prescribe the constitution of a Vigilance Cell at the State level headed by a Chief Vigilance Officer (CVO), a District Vigilance Cell at the district level and the Vigilance and Monitoring Committee at the local level. These cells were required to be set-up for receiving complaints about the implementation of the scheme, for conducting regular field visits to detect irregularities, for taking *suo-moto* action based on reports appearing in the media and for interaction with workers.

Audit observed that the State Level Vigilance and Monitoring Committee was constituted (December 2009), however, a CVO was not appointed and as such no activities were conducted, indicating the Committee’s non-functionality. Audit further observed that the absence of a functioning CVO and complaint management system contributed to the inactivity of the Vigilance Cell.

In reply, the State Government stated (December 2024) that, in the absence of any substantial complaints the Committee had not undertaken any field visits. The reply was not acceptable as the State Government failed to appoint CVO at the State level as mandated by the Scheme guidelines.

3.2.11.6 State and District Quality Monitors

Paragraph 14.10.4 of the MGNREGA Operational Guidelines, 2013 stipulates that the State Quality Monitor (SQM) will inspect at least five *per cent* works while they are still in progress, so as to assess asset quality aspects. Further, as per Paragraph 7.12.1 of the Annual Master Circular 2019-20, the SQM and District Quality Monitors (DQM) were required to evaluate at least 10 *per cent* of the works executed under the Scheme. The expenses on SQMU will be borne out of funds provided by the Central Government to meet administrative expenses for MGNREGA.

Audit observed that though the State and District Quality Monitoring Cells were constituted (November/December 2019), no inspections were conducted during the progress or completion of works to verify quality or authenticity. Audit further observed that the Department had not reappointed SQM/DQM following their three-year term expiry. The absence of independent quality verification deprived the scheme of an essential oversight mechanism to ensure asset quality and scheme integrity. The Department's practice of assigning quality inspections to Programme Officers, who are part of the implementing hierarchy, is not a valid substitute for independent monitoring. This reflects systemic governance failure in quality assurance despite availability of administrative funds earmarked for this purpose under the scheme.

In reply, the State Government stated (December 2024) that the SQM and DQM were constituted, but due to fund constraints, the regular monitoring of works had been entrusted to concern POs. The reply of the State Government was not acceptable as it failed to comply with the scheme operational guidelines for constitution of SQM/ DQM. The guidelines require independent monitoring by SQM/DQM, funded from the administrative expenses provided by the Central Government. The delegation of quality monitoring responsibilities to Programme Officers, who are directly involved in scheme execution, compromises objectivity, independence, and integrity of the quality monitoring process. The State's failure to reappoint SQM/DQM after the expiry of their tenure reflects systemic non-compliance with scheme quality assurance mechanisms.

3.2.11.7 Non-preparation of Citizens' Charter

Paragraph 13.12.1 of the MGNREGA Operational Guidelines, 2013 states that the Citizens' Charter shall cover all aspects of the duties of Panchayats and officials under the Act. It should describe the specific steps involved in implementing the provisions of the Act and lay down the minimum service levels mandated by these provisions on the Panchayats and the officers concerned.

Audit observed that no Citizens' Charter was prepared by the State Government during the audit period. The lack of a Citizens' Charter indicated the absence of the State's commitment to adhere to the MGNREGA guidelines. Without the Citizens' Charter, beneficiaries were deprived of critical information regarding their legal entitlements, procedural steps for work allocation, grievance redressal mechanisms, and the performance obligations of implementing authorities. This undermined the rights-based framework of the Scheme and weakened institutional accountability at all levels of implementation.

While accepting the audit observation, the Government stated (December 2024) that the Audit observation was duly noted for compliance and necessary action would be taken to prepare the Citizen's Charter.

3.2.11.8 NMMS application

National Mobile Monitoring System (NMMS) App was introduced (May 2021) by the MoRD, GoI, to ensure more transparency in the implementation of the scheme. Subsequently, attendance through NMMS app was made mandatory from January 2023 by the Ministry. Through NMMS app, the attendance of workers/job-card holders was to be captured at the worksite with geo-tagged time stamped photographs of the workers.

Audit, however, observed that NMMS app was not implemented in any of the 32 test-checked villages. Audit further observed that internet connectivity issues in the interior places of the State posed a major challenge in implementation of the NMMS app. Audit observed that despite the Ministry's instructions making NMMS App-based attendance mandatory from January 2023, the State Government failed to implement the system in the 32 test-checked villages during 2023-24. As of 2024-25, the App was operational in only 116 villages, indicating limited and delayed adoption. The non-implementation of NMMS deprived the Scheme of a critical transparency mechanism intended to capture real-time, geo-tagged, time-stamped attendance and prevent manipulation of work records. The continued absence of full-scale implementation reflects systemic weaknesses in digital infrastructure, institutional preparedness, and administrative oversight, thereby undermining transparency, accountability, and accuracy in wage disbursement processes envisaged under MGNREGA.

While accepting the Audit observation, the State Government stated (December 2024) that trainings had been imparted to District and Block officials on NMMS app usage. It was further stated that in current financial year 2024-25, the said app was being used in 116 villages and the same shall be gradually extended to all villages in the State.

Recommendations:
The State Government may ensure that-

- ***(i)*** ***SEGC holds regular meeting for effective monitoring of the Scheme and submits annual reports to the State Legislature to enhance accountability and transparency.***
- ***(ii)*** ***Social audits are conducted in all VDBs and steps may be taken for prompt disposal of outstanding audit observations.***
- ***(iii)*** ***Vigilance and Quality Monitoring Committees may be strengthened to enhance the quality control and monitoring mechanism of the Scheme implementation.***

3.2.12 Conclusion

The Performance Audit was conducted to evaluate the effectiveness of planning, financial management, execution, monitoring mechanisms and the overall impact of the Scheme on improving rural livelihood security. The audit showed some shortcomings in various aspects of implementation. Over the past five years, the State failed to provide the mandated minimum of 100 days of wage employment, primarily due to improper demand assessment and the preparation of unrealistic labour budgets. Financial management issues were also prevalent, with delays in releasing funds to implementing agencies and shortfalls in the State's matching share, which adversely affected the Scheme's execution. Instances of fund diversion from administrative expenses and non-compliance with the GFR in procurement were also observed, further undermining efficiency. At the operational level, a shortage of key personnel, such as GRS and mates at the village level, along with inadequate IEC activities, contributed to low levels of awareness among beneficiaries about their rights as exemplified by Job Cards being in the custody of VDBs instead of the beneficiaries.

Moreover, in the 32 test-checked villages, several irregularities were observed which included unexecuted works, incomplete projects and execution of impermissible works. These shortcomings were primarily attributable to inadequate planning and oversight, shortage of key functionaries such as GRS and mates at the village level, and insufficient monitoring during project execution. The monitoring mechanisms envisaged under the Scheme, such as social audits, vigilance systems and quality control measures, were found to be inadequately functioning. Additionally, the SEGC failed to prepare and present annual reports on MGNREGA to the State Legislature, thereby weakening the accountability of the Executive to the Legislature. These deficiencies collectively highlight inefficiencies in the Scheme's implementation, undermining its objective of ensuring rural livelihood security.

Summary of Recommendations:

(i) ***An annual door-to-door survey was not conducted by the Programme Officers 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 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 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.***

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

TRANSPORT (MOTOR VEHICLES) DEPARTMENT

3.3 Functioning of Regional Transport Offices/District Transport Offices

A Performance Audit of the "Functioning of Regional Transport Offices/District Transport Offices" was carried out covering the period from 2018-19 to 2023-24. The performance audit brought out the following significant findings.

Highlights

- *6,292 out of 33,567 LLs were issued without conducting the mandatory tests in the three test-checked RTOs/DTO.*

Paragraph 3.3.8.1

- *Out of 1,490 chassis numbers that were assigned to multiple vehicles in VAHAN database, 903 chassis number were found to be issued with No Objection Certificates (NOCs), while the remaining 587 chassis numbers were assigned to multiple vehicles without obtaining NOCs.*

Paragraph 3.3.9.1

- *Ownership of 146 out of 1,152 Government auctioned vehicles had not been transferred to the buyer's name, indicating that the buyers failed to apply to the registering authority for ownership transfer.*

Paragraph 3.3.9.4

- *As on 31 March 2024, 4,864 transport vehicles are plying with expired permits.*

Paragraph 3.3.9.5

- *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.*

Paragraph 3.3.9.10

- *During 2019-2024, 8,633 vehicles registered in Nagaland defaulted on tax payments, resulting in cumulative outstanding dues of ₹9.03 crore.*

Paragraph 3.3.10.1

- *A Road safety cess amounting to ₹34.54 crore collected by the Department was not transferred to the Nagaland Road Safety Fund for utilisation towards road safety functions.*

Paragraph 3.3.10.2

- *Two RTOs Kohima and Mokokchung under-imposed a penalty of ₹23.41 lakh for overloading.*

Paragraph 3.3.11.2

- *The provisions for imposing penalties for various motor vehicle related offences were not complied with by the three test-checked RTOs/DTO.*

Paragraph 3.3.11.3

- *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.*

Paragraph 3.3.12.2

- *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.*

Paragraph 3.3.12.2

- *The absence of operational DTOs in 50 per cent of the districts (08 out of 16 districts) compromises the Department's ability to enforce vehicle regulations, conduct safety inspections, manage road safety and deliver public services effectively.*

Paragraph 3.3.12.3

3.3.1 Introduction

The regulation and taxation of mechanically propelled vehicles fall under the Concurrent List (Entry 35 under List III) of the 7th Schedule of the Constitution of India. This provision grants both the Central and State Governments jurisdiction over rules, regulations, and their implementation related to motor vehicles. The Motor Vehicles Act (MV Act), 1988, enacted by Parliament, covers various aspects such as grant of driver and conductor licenses, vehicle registration and various permits. The Ministry of Road Transport & Highways (MoRTH), Government of India (GoI) formulates policies and enforces this Act, alongside the Central Motor Vehicles Rules (CMV Rules), 1989. Vehicle taxation also listed in the Concurrent List of the Constitution of India, is covered under the State List (Entry 57 under List II).

Nagaland has enacted the Nagaland Motor Vehicle Taxation Act, 1967, and the Nagaland Passengers & Goods Taxation Act, 1967, which specify taxes and fees for vehicles in the State. In order to have National and State Registers[16] of motor vehicles

[16] Section 26 and 63 of the Motor Vehicle Act, 1988 read with Rule 23 and 75 of the Central Motor Vehicle Rules 1989.

and driving licenses issued respectively and for providing valuable data to the Centre, the State Government implemented the 'VAHAN' and 'SARATHI' application systems developed by the National Informatics Centre (NIC).

The Motor Vehicles Department (MVD) under the Transport Department, Government of Nagaland (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 MV Act 1988, CMV Rules 1989, the Nagaland Motor Vehicles Act, 1967 and the Motor Vehicles 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.

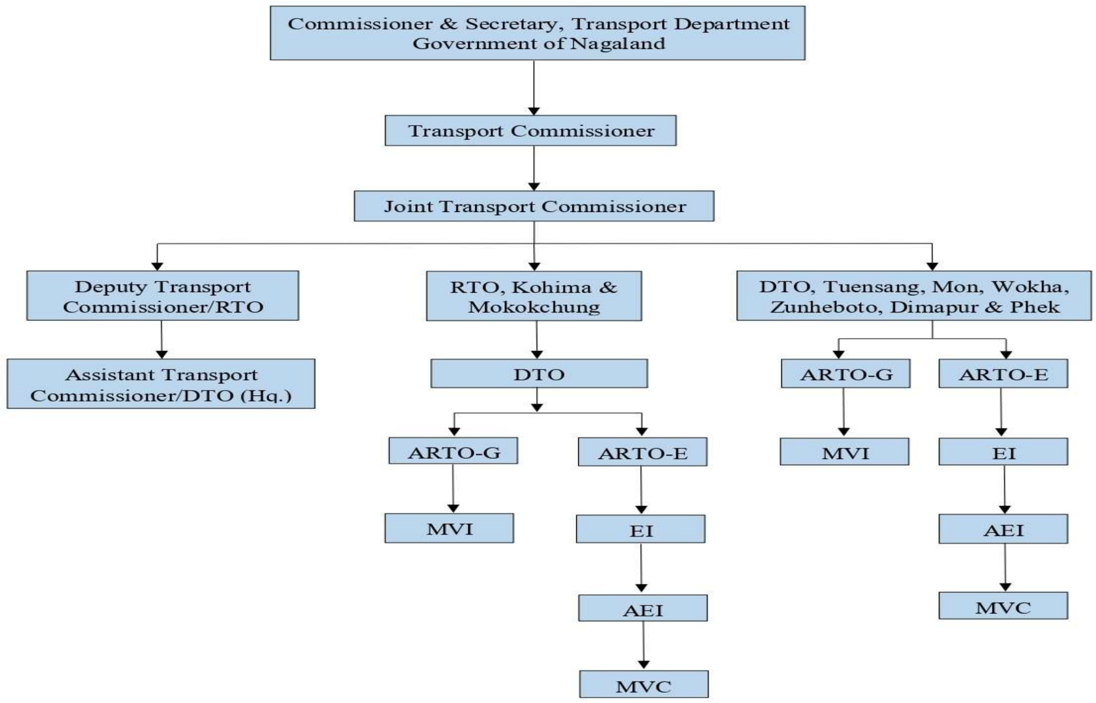
The MVD, GoN uses the VAHAN application for registration/renewal of registration of vehicles, transfer of ownership, change of address, issue of NOC certificate, issue/renewal of fitness certificates, issue/renewal of permits and collection of taxes and penalties. Similarly, the Department is using the SARATHI application for issue of learners driving license, issue/renewal of permanent driving license and collection of fees. VAHAN and SARATHI applications were adopted and implemented in Nagaland since 2008.

3.3.2 Organisational Set-up

The Transport Commissioner (TC) heads the MV Department under the administrative control of the Commissioner and Secretary to the GoN, Transport Department. At the Transport Commissionerate, the TC is assisted by one Additional TC, one Joint TC, two Deputy TC and one Assistant TC. At the district level, the Regional Transport Officer (RTO) at Kohima and Mokokchung and District Transport Officers (DTO) at Mon, Tuensang, Wokha, Dimapur, Phek and Zunheboto are the eight Registering and Licensing Offices in the State. To strictly enforce the MV Acts and Rules, the Department also have the Enforcement wing comprising of Assistant RTO (Enforcement), Enforcement Inspectors, Assistant Enforcement Inspectors and Motor Vehicle Checkers under the eight RTO/DTOs.

The organogram of the Department is depicted in **Chart 3.3.1**.

Chart 3.3.1: Organogram of the Department



Source: Department's record

(RTO: Regional Transport Officer, DTO: District Transport Officer, ARTO-G: Assistant Regional Transport Officer - General), ARTO-E: Assistant Regional Transport Officer – Enforcement, MVI: Motor Vehicle Inspector, EI: Enforcement Inspector, AEI: Assistant Enforcement Inspector, MVC: Motor Vehicle Checker)

3.3.3 Audit objectives

The Audit objectives were to assess whether:

- The RTOs/DTOs managed the issue, renewal and cancellation of licenses effectively as per the Act/Rules;
- The regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates was implemented by RTOs/DTOs as per the Act/Rules;
- The RTOs/DTOs efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties and cess, as per Act/Rules) and took effective action on arrears;
- The enforcement activities were effectively conducted by RTOs/DTOs to ensure compliance with the motor vehicles Acts/Rules with adequate follow up to deter violations; and
- The RTOs/DTOs have been provided with required manpower, equipment, and other resources to discharge their functions and also to ensure public service delivery in a transparent and efficient manner.

3.3.4 Audit criteria

The Audit findings were benchmarked against the following criteria:

1. The Motor Vehicles Act, 1988.
2. The Central Motor Vehicles Rules, 1989.
3. The Nagaland Motor Vehicles Taxation Act, 1967.
4. The Nagaland Passengers and Goods Taxation Act, 1967.
5. The Nagaland Road Safety Authority Act, 2013.
6. Notifications and circulars issued by GoN from time to time.
7. Notifications issued by the MoRTH, GoI from time to time.

3.3.5 Scope and methodology of Audit

The Performance Audit was conducted between May 2024 and August 2024, covering the period from 2019-20 to 2023-24. An Entry Conference was held with the Joint Secretary, Transport Department, GoN and other officers from the Department on 16 May 2024, in which the audit objectives, scope and methodology of audit, were discussed. Records of the Transport Commissionerate and RTOs/DTOs were examined besides extraction of data of VAHAN and SARATHI application and analysis thereof. An Exit Conference was held on 27 November 2024 with the Deputy Secretary, Transport Department, GoN, and officers from the MV Department wherein the Audit observations were discussed. Replies of the Department as well as the State Government are suitably incorporated in the Report.

3.3.6 Audit sampling and units selected for audit

The Audit covered the Office of the Transport Commissioner, Nagaland, Kohima along with two Regional Transport Offices (Kohima and Mokokchung), and one District Transport Office (Tuensang). Three out of eight RTOs/DTOs were selected by random sampling based on the revenue data, transaction (VAHAN) and application (SARATHI) data and vehicle registration (transport and non-transport) data for five years (2019-20 to 2023-24).

3.3.7 Statistical data of the Department

The statistical data of the MV Department consists of revenue collected and expenditure incurred in the State during 2019-2024, number of transactions in VAHAN, number of vehicles registered in VAHAN and number of applications in SARATHI during the five-years' period from 2019-2024 in respect of the sampled DTOs/RTOs, are given in **Tables 3.3.1** to **3.3.4**.

Table 3.3.1: Revenue collected and Expenditure incurred by MV Department

(₹ in crore)

Year	Revenue collected	Expenditure incurred
2019-20	132.02	13.20
2020-21	108.91	13.24
2021-22	162.47	15.29
2022-23	209.22	15.61
2023-24	221.10	17.26
Total	**833.72**	**74.60**

Source: Finance Accounts of respective years

Table 3.3.2: Number of transactions in VAHAN

Name of DTO/RTO	2019-20	2020-21	2021-22	2022-23	2023-24	Total
DTO Dimapur	33,536	27,323	36,597	42,270	51,877	1,91,603
RTO Kohima	2,24,014	1,32,050	1,63,602	1,74,556	1,86,986	8,81,208
RTO Mokokchung	31,402	14,076	18,282	17,354	15,891	97,005
DTO Mon	4,348	2,247	2,339	2,177	6,063	17,174
DTO Phek	2,254	1,457	3,935	9,087	3,257	19,990
DTO Tuensang	2,106	2,365	6,481	6,946	3,470	21,368
DTO Wokha	2,734	1,306	1,904	1,988	1,549	9,481
DTO Zunheboto	700	348	2,257	989	4,257	8,551
Total	**3,01,094**	**1,81,172**	**2,35,397**	**2,55,367**	**2,73,350**	**12,46,380**

Source: VAHAN dashboard as on 28 November 2024

Table 3.3.3: Number of applications in SARATHI

Name of DTO/RTO	2019-20	2020-21	2021-22	2022-23	2023-24	Total
DTO Dimapur	2,532	15,892	33,731	26,148	25,039	1,03,342
RTO Kohima	6,379	4,377	8,125	8,897	8,550	36,328
RTO Mokokchung	678	3,327	4,219	4,520	3,797	16,541
DTO Mon	986	2,203	3,061	2,777	2,860	11,887
DTO Phek	709	1,753	2,627	2,209	2,419	9,717
DTO Tuensang	1,093	2,160	3,671	4,020	3,581	14,525
DTO Wokha	1,658	1,735	3,135	3,132	2,933	12,593
DTO Zunheboto	328	1,120	2,048	2,044	1,956	7,496
Total	**14,363**	**32,567**	**60,617**	**53,747**	**51,135**	**2,12,429**

Source: SARATHI dashboard as on 28 November 2024

Table 3.3.4: Number of vehicles registered

Name of DTO/RTO	2019-20	2020-21	2021-22	2022-23	2023-24	Total
DTO Dimapur	10,694	8,978	10,679	12,098	13,028	**55,477**
RTO Kohima	14,958	5,310	9,477	12,777	13,911	**56,433**
RTO Mokokchung	607	477	579	610	829	**3,102**
DTO Mon	558	246	194	179	207	**1,384**
DTO Phek	123	107	116	133	145	**624**
DTO Tuensang	196	100	96	104	83	**579**
DTO Wokha	238	221	225	227	203	**1,114**
DTO Zunheboto	110	76	72	55	271	**584**
Total	**27,484**	**15,515**	**21,438**	**26,183**	**28,677**	**1,19,297**

Source: VAHAN dashboard as on 28 November 2024

Audit findings

3.3.8 Audit Objective: *Whether the RTOs/DTOs managed the issue, renewal and cancellation of licenses effectively as per the Act/Rules?*

3.3.8.1 Issue of Learner's License without conducting tests

Section 8(6) of the MV Act 1988 states that when an application has been duly made to the appropriate licensing authority and the applicant has satisfied such authority of his physical fitness and has passed to the satisfaction of the licensing authority the test referred, the licensing authority shall issue the applicant a Learner's License (LL). Section 9(3) further states that Driving License (DL) shall be issued if the applicant passes such test as may be prescribed by the Central Government. During the Audit period, a total of 1,14,770 LLs were issued in the State. An analysis of data pertaining to driving tests conducted by the licensing authorities revealed that 6,292 out of

33,567 LLs were issued without conducting the mandatory tests during the period 2019-20 to 2023-24 in the three test-checked RTOs/DTO, as shown in **Table 3.3.5**.

Table 3.3.5: LLs issued without conducting tests

Name of RTO/DTO	LL Issued	LL Issued without Test
RTO Kohima	16,665	2,321
RTO Mokokchung	8,616	2,298
DTO Tuensang	8,286	1,673
Total	**33,567**	**6,292**

Source: SARATHI database

Further analysis revealed that of the 27,275 LL reportedly issued after conducting tests, the tests time was recorded as *00:00 hours* in the database. This anomaly indicates that the actual test time was not recorded. The audit findings revealed systemic weaknesses in the LL issuance process in the State, characterised both by the issuance of LLs without mandatory tests and by the failure to record essential data such as test timings. The practice of issuing 6,292 LLs without conducting tests, and the absence of recorded test timings for 27,275 LLs, demonstrates significant lapses in compliance with the provisions of the Motor Vehicles Act, 1988. These lapses undermine the reliability of the licensing process and compromise road safety by potentially allowing unqualified individuals to operate vehicles. The continued reliance on manual processes, coupled with the lack of integration between testing and digital records, reflects deficiencies not merely at an operational level but within the overall governance framework of the licensing system. Unless robust measures, including the adoption of online testing modules and stringent monitoring mechanisms, are promptly implemented, these systemic gaps will persist, posing on-going risks to public safety and eroding confidence in the regulatory framework.

In reply, the State Government stated (November 2024) that the physical fitness of an applicant is self-certified in a self-declaration under Form-2 as prescribed under Rule 10 of the CMV Rules 1989. The State Government further stated that since online tutorial and test are yet to be adopted, manual tests are being conducted. It was also stated that as the tests are conducted manually, the application auto records the test time as *'00:00' hours* as default. The State Government also assured that it shall undertake the process of customisation of module to conduct online tutorial and test as prescribed under the rules for strict compliance with the requirement to conduct mandatory test before issuing Learner's License.

The reply of the State Government is not acceptable for the following reasons:

1. **Non-furnishing of records**: The State's assertion that manual tests were conducted is unsubstantiated, as no documentary evidence (*e.g.*, attendance sheets, test logs, assessment forms) of such tests was produced to Audit.
2. **Inadequate justification of data anomaly**: The explanation that the SARATHI system auto-records "00:00" as test time in the case of manual tests highlights a serious procedural and data integrity issue. In the absence

of alternate verifiable evidence, this anomaly casts doubt on whether the tests were conducted at all.

3. **Violation of statutory provisions**: Issuance of LLs without documented evidence of having conducted the mandatory test is a clear non-compliance with Sections 8(6) and 9(3) of the Motor Vehicles Act, 1988.
4. **Failure to implement mandated reforms**: While the State has assured future adoption of online tutorial and testing, the continued issuance of LLs without ensuring legal compliance up to 2023-24 undermines both regulatory enforcement and road safety objectives.

Therefore, the reply does not address the core audit concern-systemic failure to ensure transparent, test-based issuance of Learner's Licenses - and cannot be accepted.

Recommendation:

The Department may enforce strict compliance with the requirement to conduct mandatory online tests before issuing Learner's Licenses.

3.3.8.2 Inadequate infrastructure for conducting driving tests

Rule 15 of the CMV Rules, 1989 stipulates that applicants for driving licenses must demonstrate physical fitness and competence to drive through a comprehensive driving test. This test should assess various skills such as vehicle control, mirror adjustment, gear shifting, signalling and emergency stopping, and should be conducted on properly designed test lanes, tracks, or markings. Audit observed that driving tests in RTO, Kohima and DTO, Tuensang were conducted on public roads, while in RTO, Mokokchung, the tests were conducted within the office premises. Audit, however, observed that none of these places had the designated lanes, test tracks, or standard road markings necessary to facilitate a comprehensive and structured assessment of driving skills. The absence of adequate infrastructure compromises the quality, uniformity and thoroughness of the driving tests, increasing the risk of drivers being awarded licenses without a complete evaluation of their driving competence. While accepting the Audit observation, the State Government stated (November 2024) that owing to lack of infrastructure, driving tests were being conducted on available public roads and that the Department was pursuing the upgradation of infrastructure and establishment of Driving Training Centre in six districts. The contention of the State Government to upgrade infrastructure and establish DTCs in six districts, though indicative of ongoing efforts to improve, did not however, justify the continued non-compliance with established safety and regulatory standards.

The continued practice of conducting driving tests without the required infrastructure including standard test tracks, designated lanes, and proper markings, constitutes a clear and persistent non-compliance with Rule 15 of the Central Motor Vehicles Rules, 1989. While the State Government has acknowledged the issue and expressed intent to upgrade infrastructure, the absence of a structured testing environment reflects a systemic failure to uphold minimum standards for evaluating driving competence. The intent to improve does not absolve the Department of its responsibility to comply with existing statutory requirements. Delays in addressing these issues could result in significant disruptions or safety concerns.

Recommendations:

The Department may-

(i) take immediate action to prevent escalation of risks and to maintain operational stability.

(ii) establish standardised driving test infrastructure at all RTOs and DTOs, including designated test lanes, marked test tracks and appropriate markings, to ensure that driving tests are conducted in a controlled and uniform environment, in line with the national standards and best practices.

3.3.9 Audit Objective: Whether regulation and control over registration and use of vehicles through registration, issuing permits and fitness certificates was implemented by RTOs/DTOs as per the Act/Rules?

3.3.9.1 Irregularities in Vehicle Registration Records

Rule 47 of the CMV Rules, 1989 states that an application for registration of a motor vehicle shall be made in Form 20 to the registering authority within a period of seven days from the date of taking delivery of such vehicle, excluding the period of journey. Further, Rule 49 states that every registering authority shall keep in Form 24 a permanent register of motor vehicles registered by it under section 41 and of motor vehicles of other States for which new registration marks are assigned by it under sub-section (2) of section 47 and shall also enter in such record under the respective registration numbers, all changes made with reference to the provisions of these rules. As per applicable rules, every vehicle registered with a RTO must have a unique chassis number and engine number, both of which are verified during the registration process. However, an analysis of vehicle registration data revealed that there were instances where the same chassis number (1,490) and engine number (2,104) were assigned to multiple vehicles across all the eight RTO/DTOs in the State, as shown in **Table 3.3.6**.

Table 3.3.6: Instances of multiple assignments of chassis and engine number

Frequency of Duplicate Assignments	Chassis Numbers	Engine Numbers
Assigned Twice	1,468	2,035
Assigned Thrice	22	64
Assigned Four Times	0*	5
Assigned Five Times	0*	6
Assigned Seven/Nine/Eleven Times	0*	1

Source: VAHAN data

* *No of occurrence of assigning same chassis number four times and above*

Out of 1,490 chassis numbers, it was observed in Audit that 903 chassis numbers were associated with the vehicles that had been issued a NOC. The remaining 587 chassis numbers were assigned to multiple vehicles without obtaining NOC. Further, test check with vehicle registration data from the State of Assam revealed 556 vehicles registered in both Nagaland and Assam, shared the same chassis and engine numbers. Verification of these vehicle registration numbers with NOC issued by the Nagaland State revealed that only 166 vehicles were issued NOC and the remaining 390 vehicles had no record of an NOC being issued from Nagaland for registration in another State. These discrepancies suggest a serious lapse in the verification and data entry process, and raise the risk of fraudulent registrations, duplication of vehicle identities and compromise of vehicle traceability.

In reply, the State Government stated (November 2024) that the same chassis and engine numbers were assigned to multiple vehicles due to legacy data (pre-VAHAN), conversion/reassignment of vehicles and issue of NOC manually prior to VAHAN 4.0. It was further stated that the flaws that were prevalent prior to VAHAN 4.0 were being rectified in the current application to make the system more stringent in making the registration process error free.

While Audit partially accepts the reply regarding legacy data issue, the reasons cited by the State Government for conversion/reassignment of vehicles and issue of NOC manually are not acceptable. The foundational requirement of any registration system, *viz.,* accurate, unique, verifiable details and error-free information irrespective of the mode or timing of data entry must remain uncompromised. The continued presence of such discrepancies reflects insufficient controls during the registration process.

Recommendations:

The Department may-

(i) implement stringent verification protocols and validation checks during vehicle registration to ensure that the same chassis and engine numbers are not assigned to multiple vehicles.

(ii) conduct a systematic review and cleaning of legacy data and digitally reconcile past No Objection Certificates to uphold the integrity of the vehicle registration database.

3.3.9.2 Weak validation controls in Temporary and permanent vehicle registration

Section 43 of the MV Act, 1988 states that the owner of a vehicle may apply to any registering authority or other prescribed authority to have the vehicle temporarily registered in the prescribed manner and for the issue in the prescribed manner of a temporary certificate of registration and a temporary registration mark. A registration made under this section shall be valid only for a period not exceeding one month, and shall not be renewable. An analysis of vehicle registration data for the period 2019-20 to 2023-24 revealed that 11,174 vehicles with temporary registrations were granted permanent registration after the expiry of the stipulated 30-day period, with delays ranging from 01 to 1,518 days. Audit also observed that 830 temporary registered vehicles[17], initially earmarked for permanent registration at RTO, Kohima; RTO, Mokokchung; and DTO, Tuensang, were eventually permanently registered in other RTOs/DTOs. This contravenes the intended flow of registration and reflects lapses in system controls. The core issue was found to be weak validation controls in the vehicle registration system. Moreover, the system did not enforce restrictions to ensure that permanent registration occurred only at the RTO/DTO initially designated during the issuance of the Temporary Registration Certificate (TRC). Details are shown in the **Table 3.3.7**.

Table 3.3.7: Statement showing temporary registration of vehicles

RTO/DTO	Number of vehicles			
	Temporary Registered	Permanent Registration made after 30 Days	Percentage delayed (in *per cent*)	Registered at Other RTOs
Kohima	48,023	5,274	11	778
Mokokchung	2,699	759	28	33
Tuensang	353	151	43	19

Source: VAHAN data

In reply, the State Government stated (November 2024) that, for vehicles whose TRCs were expired, registrations were granted with realisation of penalty fees on daily basis from the date of expiry of the TRC. Audit attempted to calculate the penalty fees realised from 11,174 vehicles and observed that only 7,308 vehicles paid the penalty fees amounting to ₹48.95 lakh and the remaining 3,866 vehicles did not pay the penalty fees. It was further stated that no registration of vehicles can be made in other RTO/DTO other than as specified in the TRC unless the issuing authority of TRC, through the process of modification to suit the need of the applicant, change the name of the authority where it is desired to be permanently registered.

The reply is not acceptable as it fails to address the root cause: the registration system allowed deviations without enforcing traceable modifications. In the absence of systemic checks, allowing post-facto justification of changes undermines the integrity of the registration process and defeats the purpose of earmarking an RTO at the temporary registration stage.

Recommendation:

The Department may strengthen validation and control mechanisms in the vehicle registration system to enforce adherence to not exceeding one month validity of temporary registration and restrict permanent registration to only the RTO/DTO specified in the original TRC, unless formally amended with traceable documentation.

3.3.9.3 Delay in renewal of Registration Certificates

As per Schedule II(C) of the Nagaland Motor Vehicles Taxation (3rd Amendment) Act, 2009, on expiration of the 15 years of life of a vehicle, further renewal of the registration of a vehicle for a period of five years shall be obtained by paying one-

[17] RTO Kohima=778, RTO Mokokchung=33 and DTO Tuensang=19

time tax at the rate of two *per cent* of the original cost of the vehicle. Data analysis of renewal of Registration Certificates (RC) of vehicles revealed that during 2019-2024, RCs of 7,565 vehicles were renewed with delays ranging from 01 to 8,975 days out of which 5,217[18] vehicles belonged to the three test-checked RTOs/DTO. Results of detailed analysis of 10 such vehicles selected randomly are given in **Table 3.3.8.**

Table 3.3.8: Detail analysis of delay in RC renewal cases

Vehicle No.	Date of Purchase	Tax Expired on	Tax Paid After	Gap (Years)	Tax Paid For	Remarks
NL01CA3186	08/08/1996	30/04/1997	28/09/2020	24	2020–2025	Renewal after 25 years. Tax paid after a long delay.
NL018450	15/04/1995	31/03/2000	06/09/2019	19	2000–2020	Huge gap in tax payment.
NL02C0137	30/04/2002	30/04/2007	31/03/2022	15	2007–2027	Significant lapse in compliance.
NL054274	05/01/1998	31/12/2005	21/10/2019	13	2006–2020	Tax paid after 13 years.
NL074003	11/07/2006	10/07/2011	20/10/2022	11	2011–2026	Long delay in tax renewal.
NL012814	01/11/1996	01/11/2015	04/04/2022	6	2015–2025	Moderate delay.
NL080613	26/04/1944	31/03/2011	05/08/2021	10	2011–2024	Extremely outdated vehicle.
NL01C0132	14/11/1975	31/03/2012	24/11/2021	9	2012–2022	Tax gap not justified.
NL01H1673	19/01/1998	31/12/2012	01/06/2022	9	2013–2027	Late tax for a long period.
NL02C2286	25/07/2006	31/05/2011	14/10/2019	8	2011–2026	Delay evident.

Source: VAHAN database

Audit observed that the reason for the delays in renewing vehicles' RCs was due to the ineffective enforcement of registration renewal timelines by the Department. The delayed renewal of RC undermines compliance with the Nagaland Motor Vehicles Taxation (3rd Amendment) Act, 2009.

While accepting the Audit observation, the State Government stated (November 2024) that a late fee for delay in renewal of vehicle RC was levied as per rules and automated alert system was in place for alerting the mobile number of vehicle owners before the expiry of RC. It was further stated that enforcement personnel were deployed for checking vehicle documents including tax validity and the process for introducing e-challan had been initiated.

While acknowledging the reply, the audit maintains that enforcement was still weak, as evidenced by the volume and scale of delays. However, the existence of such a high number of delayed cases despite automated alerts and penalties indicates ineffective enforcement and follow-up. The Department may consider time-bound compliance tracking and monthly reconciliation to ensure timely renewal and improve revenue realisation.

Recommendation:

The Department may strengthen the enforcement wing by instituting regular compliance checks, levying applicable penalties in all delay cases, and expediting the implementation of the e-challan system.

3.3.9.4 Re-assignment of vehicle registration on transfer of ownership

Section 50 of the MV Act, 1988 states that, the person succeeding to the possession of the vehicle or, as the case may be, who has purchased or acquired the motor vehicle,

[18] RTO, Kohima: 2,417 vehicles, RTO, Mokokchung: 2,466 vehicles and DTO, Tuensang: 334 vehicles

shall make an application for the purpose of transferring the ownership of the vehicle in his name, to the registering authority in whose jurisdiction he has the residence or place of business where the vehicle is normally kept. Further, Rule 57 of the CMV Rules, 1989 states that the person who has acquired or purchased a motor vehicle at a public auction conducted by or on behalf of the Central Government or a State Government shall make an application in Form 32 within thirty days of taking possession of the vehicle to the registering authority. Audit observed that during 2019-20 to 2023-24, a total of 1,152 Government vehicles were auctioned to various individuals by different Departments of GoN.

However, upon verification of the VAHAN database (May to August 2024), it was observed that the ownership transfers of 146 vehicles had not been completed with delays ranging from one to six years, indicating that the transferees failed to apply to the registering authority as required. The failure to ensure transfer of ownership for the 146 auctioned Government vehicles constitutes a breach of statutory requirements under the MV Act, 1988 and undermines regulatory oversight. It may also expose the State to potential legal liabilities and misuse of vehicles whose ownership remains in the Government's name.

In reply, the State Government stated (November 2024) that Government vehicles older than 15 years were mandatorily scrapped and therefore not re-assigned. It was, further, stated that vehicles which were not road worthy were auctioned on scrap basis and were also not re-assigned.

The reply of the State Government is not acceptable, since only two out of the 146 vehicles were older than 15 years at the time of auction, and there was no documentary evidence to substantiate that the remaining vehicles were auctioned as scrap. In the absence of such classification, the onus of enforcing the transfer of ownership remains with the Department as per the MV Act.

Recommendation:

The State Government may ensure that auction notices explicitly include statutory requirements for ownership transfer, and that purchasers are required to submit Form 32 within the stipulated 30 days. It may also establish a monitoring mechanism to track post-auction compliance and take timely action in case of default.

3.3.9.5 Transport vehicles with expired permits

Section 66 of the MV Act, 1988 states that no owner of a motor vehicle shall use or permit the use of the vehicle as a transport vehicle in any public place whether or not such vehicle is actually carrying any passengers or goods save in accordance with the conditions of a permit granted or countersigned by a Regional or State Transport Authority. Further, Section 81 states that a permit other than a temporary permit issued under Section 87 or a special permit issued under sub-section (8) of Section 88 shall be effective for a period of five years.

Data analysis of records of permit issued revealed that as on 31 March 2024, 4,864 transport vehicles were plying with expired permits. Of these, 3,586 pertained to National Permits, 639 to Contract Carriage Permits, 365 to Goods Permits, 251 to Tourist Permits and 23 to Stage Carriage Permits. Audit observed that the continued operation of vehicles with expired permits was due to insufficient monitoring and enforcement mechanisms by the Department, which led to a lack of timely renewal of permits. The continued operation of 4,864 transport vehicles with expired permits, in contravention of Section 66 of the MV Act, 1988, reflects systemic lapses in monitoring and enforcement by the Department. This situation poses significant risks to road safety, revenue loss, and undermines the credibility of transport regulations.

While accepting the Audit observation, the State Government stated (November 2024) that acute manpower shortage was one of the main reasons for the inability to effectively enforce the provisions of the Act and Rules.

The reply of the State Government, attributing the issue to manpower shortage, is not acceptable. While staffing constraints may impact field enforcement, the Department has not demonstrated efforts to leverage available digital systems for monitoring permit expiry, issuing automated reminders, or restricting renewals of other services for vehicles with expired permits. These are low-cost, high-impact solutions that could have mitigated the enforcement gap.

Recommendation:

The Department may implement stringent monitoring mechanisms, including automated alerts for permit expirations, and strengthen enforcement actions to ensure that vehicles do not operate without valid permits.

3.3.9.6 Non-renewal of national permit authorisations

Section 81 of the MV Act, 1988 states that a permit other than a temporary permit issued under Section 87 or a special permit issued under sub-section (8) of Section 88 shall be effective from the date of issuance or renewal thereof for a period of five years. Further, Rule 87 of the CMV Rules, 1989 states that an application for the grant of an authorisation for a national permit shall be made in Form 46 and shall be accompanied by a fee of ₹1,000 per annum in the form of a bank draft. Every authorisation shall be granted in Form 23-A, in case the certificate of registration is issued on Smart Card or shall be granted in Form 47, in case the authorisation is in paper document subject to the payment of a consolidated fees of ₹15,000 per annum to be deposited in the national permit account for the permit granted to operate throughout the territory of India.

Data analysis of the authorisation of national permits revealed that 4,437 vehicles, which had obtained national permits valid for five years, did not renew the required annual authorisation. Failure to renew national permit authorisation in a timely manner not only constitutes non-compliance with statutory provisions but also resulted in a revenue loss of ₹1.81 crore as annual authorisation fees and ₹29.04 crore as annual consolidated fees during the period 2019-2024. This reflected significant gaps in the enforcement and monitoring processes, contributing to continued non-compliance by permit holders.

In reply, the State Government stated (November 2024) that, it was not mandatory for a vehicle to avail a national permit and authorisation.

The reply of the State Government is not acceptable. While obtaining a national permit is optional, renewing the annual authorisation is mandatory once a national permit has been granted, as per Rule 87 of the CMV Rules, 1989. The Department's failure to track and enforce this requirement enabled widespread non-compliance and significant revenue loss. The absence of a system to monitor and alert permit holders contributed directly to the scale of this lapse.

Recommendation:

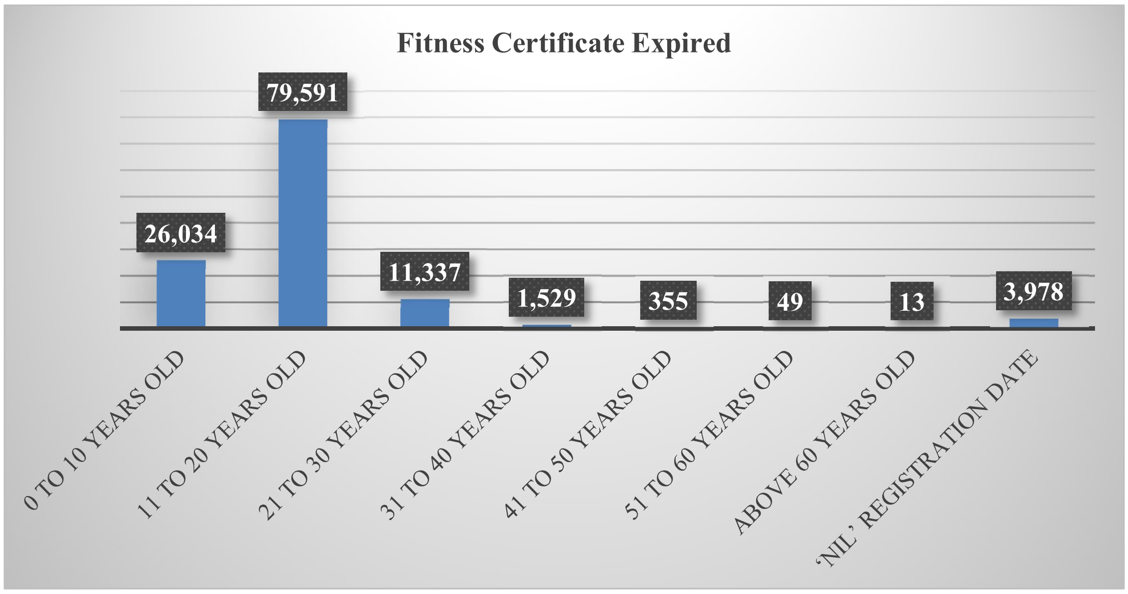
The Department may implement an automated tracking and notification system which cross-verifies national permit data with annual authorisation renewals and triggers reminders and enforcement actions for non-compliant vehicles.

3.3.9.7 Vehicles plying with expired fitness certificate

Section 56 of the MV Act, 1988 states that a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness in such form containing such particulars and information as may be prescribed by the Central Government, issued by the prescribed authorities, or by an authorised testing station mentioned to the effect that the vehicle complies with all the requirements of the Act and the rules made thereunder. An analysis of the database related to the issuance of fitness certificates showed that, as of March 2024, the fitness certificates of 1,22,886 transport vehicles had expired but had not been renewed, of which 85,248 vehicles were from the three test-checked RTOs/DTO[19]. An age-wise analysis of expired fitness certificates, based on vehicle registration period, as shown in **Chart 3.3.2**.

[19] RTO Kohima = 39,242; RTO Mokokchung = 33,791; DTO Tuensang = 12,215

Chart 3.3.2: Age-wise analysis of expired fitness certificates



Source: VAHAN database
Note: "Nil" registration date refers to records where vehicle registration data was missing from the VAHAN database.

Audit observed that the reason for the failure to renew fitness certificates was due to weak enforcement and monitoring mechanisms by the Department. The continued operation of 1.23 lakh transport vehicles without valid fitness certificates, including over 85,000 from just three RTOs/DTO, constitutes a significant violation of Section 56 of the MV Act and compromises public road safety. The age profile of these vehicles further highlights the risk, with nearly 80,000 vehicles aged between 11 to 20 years – which is the period when vehicle condition typically deteriorates. This reflects systemic enforcement gaps and inadequate monitoring of roadworthiness compliance.

While accepting the Audit observation, the State Government stated (November 2024) that, due to manual and random checking, there were limitations in covering all vehicles. It was also stated that the introduction of e-challan will empower the enforcement personnel to conduct more effective checks of vehicle documents, including the validity of fitness certificates.

The State Government's reply is not acceptable. While introduction of e-challan is a positive step, it does not address the core issue of allowing vehicles with expired fitness certificates to continue plying for years. Given that over 1.23 lakh vehicles lacked valid fitness certification, relying on manual checks alone is insufficient. Moreover, the presence of vehicles with "Nil" registration dates indicates serious deficiencies in database validation and oversight. A robust enforcement framework, backed by real-time data analytics and automated alerts, is critical to ensure road safety and regulatory compliance.

Recommendation:

The Department may strengthen its enforcement mechanisms to ensure the timely renewal of fitness certificates, so that only road worthy vehicles are allowed to ply.

3.3.9.8 Renewal of fitness certificate beyond validity period

As per the CMV (Eight Amendment) Rules, 2022, renewal of certificate of fitness in respect of transport vehicles shall be two years for vehicles up to eight years old and one year for vehicles older than eight years old.

Data analysis of the database relating to the issuance of fitness certificates showed that, during the period 2022-23 to 2023-24, fitness certificates were renewed for more than one year for 41 transport vehicles[20] that were older than eight years, in contravention of the provisions of the CMV Rules. The issuance of fitness certificates with validity periods exceeding the permissible limit under the CMV Rules, 2022 for vehicles older than eight years reflects a systemic failure to adhere to regulatory norms. Such deviations compromise the periodic assessment of vehicle roadworthiness and pose a direct risk to road safety. This also undermines the enforcement framework intended to ensure that ageing transport vehicles meet minimum safety standards.

While accepting the Audit observation, the State Government stated (November 2024) that fitness certificates were auto-generated once the data was entered. It was, further, stated that the matter would be taken up with the application developer to rectify such lapses.

Reliance on auto-generation of certificates without appropriate system-level validation reflects inadequate application controls. Fitness validity should be governed strictly by the CMV Rules, irrespective of system limitations. The fact that 41 certificates were issued in contravention of the prescribed one-year limit for older vehicles points to a lapse in both regulatory oversight and IT governance. Rectification at the software level must be prioritised, but it should be accompanied by interim manual checks to prevent further violations and safeguard public safety.

Recommendation:

The Department may strictly enforce the rules regarding the renewal period of fitness certificates for vehicles older than eight years.

3.3.9.9 Unusual number of fitness tests conducted per day

Rule 62 of the CMV Rules, 1989 states that the renewal of a fitness certificate shall be made only after the Inspecting Officer or an authorised testing station has carried out the tests specified in the rule. Analysis of the database relating to fitness testing revealed that, during 2019-20 to 2023-24, a total of 1,18,860 fitness tests[21] were conducted across the three test-checked RTOs/DTO. Further analysis revealed that the

[20] Kohima = 34, Mokokchung = 2, Zunheboto = 2 and Dimapur = 3

[21] RTO Kohima = 1,06,372; RTO Mokokchung =10,552; DTO Tuensang = 1,936

maximum number of fitness tests conducted in a single day was 1,055 in RTO, Kohima, 141 in RTO, Mokokchung and 30 in DTO, Tuensang, while the average number of fitness tests conducted per day was 94 in RTO, Kohima, 11 in RTO, Mokokchung and 04 in DTO, Tuensang.

During joint inspections with Department officials, it was observed that a full manual fitness test of a vehicle typically takes 10 to 15 minutes. Therefore, the recording of 1,055 fitness tests as conducted in a single day at RTO, Kohima appears unreasonably high, given the required thoroughness and time commitment for the fitness testing process. It is, therefore, concluded that either the tests were not thoroughly conducted or the records were inaccurately maintained. Thus, failure to adhere to proper fitness testing procedures compromises road safety, as vehicles may be certified as fit without undergoing the necessary inspections.

While accepting the Audit observation, the State Government stated (November 2024) that tests were conducted manually on different dates, but the application captures the date of data entry as the inspection date, which may differ from the actual physical date of inspection.

The reply of the State Government reflects serious deficiencies in record-keeping practices and the absence of time stamped, verifiable documentation of actual physical inspections. Unless rectified, this data integrity issue compromises the audit trail and allows circumvention of mandated safety protocols.

Recommendation:

The Department may enhance its monitoring mechanisms to ensure compliance with the required testing procedures for the renewal of fitness certificates.

3.3.9.10 Absence of automated testing stations in Nagaland

Section 56 of the MV Act, 1988 states that a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness in such form containing such particulars and information as may be prescribed by the Central Government, issued by the prescribed authority, or by an Authorised Testing Station to the effect that the vehicle complies for the time being with all the requirements of the Act and the rules made thereunder. Further, as per the CMV (Eight Amendment) Rules 2022, renewal of certificate of fitness in respect of transport vehicles shall be done mandatorily only through an Automated Testing Stations (ATS). Audit observed that there is no ATS in Nagaland to carry out the automatic testing of vehicles for the issuance of fitness certificates. Audit also observed that the construction of an Inspection and Certification Centre at Chumukedima, proposed for conversion into an ATS, was under progress. Further, Audit observed that the Department's proposal (February 2024) to the GoN for the establishment of additional ATS facilities at Kohima and Mokokchung was awaiting approval. The absence of operational ATS in the State indicated that fitness certificate renewals for transport vehicles were not being conducted in compliance with the CMV (Eighth Amendment) Rules, 2022.

While accepting the Audit observation, the State Government stated (November 2024) that in addition to the ongoing construction of the ATS at Chumukedima, it was pursuing the establishment of two more ATS facilities at Kohima and Mokokchung with funding from the MoRTH. The reply is not acceptable as the MV Act, 1988, read with the CMV (Eighth Amendment) Rules, 2022, mandates that renewal of fitness certificates for transport vehicles shall be carried out exclusively through ATS. In the absence of any operational ATS in the State, all fitness certificate renewals are currently being undertaken in contravention of the prescribed Rules, thereby compromising the statutory mandate and undermining vehicle safety standards. Further, the reply lacks a committed timeline for the operationalisation of the Chumukedima ATS and does not indicate any interim mechanism or approval from the competent authority for continuing manual testing.

Recommendation:

The State Government may expedite the completion and operationalisation of the Inspection and Certification Centre at Chumukedima as an ATS and prioritise the approval and establishment of ATS facilities at Kohima and Mokokchung.

3.3.10 Audit Objective: Whether RTOs/DTOs efficiently assessed, levied, collected and remitted revenue (Motor vehicle taxes, fines, penalties and cess, as per Act/Rules) and took effective action on arrears?

3.3.10.1 Outstanding tax defaulting arrears

As per Section 4 of the Nagaland Motor Vehicles Taxation Act, 1967, no motor vehicles shall be used unless the owner thereof has paid in respect of it a tax at the appropriate rate specified in the schedule to the Act. Further, Section 16 of the Act stipulates that when any person without any reasonable cause fails or refuses to pay the tax, the licensing officer may forward to the Deputy Commissioner a certificate over his signature specifying the amount of tax due from such person, and the Deputy Commissioner on receipt of such certificate, shall proceed to recover such tax including such penalty as he may deem fit not exceeding one half of the annual tax. In addition, Section 3 of the Nagaland Passengers and Goods Taxation Act, 1967 states that there shall be levied, charged and paid to the State Government a tax on all fares in respect of all passengers and goods carried in a taxable vehicle. And Section 9 of the Nagaland Passengers and Goods Taxation Act, 1967 stipulates that, if the prescribed authority is satisfied that any owner is liable to pay tax under the provisions of this Act, in respect of any period but has failed to pay the tax, the said authority may after giving the owner a reasonable opportunity of being heard, assess the amount of tax, if any, due from the owner and also direct that the owner shall pay in the prescribed manner, by way of penalty, a sum not exceeding one and a half time the amount of tax.

Data analysis of records relating to tax arrears revealed that, as of 31 August 2024, a total of 8,633 vehicles registered during 2019-2024 had defaulted on tax payments amounting to ₹9.03 crore[22]. The failure to recover outstanding taxes resulted in a substantial revenue loss for the State Government, thereby undermining the effectiveness of the Motor Vehicles and the Passengers and Goods Taxation Acts.

While accepting the Audit observation, the State Government stated (November 2024) that it was in the process of determining the actual number of on-road/off-road vehicles out of the total number of vehicles registered in the State. It was, further, stated that once the records of unused/off-road vehicles were archived, the number of tax defaulters was expected to be significantly reduced. The State Government also informed that an SMS alert system had been activated to notify vehicle owners upon expiry of tax paid validity period, and that the registering authorities were issuing demand notices periodically.

Recommendation:

The Department may strengthen its tax collection and monitoring mechanisms, including the implementation of automated systems for tracking tax defaulters. The Department may also take immediate steps to recover the outstanding dues through stringent enforcement of the legal provisions for tax recovery and penalties.

3.3.10.2 Non-transfer of cess fund to the Nagaland Road Safety Fund

Section 10 of the Nagaland Road Safety Authority Act, 2013 states that there shall be levied and collected a one-time cess for the purposes of this Act on every motor vehicle used or kept use in the State at the rate of 0.50 *per cent* of the basic cost of the vehicle. The proceeds of the cess levied and collected under this Act by the Government together with fines, interest and fees recovered thereunder shall *first* be credited to the Consolidated Fund of the State and after deducting the expenses of collection and recovery, as determined by the Government, the remaining amount shall, under appropriation duly made by law in this behalf, be entered into and transferred to the Fund. Further, Section 11 of the Nagaland Road Safety Authority Act, 2013 states that there shall be establishment of Fund to be called the" Nagaland Road Safety Fund" and there shall be credited to the Fund the amount transferred under Section 10 and 50 *per cent* of the compounding fee collected by the Department.

Audit observed that while the GoN notified the establishment of the Nagaland Road Safety Fund (NRSF) in August 2022 and implemented its provisions from October 2022, cess amounting to ₹34.54 crore collected during 2022-23 to 2023-24 had not been transferred to the NRSF. Similarly, *50 per cent* of ₹0.52 crore collected during the same period as compounding fees for violations of various provisions of the MV Act was also not transferred to the NRSF. The non-transfer of cess and compounding fees to the NRSF resulted in delays in utilising these funds for their intended purpose of enhancing road safety in the State.

While accepting the Audit observation, the State Government stated (November 2024) that ₹5.00 crore had been transferred to the NRSF during 2024-25, and that the

[22] Goods tax=₹2.01 crore, MV tax= ₹6.33 crore and Passenger tax= ₹0.69 crore

release of 50 *per cent* of the compounding fees was likely to occur soon. However, the transfer of funds had not occurred as of July 2025.

> ***Recommendation:***
>
> ***The State Government may immediately transfer the accumulated road safety cess and 50 per cent of the compounding fees to the Nagaland Road Safety Fund.***

3.3.11 Audit Objective: Whether enforcement activities were effectively conducted by RTOs/DTOs to ensure compliance with the Motor Vehicles Acts/Rules with adequate follow up to deter violations?

3.3.11.1 Non-implementation of electronic monitoring systems

Section 136A of the MV Act, 1988 states that the State Government shall ensure electronic monitoring and enforcement of road safety on national highways, state highways, roads or in any urban city within a State which has a population up to such limits as may be prescribed by the Central Government. Further, as per Section 136A (2) of the MV Act, 1988, the Central Government shall make rules for the electronic monitoring and enforcement of road safety including speed cameras, closed-circuit television cameras, speed guns, body wearable cameras and such other technology. Audit observed that the Department did not implement electronic monitoring and enforcement of road safety in the State, as the use of speed cameras, closed-circuit television cameras, speed guns, body-worn cameras, and other such technology had not been installed. Audit, further, observed that the non-implementation of electronic monitoring and enforcement of road safety was primarily due to the failure of the Department to submit a proposal to the GoN for allocation of funds for the necessary technological infrastructure.

While accepting the Audit observation, the State Government stated (November 2024) that the Department would submit a proposal for an Integrated Road Safety Project for the State of Nagaland.

> ***Recommendation:***
>
> ***The State Government may allocate funds and take necessary action to implement electronic monitoring systems in the State.***

3.3.11.2 Short collection of penalties for offenses as per the MV Act

Section 113 of the MV Act, 1988, empowers the State Government to prescribe conditions for the issuance of permits and restrict the use of vehicles if the unladen or laden weight exceeds the specified limits in the vehicle's certificate of registration. Further, Section 194 stipulates that any violation of Section 113, such as driving with excess load, shall result in a fine of ₹20,000, with an additional ₹2,000 per tonne of excess load. The vehicle owner is also liable for charges for off-loading the excess load. Audit observed that during 2019-2020 to 2023-2024, enforcement personnel in RTO, Kohima and RTO, Mokokchung booked 24 and 105 cases respectively under Section 194 for overloading. Audit, however, observed that there was short realisation of penalty by the enforcement personnel under Section 194 of the MV Act, as shown in **Table 3.3.9.**

Table 3.3.9: Short penalty amount realised under Section 194 of the MV Act

(Amount in ₹)

Name of RTO/DTO	Financial Year	Actual penalty	Penalty realised	Short realisation
(A) RTO, Kohima	2019-20	40,000	2,000	38,000
	2020-21	0	0	0
	2021-22	3,60,000	21,500	3,38,500
	2022-23	20,000	1,000	19,000
	2023-24	60,000	6,000	54,000
Sub-Total (A)		**4,80,000**	**30,500**	**4,49,500**
(B) RTO, Mokokchung	2019-20	0	0	0
	2020-21	0	0	0
	2021-22	12,40,000	1,61,000	10,79,000
	2022-23	8,60,000	47,000	8,13,000
	2023-24	0	0	0
Sub-Total (B)		**21,00,000**	**2,08,000**	**18,92,000**
Grand Total		**25,80,000**	**2,38,500**	**23,41,500**

Source: Departmental records

It can be seen from the **Table 3.3.9** above that against the actual penalty amount of ₹25.80 lakh, the enforcement personnel imposed a penalty of ₹2.39 lakh. Thus, there was a short penalty realisation of ₹23.41 lakh. Failure to levy penalties as per the MV Act resulted in a revenue loss of ₹23.41 lakh.

The State Government in its reply, stated (November 2024) that the State had only one weighbridge and that the enforcement personnel were compelled to check the load of the vehicles through bills and physical observation. The State Government further added that the Department was in the process of installing six weighbridges across the State.

The State Government's justification regarding lack of weighbridges does not absolve the responsibility to levy minimum statutory penalties as per Section 194 of the MV Act. Absence of appropriate infrastructure should have led to more rigorous compensatory mechanisms or temporary procedures rather than significant under-realisation. The reply also remains silent on the quantifiable loss of ₹23.41 lakh, reflecting lack of internal accountability.

Recommendation:

The Department may take immediate steps to enforce the penalty provisions under Section 194 of the MV Act to prevent future revenue losses.

3.3.11.3 Inadequate enforcement mechanism

Chapter XIII of the MV Act, 1988 outlines the penalties for various motor vehicle-related offences, the compounding of certain offences, and the procedures for enforcement. This chapter also mandates that penalties for offences, such as overloading and driving without proper documentation, must be recorded and enforced by RTOs/DTOs. Further, Section 194, 206 and 207 of the MV Act 1988 also requires that in case of compounded offences, records must be properly maintained, and actions such as vehicle seizure, registration suspension, and offloading of overloaded vehicles should be taken as per legal requirements. Audit observed that the provisions for imposing penalties for various motor vehicle related offences were not complied with by the three test-checked RTOs/DTO, as summarised below:

- Offences recorded in the Check Report (CR) were not entered into the VAHAN application against the vehicles involved.
- For compounded offences where fines were collected, the RTOs/DTO did not obtain proper compliance proof or supporting documents to verify that the fines were settled in accordance with the law.
- In cases of overloading, no vehicles were offloaded before being released, contravening the provisions of the Act.
- Vehicles liable to be seized due to offences were not impounded, citing lack of infrastructure and parking space.
- In cases where vehicles were not seized, registration certificates, permits, and other issued documents were also not confiscated, as required by law.
- No follow-up action was taken on the CRs issued, and registered owners of the offending vehicles were not pursued for compliance.

The non-compliance with statutory requirements for enforcing motor vehicle penalties in the three test-checked RTOs/DTO indicated significant lapses in enforcement, documentation, and follow-up procedures. While accepting the Audit observation, the State Government stated (October 2024) that it had taken serious note of the deficiencies in the maintenance of compounding records and assured that lapses in the enforcement documentation would be addressed in earnest.

The reply of the State Government is only partially acceptable. While it acknowledges deficiencies, it does not address the root causes of persistent non-compliance, including failure to offload overloaded vehicles, seize documents, or follow up on check reports as mandated under Sections 194, 206, and 207 of the MV Act. The assurance of future compliance, without evidence of systemic reform or corrective action, is inadequate to address the serious lapses observed.

Recommendation:

The Department may ensure that all offences are recorded in the VAHAN application and that proper documentation is obtained for compounded offences.

3.3.11.4 Vehicles with expired Pollution Under Control Certificate

Section 158 of the MV Act, 1988 states that any person driving a motor vehicle in any public place shall, on being so required by a police officer in uniform authorised in this behalf by the State Government, produce the Pollution Under Control Certificate (PUCC). Further, Section 190 states that any person who drives or causes or allows to be driven, in any public place a motor vehicle, which violates the standards prescribed in relation to road safety, control of noise and air-pollution, shall be punishable.

Analysis of the PUCCs issued showed that, as on 31 March 2024, the PUCCs of 58,128 vehicles had expired, out of which 32,628 vehicles[23] belonged to the three test-checked RTOs/DTO. Further analysis showed that the number of PUCC tests conducted per day across all RTOs/DTOs varied significantly, ranging from 01 to 9,150 tests. Notably, in the three test-checked RTOs/DTO, the maximum number of PUCC tests conducted in a single day was 3,915 in RTO, Kohima, 383 in RTO, Mokokchung, and 84 in DTO, Tuensang. The average number of PUCC tests conducted per day was 67 in RTO, Kohima, 09 in RTO, Mokokchung and 02 in DTO, Tuensang.

Audit observed that the high number of vehicles operating with expired PUCCs was due to the Department's inadequate enforcement of PUCC issuance and renewal, as evidenced by the large number of expired certificates and inconsistent testing practices across RTOs/DTOs.

While accepting the Audit observation, the State Government stated (November 2024) that until 10 June 2024, pollution testing and PUCC issuance was carried out manually, and the data were entered into the system/application collectively on a single day. This resulted in the application showing an unusually high number of tests conducted on a single day. The State Government further stated that the pollution testing machines had not been integrated with the VAHAN application earlier, but had since been integrated, enabling uniform online testing and issuance of PUCCs by all the registering and licensing authorities.

Recommendation:
The Department may strengthen monitoring mechanisms to ensure the timely renewal of PUCCs. Further, a uniform system for conducting PUCC tests across all RTOs/DTO may be implemented to ensure consistency and compliance.

3.3.12 Audit Objective: Whether RTOs/DTOs have been provided with required manpower, equipment, and other resources to discharge the mandate as also to ensure public service delivery in a transparent and efficient manner?

3.3.12.1 Non-implementation of refunds

Section 7 of the Nagaland Motor Vehicle Taxation Act, 1967 states that if someone has paid motor vehicle tax and proves to the licensing officer that the vehicle's registration or renewal has been refused or cancelled, they are entitled to a refund. Further, Section 8 states that if a person proves that their vehicle has not been used for a continuous period of at least three months, they can receive a remission of tax. Audit observed that the Department lacked an established mechanism to process and issue refunds for motor vehicle taxes, as required under Sections 7 and 8 of the Nagaland Motor Vehicle Taxation Act, 1967.

Audit observed that despite the MoRTH directive (January 2024), instructing the Department to ensure refunds as per the provisions of the State Motor Vehicle

[23] RTO Kohima = 25,684; RTO Mokokchung = 6,059; DTO Tuensang = 885

Taxation Act, no system had been set up to process such claims. Audit concludes that the Department's failure to establish a mechanism for processing tax refunds and remissions, despite clear statutory provisions and instructions from the MoRTH, resulted in the denial of legitimate entitlements to vehicle owners and reflected a significant compliance and service delivery gap.

While accepting the Audit observation, the State Government stated (November 2024) that the matter was under consideration by the Finance Department.

Recommendation:

The State Government may expedite creating a separate head of account for motor vehicle tax refunds and establish a robust mechanism for processing and disbursing refunds in a timely and transparent manner.

3.3.12.2 Non-integration of online payment gateway

The MoRTH has introduced the VAHAN and SARATHI applications to digitise vehicle and driver-related services. The advantages of these applications include facilitating online services for vehicle registration, permit issuance, fitness certificates, and driving licenses to reducing the need for physical visits to RTOs/ DTOs and enabling online payments through integrated payment gateways. Audit observed that although the VAHAN and SARATHI applications were operational across all RTOs/DTOs in Nagaland, an online payment gateway for citizen users had not been integrated. Audit further observed that although 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. As a result, key citizen-centric services such as online payments for vehicle registration, license issuance, and e-challans remained inaccessible, defeating the objective of reducing reliance on physical visits to RTOs/DTOs and limiting transparency, efficiency, and convenience envisaged under the national digitisation initiative led by the MoRTH.

While accepting the Audit observation, the State Government stated (October 2024) that the payment gateway had since been integrated in the registering and the licensing offices, however, citizen services were yet to be made accessible to applicants and service seekers.

Recommendation:

The Department may expedite the integration of the payment gateway with the VAHAN application to ensure that citizens can access complete online services.

3.3.12.3 Shortage of RTOs/DTOs

The GoN issued a notification (July 2018) stating that, with the upgradation, re-designation and creation of new posts, the Department shall reorganise the staffing pattern, deployment and posting in the Commissionerate and the 11 district offices. Accordingly, the remaining three District Transport Offices in Kiphire, Longleng and Peren districts shall function with immediate effect with the staffing pattern of a DTO, along with one staff member each for the posts of Motor Vehicle Officer, Road Safety & Enforcement Officer, Motor Vehicle Inspector, Road Safety & Enforcement Inspector, Assistant Road Safety & Enforcement Inspector and Motor Vehicle Checker. Audit observed that, as of March 2024, the three District Transport Offices in Kiphire, Longleng and Peren districts were yet to become operational. Audit also observed that DTOs had not yet been established in five newly created districts[24]. The absence of operational DTOs in 50 *per cent* of the districts (08 out of 16 districts) compromises the Department's capacity to enforce vehicle regulations, conduct safety inspections, manage road safety, and deliver public services effectively.

While accepting the Audit observation, the State Government stated (November 2024) that the creation of new ministerial posts was not pursued due to a blanket ban on creation of new posts by the State Government. As a result, the DTOs in the then newly created three districts could not be established.

Recommendation:

The State Government may prioritise the establishment of DTOs in the remaining districts.

3.3.12.4 Inadequate infrastructure facilities in RTO Kohima

As per the Handbook of Planning of Office Buildings, February 2013 issued by CPWD, an office building must have flexible and technologically-advanced working environments that are safe, healthy, comfortable, durable, aesthetically-pleasing, and accessible. It must be able to accommodate the specific space and equipment needs of the tenant. Special attention should be made to the selection of interior finishes and art installations, particularly in entry spaces, conference rooms and other areas with public access. Audit observed that out of a total number of 1,19,289 vehicles registered during 2019-20 to 2023-24, 56,433 vehicles constituting 47 *per cent* were registered in RTO, Kohima. Audit also observed that there was an increase of 76 *per cent* in vehicle registration at RTO, Kohima over the last 10 years (January 2014 to December 2023). Audit, however, observed that the office of the RTO, Kohima was functioning in a private rented building, with limited space and inadequate infrastructure. The office lacked essential facilities such as separate areas for enforcement personnel, public toilets, lounges, waiting rooms, public queuing areas, drinking water facilities and storage for files and records. Moreover, the absence of fitness testing, pollution control and driving test facilities had resulted in these tests being conducted on public roads, posing safety risks. Inadequate infrastructure at RTO, Kohima not only hampered the efficiency of the office staff but also caused inconvenience to the public visiting the office for availing the services of the Department.

While accepting the Audit observation, the State Government stated (November 2024) that it had approved the construction of a new building for RTO, Kohima and that the deficiencies pointed out in the Audit observation had been incorporated in the

[24] July 2020 (Noklak), December 2021 (Chumukedima, Niuland and Tseminyu) and January 2022 (Shamator).

DPR. The State Government further stated that the District Transport Office at Zunheboto was also functioning in a rented premise which lacked essential infrastructure and facilities necessary for effective public service delivery.

Recommendation:

The Department may seek to secure a more suitable office location with planning for adequate infrastructure, ensuring compliance with safety and accessibility standards, and enhancing the overall working environment for both employees and members of the public.

3.3.13 Conclusion

The Performance Audit on the functioning of RTOs/DTOs were conducted to assess the efficiency, compliance and effectiveness of systems related to vehicle licensing, registration and regulation. This Performance Audit revealed significant shortcomings across several critical areas. The procedures for issuing driving licenses were found to be deficient, raising serious concerns regarding road safety, as the existing system may allow unqualified individuals to obtain licences. The vehicle registration process suffered from procedural delays and system weakness, undermining compliance with the Motor Vehicles Act and Central Motor Vehicle Rules. There were notable lapses in the enforcement of mandatory requirements, such as vehicle fitness certification, permits and Pollution Under Control Certificates (PUCC). These lapses posed risks to both safety and environmental standards. A substantial amount of tax arrears was observed, highlighting serious lapses in revenue collection and enforcement. The continued accumulation of outstanding dues points to systemic weaknesses that allowed non-compliance to go unchecked. The Audit also found that the infrastructure at RTOs/DTO was inadequate, affecting the quality and timeliness of public service delivery.

Summary of 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

3.4 Undue favour to Contractor-cum-landowner

The Horticulture Department extended undue favour to the Contractor-cum-landowner by creating the project assets worth ₹2.87 crore on a private plot of land owned by the Contractor besides allowing the project works to deviate from the approved DPR without the concurrence of the NEC in violation of the NEC guidelines.

The North Eastern Council (NEC) guidelines, 2015, stipulate that for projects (NEC funded) requiring construction of physical assets, the State Government shall furnish valid land document for establishing ownership or possession of land by the entity concerned through long term lease (**Paragraph 18.7**). Further, the State Government shall ensure proper upkeep, maintenance and operation of the assets/facilities created out of the project (**Paragraph 18.10**). Any deviation from the approved DPR, if required at all, shall be made only with the prior approval of NEC (**Paragraph 19.2**). The Finance Department, Government of Nagaland (GoN) had also instructed (March 2014) all Departments to ensure that before executing any agreement on behalf of the State Government involving responsibilities and obligations, a copy of the draft agreement be endorsed to the Finance Department for review and concurrence.

The NEC approved (April 2017) the project "**Creation of Botanical Garden-cum-Recreational Park at Jalukie, Peren**" at a cost of ₹2.87 crore on a 90:10 sharing basis between the Central (₹2.58 crore) and State (₹0.29 crore) Governments, with a stipulation to complete the project within two years (March 2019) from the date of approval (April 2017) of the project. The objectives of the project were to promote recreational facilities, *ex situ* conservation[25] and multiplication of threatened and endemic plants, rehabilitate the natural and endangered germplasm[26] and also promote eco-tourism and improve the economy through generation of revenue/employment avenues. As per the approved Detailed Project Report (DPR), the components of project works included creation of various facilities such as, Reception, Amphitheatre, Watch tower, Gazebo, Laboratory, Fence, Retaining wall, Quarters, Public toilet, Septic tank, Green House, Park and Horticultural Works. The DPR envisaged ensured availability of the project land as the intended beneficiaries of the project were willing to donate the same for the project.

The NEC released its share of ₹2.58 crore in two instalments[27] (April 2017 and August 2020) as Grant-in-Aid to the State Government for creation of capital assets.

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[25] *Ex situ* conservation means conserving components of biodiversity outside their natural habitats. It involves maintaining and breeding endangered species of plants and animals in controlled conditions away from their original ecosystems

[26] Germplasm is the term used to describe the seeds, plants, or plant parts useful in crop breeding, research and conservation efforts

[27] ₹1.03 crore on 21 April 2017 and ₹1.55 crore on 25 August 2020

In turn, GoN released (November 2017 to March 2021) total funding of ₹2.87 crore (NEC/GoI share: ₹2.58 crore and GoN share: ₹0.29 crore) to the Horticulture Department for implementation of the project. After inviting (July-August 2017) the tenders, the Executive Engineer, Public Works Department (Housing) Division-III, Directorate of Horticulture, Nagaland awarded (August 2017) the civil works to M/s Gaihiak Riamei & Co, Peren (Contractor) at a contract value of ₹1.69 crore with stipulation to complete the works by December 2018. Later, the work order was revised (June 2022) providing for several additional works (internal water supply and sanitary installation, internal electrification) and cost escalation on civil works at an enhanced project cost of ₹2.87 crore. The project works commenced in August 2017, were completed in July 2022 and the entire payments (₹2.87 crore) were also released[28] to the Contractor.

In this connection, following observations are made:

- As observed from the records of the Director, Horticulture Department, GoN, the State Government did not submit any valid land document to the NEC to establish the ownership or possession (through long term lease) of the proposed project site by the State Government as required under the NEC guidelines (**Paragraph 18.7).** The NEC, however, sanctioned (April 2017) the project and released (April 2017 and August 2020) the project funding based on the assurance given in the DPR regarding availability of the project land from the intended beneficiaries of the project, who were willing to donate the required land to the State Government for project implementation.
- After the approval (April 2017) of the project by the NEC, the Horticulture Department, GoN signed (December 2017) a bipartite Memorandum of Understanding (MoU) with the Contractor to provide a piece of land (area: 32 Ha) owned by the Contractor for implementation of the project. The Department, however, did not obtain prior concurrence of the State Finance Department before signing the MoU in violation of GoN instructions issued (March 2014) in the matter.
- The terms of the MoU fully authorised the Contractor to own, operate and manage the Botanical Garden-cum-Recreational Park to be created on the said private land besides retaining the ownership of the land so provided for all purposes. This was a clear violation of the NEC guidelines **(Paragraph 18.7)** regarding holding the ownership or possession of the project land by the State Government through execution of a long-term lease agreement with the landowner.
- The NEC guidelines require the State Government to ensure proper upkeep, maintenance and operation of the assets/facilities created out of the project (**Paragraph 18.10**). Contrary to this, however, the MoU provided the Contractor with the sole rights to undertake income generating activities on

[28] December 2017, February 2019 and August 2022

the assets created under the project and manage all incomes generated from such activities, which was not in consonance with the provisions of the NEC guidelines.

- The Contractor-cum-landowner had executed certain unauthorised works (such as, Guest House, Swimming Pool and Gate) in deviation to the designs and specifications outlined in the DPR approved by the NEC. To regularise the above deviations in the project specifications, the Department submitted (May 2022) a revised DPR[29] to the State Government with revised project cost of ₹2.87 crore, which was approved (May 2022) by the State Government. The revised DPR had omitted few essential project components (such as, Reception, Laboratory, Park, Public Toilet and Horticultural Works) originally approved by the NEC under the project. However, while approving (May 2022) the revised DPR, the State Government did not forward the same to the NEC for concurrence/approval, indicating a lapse on part of the State Government in complying with NEC guidelines.

Thus, the facts narrated above are evident of extending the undue favour to the Contractor-cum-landowner by creating the project assets worth ₹2.87 crore on a private plot of land owned by the Contractor besides allowing the project works to deviate from the approved DPR without the concurrence of the NEC in violation of the NEC guidelines.

The State Government in its initial reply (April 2024) accepted the facts and assured that it would suitably rectify the MoU signed with the landowner. In its subsequent reply (July 2024), the Department stated that as per State Government norms, a survey of the land measuring 35 acres was conducted by the Land Records and Survey Department and a 'Deed of Land Donation' to the Department was executed with the landowner in June 2024. The Department also stated that the facility so created would be leased out to the interested parties under the terms and conditions as deemed fit to generate revenue.

The reply is not acceptable in view of the fact that the Deed of Land Donation executed between the Department and the landowner lacked several details relating to the land donated, including the survey number, dimensions and the area of the donated land which were essential for identification and establishing the land ownership in the Department's favour. Further, the mutation of the land donated was not transferred in favour of the Department or State Government to safeguard the project assets.

Thus, creation of Botanical Garden-cum-Recreational Park on a privately owned land resulted in undue benefit of ₹2.87 crore to the landowner/contractor. Besides, the Department's laxity in implementing the project as per the NEC guidelines led to the

[29] Technical approval of the revised DPR was accorded by the Office of the Chief Engineer, Public Works Department (Housing) Nagaland in March 2022

facility, created at a cost of ₹2.87 crore, lying idle for the last two years and 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 on the project land, thereby safeguarding its interest.***

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

PLANNING AND TRANSFORMATION DEPARTMENT

3.5 Unauthorised utilisation of scheme fund

Scheme funding amounting to ₹6.14 crore meant for construction of Boys and Girls Hostels was un-authorisedly utilised for construction of a private school in violation of the Pradhan Mantri Jan Vikas Karyakram guidelines.

The Ministry of Minority Affairs (MoMA), Government of India (GoI) introduced (April 2018) the Pradhan Mantri Jan Vikas Karyakram (PMJVK) Scheme with the aim of improving the socio-economic conditions of minorities[30] and providing basic amenities to them for improving quality of life of the people and reducing imbalances in the identified minority concentration areas (MCA). The projects funded under PMJVK would relate to creation of infrastructure mainly in the sectors of education, health and skill development. The Guidelines of the PMJVK Scheme had the following important provisions:

- The land for construction of infrastructure in MCA shall be provided by States including the Panchayat land. Based on local need, however, the project proposed on land of notified Minority Communities offered by respective authority, free of any lease amount/nominal amount, for a particular period on lease basis would also be considered (**Paragraph 7.1**);
- The State concerned would submit the complete details of project land and other information/details required for geo-tagging of the project asset along with the project proposal (**Paragraph 7.3);** and
- The State Government concerned shall disseminate the information through print/electronic media to ensure that the details of the developmental scheme reach the ultimate beneficiaries (**Paragraph 18**).

The Government of Nagaland (GoN) submitted (October 2019) a Detailed Project Report (DPR) to the MoMA, GoI, for "**Construction of Hostel for Boys and Girls**

[30] At present six communities namely Muslims, Sikhs, Christians, Buddhists, Zoroastrians (Parsis) and Jains have been notified as Minority Communities under Section 2(c) of the National Commission for Minorities Act, 1992

at Vihokhu village, Niuland, Nagaland" under the PMJVK scheme. The project proposal entailed construction of two separate G+2 hostel building[31] – one each for Boys and Girls – with a capacity of 54 beds in each, to be implemented by the Executive Engineer, Planning and Transformation Department (Minority Affairs Cell), GoN.

The MoMA, GoI approved (December 2019) the project at an estimated cost of ₹6.14 crore on a 90:10 sharing pattern between the Central (₹5.53 crore) and State (₹0.61 crore) Governments. Accordingly, GoI released (December 2019 and August 2021) its share of ₹5.53 crore[32] to the GoN. In turn, the GoN released (January 2020 to March 2022) ₹6.14 crore (GoI share ₹5.53 crore and GoN share ₹0.61 crore) to the Department for project implementation. The Department awarded (January 2020) the work to Shri Pukhashe (Contractor I) for ₹6.14 crore with a stipulation to complete the work by January 2022. The Contractor commenced (January 2020) the project works but transferred (August 2022), the project execution rights to another contractor, Shri Peter Rio (Contractor II), through a power of attorney for construction of the hostel buildings at Vihokhu, Dimapur. The work was finally completed[33] in May 2023 and the entire payment (₹6.14 crore) was also released to the Contractor II. Subsequently, the GoN signed (19 June 2023) a Memorandum of Understanding (MoU) with Ms. Akaholi Sema (School Proprietor), the proprietor of '*Vitoyi Memorial School, Vihokhu'* in the premises of which the hostel buildings were constructed, authorising the School Proprietor to maintain and manage the hostel as per guidelines and norms formulated by the Central and State Governments.

Examination of records of the Department/Minority Affairs Cell of GoN revealed the following:

- The DPR submitted (October 2019) for the project to GoI, had no specific details of the project land on which the project assets (hostel buildings) were to be created/constructed. Despite this, however, the MoMA/GoI sanctioned and released (December 2019/August 2021) the project funding contrary to the provisions of the Scheme guidelines **(Paragraphs 7.1 and 7.3);**
- The results of a joint physical verification (JPV) conducted (August 2023) by Audit and the Departmental officials to ascertain the actual execution of project works revealed that both the hostel buildings were located inside the compound of the private school (*Vitoyi Memorial School, Vihokhu*) owned by the School Proprietor. Further, no other building existed in the School compound (other than the hostel buildings) that could be utilised to operate a School to justify the utilisation of the hostel buildings constructed under the project for their intended purpose.
- Examination of the records (June 2024) of the Sub-Divisional Education Officer, Niuland further revealed that although the private School (*Vitoyi*

31 Ground floor + two floors above
32 27 December 2019 (1st instalment: ₹ 2.76 crore) and 18 August 2021 (2nd instalment: ₹ 2.77 crore)
33 GPS coordinates: Latitude 25°86'79"N Longitude 93°85'99"E

Memorial School, Vihokhu) where the hostel buildings were constructed, had enrolled 48 and 64 students (pre-school to eighth grade) during the academic years 2023 and 2024 respectively, the School on record, did not have a hostel facility.

The narration as above evidently establishes the fact that that while submitting the project proposal to GoI, the Department failed to sense and take timely corrective action against the fraudulent act of the private party (School Proprietor) for irregularly setting up a private school out of the PMJVK Scheme funding meant to construct two hostel buildings. The audit contention is further corroborated with the fact that the Department had neither disseminated the information regarding creation of the hostel facilities through print and electronic media as required under the Scheme guidelines **(Paragraph 18)**, nor formulated any guidelines/norms for regulation of the hostels as stipulated under the MoU signed (June 2023) with the School Proprietor.

Thus, public funds amounting to ₹6.14 crore, meant for creation of Government-managed hostel infrastructure for minority students, were diverted to serve a private educational institution, in violation of PMJVK guidelines. The absence of land disclosure, lack of regulatory oversight, and irregular MoU execution reflect serious lapses in planning, due diligence, and accountability.

In reply, the State Government stated (July 2024) that the Boys and Girls Hostels at Vihokhu was constructed on a land purchased by Shri Peter Rio (Contractor II), and a MoU was signed (14 June 2023) between the State Government and the Contractor II, designating the State Government as the sole owner of the hostels. It was further stated that Regulatory Modalities for running of hostels constructed under the PMJVK Scheme were issued (July 2024) and a "Show Cause Notice" was served (July 2024) to the School Proprietor (owner of Vitoyi Memorial School, Vihokhu) for violation of the MoU signed (19 June 2023) with the Department. Subsequently, an eviction notice was also issued (August 2024) to the School Proprietor to vacate the occupied hostel buildings.

The reply confirms the audit contention regarding unauthorised use of the Hostel buildings constructed under the PMJVK Scheme for running a private school owned by the School Proprietor (Ms. Akaholi Sema) in violation of the PMJVK guidelines. No comments were, however, offered in the reply on missing information/details relating to the project land in the DPR.

Recommendations:

The State Government may ensure that-

(i) ***all future DPRs under PMJVK scheme include 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

3.6 Irregular payment for unexecuted works

The Executive Engineer, Directorate of Tourism, Nagaland made an excess payment of ₹0.43 crore to the Contractor for unexecuted works based on false bills and entries in the Measurement Books in deviation from the standard procedures.

The Nagaland Public Works Department (NPWD) Code has the following important provisions on the execution of the departmental works:

- The measurement of works done or materials received should be recorded in the Measurement Book (MB) at the work site and every payment should be based on actual measurement recorded in MBs (**Paragraph 325*);***
- Before the bill of the contractor is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the Sub-Divisional Officer (SDO) concerned ***(*Paragraph 341);** and
- The Executive Engineer (EE) would be overall responsible for efficient execution and measurements of all the works within his Division **(Paragraph 101).**

With regard to the Departmental charges[34] (DC) recoverable by GoN on the capital works executed under the schemes sponsored by the Government of India (GoI)/other Agencies, GoN had decided (November 2005) that recovery of such DC, can be waived/reduced if there are justified reasons and if such condition is imposed by the Sponsoring Authority such as GoI or any International Agency sponsored works.

The North Eastern Council (NEC)/GoI approved (December 2017) the project **"Construction of Tourist Lodge at Jalukie, Peren, Nagaland"** at a cost of ₹2.95 crore on a 90:10 sharing basis between the Central (₹2.66 crore) and State (₹0.29 crore) Governments. The project cost approved by the NEC, however, did not have any provision for payment of DC. Further, as per the NEC guidelines, 2015, the State Government was responsible to ensure proper upkeep, maintenance and operation of the assets/facilities created out of the project **(Paragraph 18.10)**.

The project aimed to provide cost-effective and sustainable tourist facilities, support local tourism, create employment opportunities and generate revenue for the State Government. The approved scope of works included site levelling and approach road, construction of building[35], water supply and sanitary installations, rain water harvesting, generator shed, security fencing, parking lot and electrification.

[34] Departmental Charges (13 *per cent*) are recovered from all construction works of capital nature with a view to adjusting the supervision cost incurred by the Government in the form of establishment charges and Tools & plants, which are in general met from the non-plan budget provision under the respective Demand for Grant

[35] Ground floor, first floor, second floor, third floor and headroom

The NEC also accorded (December 2017) the Administrative Approval (AA) for the project with the following specific conditions:

- Utilisation of the project funds **only for the purpose** for which they were approved;
- Release of the project funds to the Implementing Agency **within one month** of the receipt from the NEC; and
- Completion of the project in all respects **within three years** from the date of the AA (*i.e.* by December 2020).

The NEC released (December 2017 to May 2021) its share of ₹2.66 crore[36] in three instalments to the State. In turn, the GoN released (March 2018 to August 2023) the funds aggregating to ₹2.92 crore (NEC share ₹2.66 crore and GoN share ₹0.26 crore[37]) to the Tourism Department for implementation of the project.

After inviting (September 2020) the tenders, the EE, Directorate of Tourism, Nagaland awarded (September 2020) the civil works of the project to M/s. K. Albert Tsopoe & Sons, Kohima (Civil Contractor) for a contract value of ₹2.60 crore with a stipulation to complete the work within three years (by September 2023). The work commenced in October 2020 and on completion (November 2022) of the work, the entire payment (₹2.60 crore) was released to the Civil Contractor in four Running Account (RA) bills[38]. Simultaneously, the site development work of the project under contingencies charges, which was awarded (October 2020) to M/s T. Asu Construction (Site Contractor) was also completed (October 2020) and the full payment of ₹0.05 crore was also released to the Site Contractor in two RA bills. Subsequently, the electrification work of the project was awarded (March 2024) to M/s Ketoupuzo Lhoushe, Kohima (Electrification Contractor) for ₹27.47 lakh with a stipulation to complete the work within three months (by June 2024). The electrification work commenced in March 2024 and on completion (June 2024) of the work, the entire payment of ₹27.47 lakh was also released to the Electrification Contractor in one RA bill.

Delay in execution of the project works

Scrutiny of records of the Executive Engineer, Directorate of Tourism, Nagaland revealed the following:

- The Department had invited (September 2020) the NIT for civil works of the project after a gap of 33 months, following the NEC's approval (December 2017) due to an ongoing land dispute over the site proposed for construction of the Tourist Lodge under the project. This highlights the failure of the Department to ensure an 'encumbrance free land' before taking up the

36 1st instalment ₹1.06 crore dated 28/12/2017, 2nd instalment ₹1.06 crore dated 22/12/2020 and 3rd instalment ₹0.54 crore dated 11/05/2021.

37 Short released of State share was due to deduction (March 2021) of Departmental Charges of ₹3.39 lakh by the Finance Department, GoN

38 1st RA Bill for ₹0.77 crore dated 07/12/2020, 2nd RA Bill for ₹0.68 crore dated 07/04/2021, 3rd RA Bill for ₹0.58 crore dated 29/10/2021 and 4th RA Bill for ₹0.57 crore dated 29/11/2022

project, which was a pre-requisite for the timely and successful completion of the project. Audit noticed that this delay was one of the major factors that delayed the release of funds to the project implementing Department, which correspondingly delayed the completion of the project.

- As per the AA and project cost approval accorded (December 2017) by the NEC, there was no provision for deduction of any DC by the GoN. Contrary to the NEC's approval, however, the Finance Department, GoN, had irregularly deducted an amount of ₹33.92 lakh from the project funding provided by the NEC (₹30.53 lakh) and GoN (₹3.39 lakh) towards DC. This irregular deduction of DC by the Finance Department, GoN had hampered the work of electrification due to shortage of funds. Audit observed that the civil works were shown as fully completed in November 2022, even though electrical works had not been undertaken. Due to the delay in the restoration of the deducted NEC share until August 2023, the tendering of electrification work was also delayed, and the work could only be awarded in March 2024. The electrification was finally completed in June 2024, 20 months after the completion of the civil works (November 2022). This contributed towards the time overrun of 42 months in overall completion (June 2024) of the project works from the NEC's stipulated date of completion (December 2020).

Results of the Joint Physical Verification (JPV) of the project works

To ascertain the actual execution of the works, a Joint Physical Verification (JPV) of the project works was conducted (June 2023) by Audit along with the Departmental officials. The results of the JPV revealed that 32 items of civil works valued at ₹0.77 crore against which the payment was already released, were not executed (details in ***Appendix-3.6.1*****).** In response, the Department after taking corrective action had provided (March 2024) a project completion certificate along with updated photographic evidence of the completed works for verification.

To verify the Department's claims and ascertain the updated status of project works, a follow-up JPV was conducted (May 2024) by Audit with the representatives of the Department. The results of follow-up JPV, however, revealed that 10 items out of 32 short-executed items of civil works valued at ₹0.43 crore were still not executed as detailed in ***Appendix-3.6.2*****.** However, execution of the balance 22 items worth ₹0.34 lakh (₹0.77 crore *minus* ₹0.43 crore) by the Department at the instance of Audit is confirmed. Thus, out of ₹0.77 crore worth of initially unexecuted works, items worth ₹0.34 crore were subsequently completed for civil works, while items worth ₹0.43 crore remain unexecuted as of May 2024.

Audit observed that, to facilitate the payment of the Civil Contractor's bills, the SDO fictitiously updated the MB before actual execution of the work by recording the incomplete works as 'executed' in the MBs. This indicated failure of the SDO in properly securitising the entries made in the MB relating to the description/quantities of the works so as to ensure correctness of the Civil Contractor's bills. Further, the EE also failed to check the correctness of the quantities executed before passing the Contractor's bills for payment contrary to the requirements of the NPWD Code (**Paragraph 341, Paragraph 101**). Thus, both the SDO and the EE failed in discharging their oversight duties as prescribed under the NPWD Code.

As a result, the Department made an excess payment of ₹0.43 crore to the Civil Contractor for unexecuted works based on false bills and entries in the MBs in deviation from the standard procedures.

In reply, the State Government stated (July 2024) that:

- instead of applying plaster of paris putty, higher-grade paint quality was used and completed at the same cost.
- in order to provide proper ventilation system and to avoid safety hazards such as toxic fumes, overheating and risk of fire, the Generator shed with steel structure, Dyna sheet roofing and cement concrete flooring was constructed.
- the fund meant for Rain Water Harvesting was utilised to construct a Ring Well, connected to overhead Sintex tanks with all necessary piping and that the Security fencing, Approach road and Parking lot have been completed as per specification.

The reply is not acceptable in view of the fact that the audit observations are based on the findings of the follow-up JPV conducted (May 2024) by Audit in the presence of the representatives of the Department. All the referenced items were marked as 'executed' in the MBs and RA Bills, but were physically found unexecuted during the follow-up JPV in May 2024. Thus, out of ₹0.77 crore worth of initially unexecuted civil works, items worth ₹0.34 crore were subsequently completed, while items worth ₹0.43 crore remain unexecuted as of May 2024. Moreover, substitution of approved items (*e.g.*, plaster of paris putty with paint, rainwater harvesting with a ring well) without formal approval from the funding agency constitutes deviation from the sanctioned scope and violates **Paragraph 18.10** of NEC Guidelines 2015. Thus, the payments made for these unexecuted or un-authorisedly substituted works remain irregular.

Recommendations:

The State Government may-

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

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

TRANSPORT DEPARTMENT

3.7 Unfruitful expenditure

The project "Converting the 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 due to poor planning, delayed fund releases and failure to obtain GoI approval for changes. Despite spending ₹10.61 crore, key facilities remain non-functional, leaving the State to bear an additional ₹16.64 crore burden without achieving the intended transport or revenue benefits.

The Ministry of Housing and Urban Affairs (Ministry/MoHUA[39]), Government of India (GoI) introduced the Scheme '10 *per cent* Lumpsum Provision for the benefit of North Eastern Region, including Sikkim' (Scheme) in 2001-02. The broad objective of the scheme was to ensure speedy development of infrastructure in NER (including Sikkim) by increasing the flow of budgetary financing for new infrastructure projects/ schemes in the region. The Operational Guidelines of the Scheme had the following important provisions:

- multi-utility Centre projects located at a central place were among the critical components admissible under the Scheme **(Paragraph 4 (vi));**
- before submitting the project proposals to the Ministry, the State Government concerned must confirm availability of the 'encumbrance-free land' for the proposed project and assure physical availability of the project land to the project implementing agency immediately on sanction of the project **(Paragraph 8 (ix));**
- in case of any change in the scope of the project due to any unavoidable circumstances, the State Government concerned must obtain the advance approval of the Ministry/GoI to the revised Detailed Project Report (DPR) before further execution of the project works **(Paragraph 8 (x))**; and
- cost escalation of sanctioned projects, for any reasons, shall be met by the State Government concerned **(Paragraph 10 (viii))**.

Dimapur city is connected to other districts of the State and neighbouring Assam by a rural bus service that terminates at isolated locations, causing inconvenience to travellers and traffic congestion. To address the issue, the Nagaland State Transport (NST) submitted (August 2010) a proposal to the State Government for establishment of a common terminal for rural and short-distance services. This proposal aimed to improve the quality of life for urban poor and low-income groups by providing essential passenger amenities and integrated public facilities, such as marketing spaces for selling agricultural products, parking, and affordable lodging. The proposal, which was expected to generate an annual revenue of ₹1.29 crore, had the following two components of works

[39] Formerly Ministry of Housing and Urban Poverty Alleviation

i. Shifting of the NST Central Workshop, Khermahal, Dimapur to Inter-State Truck Terminus (ISTT), Purana Bazar, Dimapur **(Component I),** and
ii. Conversion of the NST Central Workshop into a Bus Station, Night Parking-cum-Marketing Complex **(Component II)**.

The Government of Nagaland (GoN) accorded (September 2010) the administrative approval for both the components. For **Component I**, which was to be funded through State's own resources, the Department submitted (August 2010 to June 2018) three cost estimates aggregating to ₹5.20 crore to the GoN in August 2010 (₹2.24 crore), October 2011 (₹1.00 crore) and June 2018 (₹1.96 crore); against which, GoN released (March 2011/September 2012) an amount aggregating to ₹3.00 crore[40] (57.69 *per cent*) under State Plan, which was fully utilised (December 2012) by the Department.

In October 2013, GoN submitted a DPR for estimated project cost of ₹50.00 crore to the Ministry for funding the **Component II** of the project with planned execution of the project in two phases involving the cost of ₹24.87 crore (phase I) and ₹24.98 crore (phase II). The Ministry/GoI approved (September 2014) the phase I of the **Component II** at a cost of ₹24.87 crore on a 90:10 sharing basis between the Central (₹22.38 crore) and the State (₹2.49 crore) Government, with a stipulation to complete the project within three years from the date of release of the first instalment. However, no reasons were found on record for GoI's partial approval to the project cost (*viz.* phase I: ₹24.87 crore) as against the cost of ₹50.00 crore proposed for both the phases of the project **(Component II)**.

After a delay of six-month following GoI's approval (September 2014), the Department invited (March 2015) tenders for implementation of the project works under phase I (**Component II).** This delay occurred due to an ongoing conflict between the 'Urban Development' and 'Transport' Departments over project implementation responsibilities, which was resolved (March 2015) and the Transport Department was designated as the project implementing authority. Based on the tendering, the civil works contract was awarded (March 2015) to M/s Naagaamii Tech, Dimapur (Contractor), at a contract value of ₹19.13 crore, with stipulation to complete the work within 24 months (by February 2017).

The delay in the tendering and award of work order by the GoN had cascading effects on release of funds by GoI for the project (**Component II).** Audit observed that the GoI, after almost two years of according the approval (September 2014) for the project, released (June 2016) the first instalment (₹5.74 crore) towards its share of the project cost to the GoN. Audit observed that the GoN released (December 2020) the GoI's funding (₹5.74 crore[41]) to the Department after keeping the funds idle under civil deposits **for more than four years** of its receipt (June 2016). Further, the GoN released the State's corresponding share of the project cost (₹2.49 crore) to the Department after delay of another eight months in August 2021. As of June 2024, the

[40] Including Departmental Charges of ₹0.37 crore deducted at source by the State Finance Department
[41] the entire amount was kept in Civil Deposit since March 2017 and withdrawn in December 2020

Department utilised an amount of ₹7.61 crore (92.47 *per cent*) out of the total fund of ₹8.23 crore (GoI share: ₹5.74 crore; State's share: ₹2.49 crore), with physical work progress at 33 *per cent*. No major physical progress occurred between 2016 and 2020, as the Department had not received either the State share or issued the revised work order.

Meanwhile, based on the request (February 2020) of the Contractor for revision of the cost estimates[42] to compensate for the cost escalation, the GoN approved (November 2020) the revised DPR for ₹24.87 crore and a revised work order for civil works was issued (November 2020) to the Contractor for ₹18.08 crore (₹13.91 crore for civil works+ ₹4.17 crore being 30 *per cent* cost escalation on civil works). Further, to compensate for the cost escalation, the revised DPR also curtailed the work scope of constructing two 'three-storey buildings' (Bus terminus and Market complex buildings) approved under the original DPR, to one 'three-storey building' (Bus Terminus-cum-Market Complex).

Audit observed that despite the significant changes in the cost, scope, and design of the project **(Component II)**, the Department did not submit the revised DPR to the GoI for concurrence/approval in violation to the Scheme Guidelines (*refer **Paragraphs 8 (x) and 10 (viii)***). Non-submission of the revised DPR to the GoI was attributed to the time constraints, as the project had to commence immediately to secure the remaining Central funding, before the Scheme's closure in March 2021.

As regards the **Component I** *(Shifting of the NST Central Workshop, Khermahal, to ISTT, Purana Bazar)* of the project, Audit observed that even after more than 12 years of release (March 2011/September 2012) of the project funding (₹3.00 crore) by the GoN, the Department was unable to proceed with the planned relocation of the NST Central Workshop. The Department attributed the delay to release of inadequate funding (₹3.00 crore out of sanctioned amount of ₹5.20 crore) by the GoN, which was insufficient to complete the works. Since execution of the project works under **Component II** depended upon completion of the works under **Component I,** the project as a whole (Components I & II) remained incomplete for more than 14 years of submission (August 2010) of the project proposal by the Nagaland State Transport Department to the GoN. Though the ₹3.00 crore released for Component I was fully spent by December 2012, the component remained functionally incomplete, rendering the expenditure ineffective.

Photograph of the incomplete building

[42] For revision of the cost estimate from originally approved rates of Nagaland Public Works Department (NPWD) (Schedule of Rates (SoR), 2013) to the prevailing NPWD SoR 2016 with 30 *per cent* enhancement to bring the rate at par to the current year 2020.

Audit further observed that when the GoN approached (March 2021) GoI for release of the subsequent instalment of the project funding, the GoN was informed (June 2021) that the Scheme was co-terminus with the recommendations of the 14th Finance Commission and all the projects funded under the Scheme should be completed/ closed by 31 March 2021. As the Scheme was closed in March 2021, and GoI funding for the project had stopped, the State Government had an additional financial obligation of ₹16.64 crore[43] to complete the existing project from its own source.

Thus, the project **(Components I & II)** suffered from inadequate planning and implementation, leading to significant delays at various stages and resultant cost escalation. The inadequacy of the initial funding released by the GoN for the required infrastructural development at ISTT, Purana Bazar **(Component I)** hindered the relocation process and delayed the project **(Component II)** funded by GoI. The delays, which necessitated for cost escalation and the lack of communication with GoI about revised project plans, indicated inefficient management and oversight by the Department. As a result, the prime objective of the scheme/project to develop a city bus transport system for Dimapur city remains unachieved even after spending a total expenditure of ₹10.61 crore[44] on the project rendering the expenditure unfruitful. Non-completion of the project also resulted in loss of potential annual revenue of ₹1.29 crore projected in the DPR of the project. Further, with the closure of the funding scheme and the cessation of GoI support, the State Government now faced a financial burden of at least ₹16.64 crore to complete the project.

While accepting the facts on fund constraints, the State Government stated (May 2024) that the Government is making efforts to find out ways and means to make available the required fund to the Department for early completion of the project. The reply was indicative of the Government's failure to address the planning, execution and oversight shortcomings that contributed to these issues.

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.

[43] Total project cost (₹24.87 crore) minus funds released ₹8.23 crore (GoI ₹5.74 crore + GoN ₹2.49 crore)

[44] ₹3.00 crore + ₹7.61 crore