CHAPTER-IV
GENERAL SECTOR

CHAPTER - IV

GENERAL SECTOR

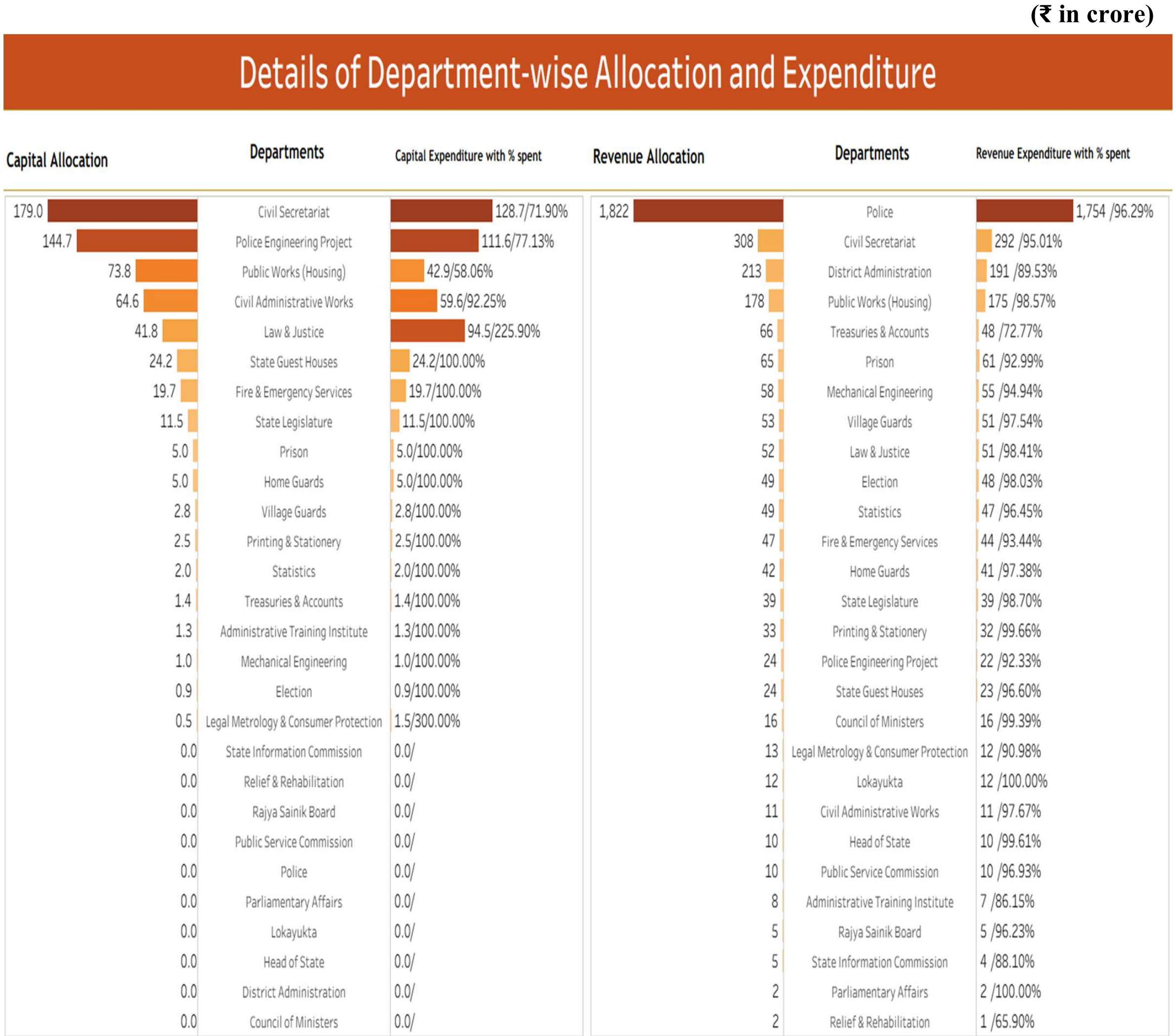
4.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2024 deals with the audit observations relating to the State Government Departments under General Sector.

During 2023-24, total budget allocation of the State Government in the Departments under General Sector was ₹3,797.73 crore against which actual expenditure incurred was ₹3,581.55 crore (94 *per cent)*. The Department-wise details of Budget Allocations and Expenditure incurred during 2023-24, are shown in **Heatmap 4.1.1**.

Heatmap 4.1.1 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

- **Police** dominate the revenue side with ₹1,822 crore allocated and ₹1,754 crore spent – **96 *per cent* utilisation**, reflecting strong absorption capacity.
- **Civil Secretariat** is the second highest with ₹308 crore allocated, but utilisation is at **87 *per cent***, leaving a gap of ₹15 crore.
- Most smaller departments such as **Council of Ministers**, **Head of States**, **Home Guards**, **Election**, **Prison**, **Parliamentary Affairs** and **Printing & Stationery** show near full or full utilisation.
- **Relief & Rehabilitation** is an exception with only **66 *per cent* utilisation**, the weakest among the departments.

2. Capital Allocation *vs* Expenditure

- **Police Engineering Project** received a large capital allocation (₹145 crore), but actual expenditure was only ₹112 crore (**77 *per cent* utilisation**), showing execution delays.
- **Civil Secretariat** also received ₹179 crore for capital works, but only ₹129 crore was spent (**72 *per cent* utilisation**).
- **Public Works (Housing)** got ₹74 crore allocation, but spent only ₹43 crore (**58 *per cent* utilisation)**, reflecting possible project hold-ups.
- **Law & Justice** stands out as an outlier, with capital expenditure exceeding allocation (₹42 crore allocation vs ₹94 crore expenditure, **226 *per cent* of allocation**).

3. Efficiency Insights

- **Overall utilisation is strong at 94 *per cent*** (₹3,798 crore allocated vs ₹3,582 crore spent).
- **Law & Justice** overspending raises red flags for possible budgeting inaccuracies or unforeseen liabilities.

4. Sectoral Priorities

- **Security and administration dominate**: Police, Civil Secretariat, District Administration and Public Works (Housing) together absorb the largest share of allocations.
- Infrastructure-related allocations (Civil Secretariat, Housing, Police Engineering Project) are heavily tilted towards **capital expenditure**.

5. Overall Pattern

- Revenue expenditure is highly concentrated in the **Police** and **Civil Secretariat**, with most other departments running small, steady allocations.
- Capital allocations are narrower in scope, focusing mainly on **Police Engineering, Civil Secretariat and Housing.**

Audit was conducted in 81 units of 10 Departments involving an expenditure of ₹5,010.52 crore (including expenditure of previous years audited during the year) during 2023-24 under the General Sector.

This chapter contains the audit observations in respect of Information Technology Audit on "Treasury Computerisation in Nagaland" and three compliance audit paragraphs.

Information Technology (IT) Audit

FINANCE (TREASURIES & ACCOUNTS) DEPARTMENT

4.2 Treasury Computerisation in Nagaland

4.2.1 Introduction

The Department of Treasuries and Accounts (DTA), Government of Nagaland (GoN), is responsible for the administration and enforcement of financial rules and regulations across all Government Departments. Its role extends to maintaining financial discipline through the Accounts Officers deployed at Directorates, Works Divisions and Treasuries. The DTA also conducts internal audits of State Government Departments, Local Bodies and Private Institutions receiving Government grants. Additionally, the DTA assists all Departments in the proper maintenance of service records and accounts.

As a pivotal player in fiscal management, the DTA regulates and controls the budget and expenditure of the State Government through its officers deployed at different levels. It also undertakes the responsibility of streamlining the accounting system and maintaining State financial records. All financial transactions including receipts, payments and disbursement of pensionary benefits to retirees are processed through the network of Treasuries and Sub-Treasuries. The DTA is also tasked with the initial accounting of State Government receipts and payments.

Highlights

- *The rollout of Treasury Net system was delayed due to delay in selecting vendor for application development, resulting in the timelines stipulated in the DPR not being achieved. The Department had not adopted project management tools to monitor the progress of completion of individual tasks for the project with respect to the critical path for the project and had not maintained a risk register to list and identify risks and mitigation measures.*

  Paragraph 4.2.9.1

- *Failure to complete the stipulated milestones resulted in project implementation delays, causing the State Government to miss out on Central assistance of ₹2.84 crore.*

  Paragraph 4.2.9.2

- *The in-house development of the application carried significant software engineering risks and dependency risks (on key Government personnel with no formal knowledge transfer mechanism or documentation) which could* *have been mitigated through professional industry standards for general controls for domains such as documentation, change management, user access management, incident response management, information security management, master data management, maintenance and Service Level management.*

Paragraph 4.2.9.3

- *Out of 13 modules, five modules were not implemented. Moreover, the implemented modules did not incorporate all the business rules and features outlined in the DPR. As a result, key application controls required in the lifecycle of the financial management process- from budget to accounts- have not yet been implemented in the TreasuryNet application.*

Paragraph 4.2.10

- *The database contained several discrepancies, indicating inadequate mapping of rules, logical access controls and validation controls.*

Paragraph 4.2.11

- *The Department did not formulate and adopt a formal Policy for Business Continuity and Disaster Recovery planning.*

Paragraph 4.2.12

- *Training needs analysis was not conducted, and required numbers of IT personnel were not available in the Treasuries and Sub-Treasuries.*

Paragraph 4.2.13

- *Neither the State Government nor the Department submitted any progress report to the PSC throughout the project's implementation.*

Paragraph 4.2.14

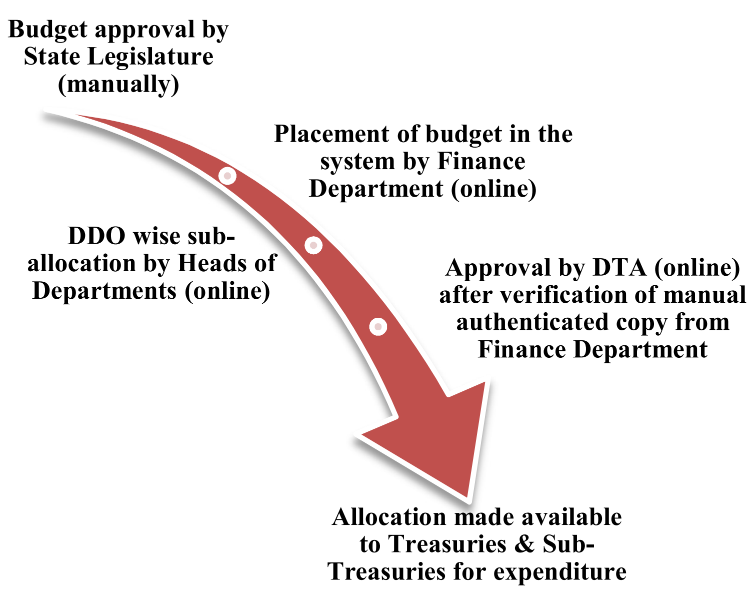
4.2.2 Treasury Computerisation

The Ministry of Finance (MoF), Government of India (GoI) notified (July 2010) the implementation of Treasury Computerisation (TC) Mission Mode Project (MMP) under the National e-Governance Plan (NeGP). This initiative aimed to enhance efficiency, reduce costs, eliminate redundancies and modernise public expenditure management practices. The TC was designed to streamline budgeting processes, enhance cash flow management, facilitate real-time account reconciliation, strengthen the Management Information System (MIS), improve accuracy and timeliness in account preparation, enhance transparency in public delivery systems and elevate financial management quality in States and Union Territories (UTs). The Ministry approved a set of deliverables for TC, including business process reengineering, standardised data exchange formats, modules for budgeting, accounts, personnel management, payroll, pension, receipt, fund management, virtual Treasury, banking interface, C&AG interface, financial data warehouse, e-status enquiry and e-audit.

The Integrated Financial Management System (IFMS), an extension of the TC Project, is a unique application software package tailored to the specific Information Technology (IT) platforms, hardware/software, processes and requirements of the respective States. As part of the NeGP, IFMS enables online real-time management, monitoring, and control of fund allocations and financial transactions across different departments and subordinate offices of the State Governments. It emphasises a single point data capture to ensure the integrity and correctness of information.

The Government of Nagaland (GoN) engaged (March 2012) M/s. Wipro Consultancy Services (WCS) as the Project Management Consultant (PMC) for the Scheme. The Treasury application software, TreasuryNet, developed by the National Informatics Centre (NIC) in Pune was the adopted software. NIC, Nagaland was appointed (February 2015) as the Application Customisation/Development Partner with support from NIC Manipur. From 2015-16 to 2021-22, the Department used the TreasuryNet software of NIC and from 2022-23, the Department transitioned to a new TreasuryNet application developed in-house which was initially an offline application with a decentralised data server. From 2023-24, the application shifted to online mode, with functionality for budget, receipt, payment, compilation, and reporting to the Accountant General (AG). The workflows in the system for three key processes are shown in **Charts 4.2.1 to 4.2.3**.

Chart 4.2.1: Budget module work flow

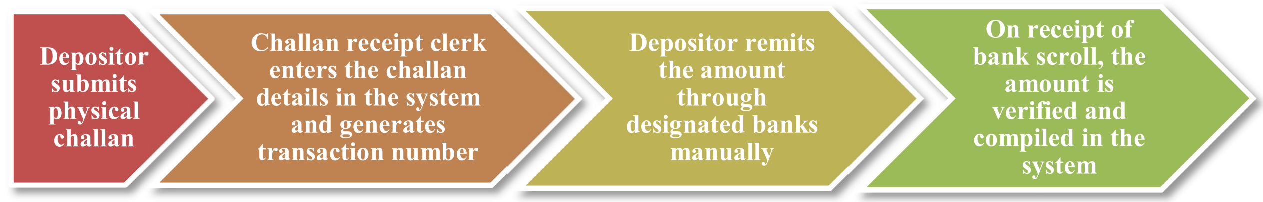


Source:TreasuryNet system workflow

Chart 4.2.2: Bill payment module work flow

Source: TreasuryNet system workflow

Chart 4.2.3: Receipt module work flow



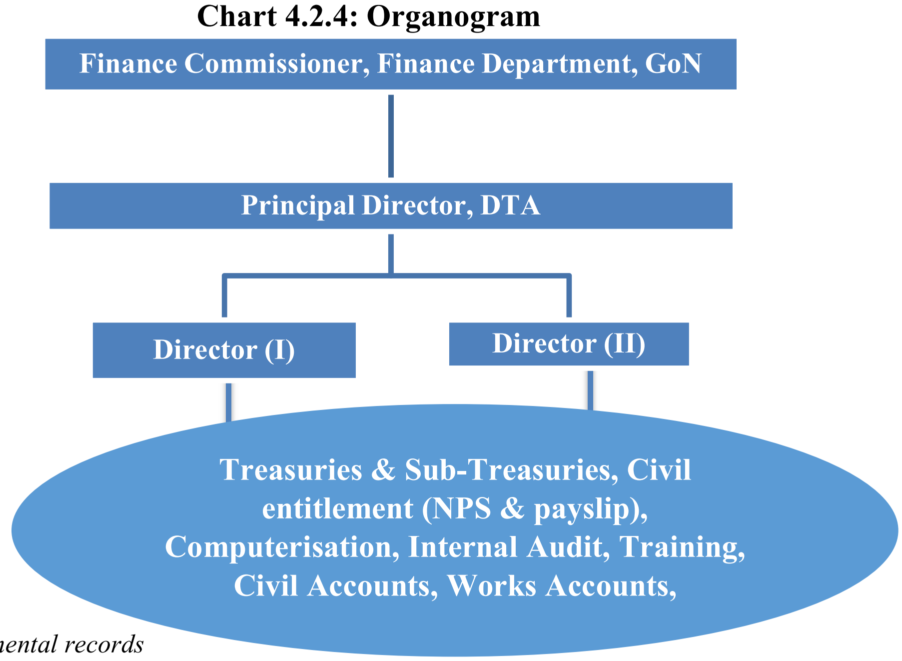
Source: TreasuryNet system workflow

4.2.3 Organisational set-up

The Finance Department (FD), headed by the Finance Commissioner, exercises administrative control and supervisory authority over the DTA. The Principal Director, who heads the Directorate, assists the Finance Commissioner. The Directorate comprises eight Wings- Civil Entitlement, Computerisation, Internal Audit, Training, Civil Accounts, Works Accounts, Treasuries and Sub-Treasuries and Monitoring Cell. There are 12 Treasuries and 10 Sub-Treasuries, which are distributed across the 16 districts of Nagaland.

The organogram of the Department is shown in **Chart 4.2.4.**

Chart 4.2.4: Organogram



Source: Departmental records

4.2.4 Funding pattern and allotment of funds

The Mission Mode Project for IFMS was instituted as a State Plan Scheme with financial support to the North Eastern States in the ratio of 90:10 (Central: State). Funds were disbursed as Additional Central Assistance (ACA). For Nagaland, the MoF, GoI approved ₹5.26 crore as the total project cost with Central share of ₹4.73 crore and State share of ₹0.53 crore. The MoF, however, released (2011-12) ₹1.89 crore only and the State Government released (2015-16) State share of ₹0.27

crore only. Of the total funds received amounting to ₹2.16 crore, the Department expended ₹2.13 crore leaving a balance of ₹0.03 crore as of March 2024. Apart from the sanctioned funds, the GoN also allocated funds from State's own resources amounting to ₹4.88 crore during 2018-19 to 2023-24.

4.2.5 Audit objectives

The IT Audit was conducted to assess whether:

- Treasury Computerisation was implemented with efficient planning, proper financial management and effective human resource management.
- Treasury Computerisation has onboarded all treasury functions and relevant financial rules in the computerised environment with adequate IT controls to ensure authenticity of data and data security.
- Internal controls and monitoring mechanisms were adequate and effective.

4.2.6 Audit criteria

The Audit findings were benchmarked against the following criteria:

- GoI MMP Treasury Computerisation, NeGP Scheme Guidelines;
- The Central Treasury Rules;
- The Receipt & Payment Rules, 1983;
- The General Financial Rules (GFR), 2017;
- The Government Accounting Rules; and
- Orders, Circulars and Office Memorandum issued by GoI and GoN from time to time.

4.2.7 Scope and methodology of Audit

The IT Audit covered the period from 2018-19 to 2023-24. An Entry Conference was held with the Department on 23 June 2023. Records of the Directorate of Treasuries and Accounts and District Treasuries and Sub-Treasuries on project implementation were examined besides extraction of data and analysis thereof. Findings and recommendations of the IT Audit was discussed with the Department during the Exit Conference on 12 August 2024. Replies of the Department as well as the State Government are suitably incorporated in the Report.

4.2.8 Audit sampling and units selected for audit

The IT Audit covered the Directorate of Treasuries and Accounts along with Kohima North Treasury and Kohima South Treasury. The other 10 Treasuries in the State were stratified into two categories *viz.*, high volume transaction Treasuries[1] (above ₹2,000 crore annually) and low volume transaction Treasuries[2] (below ₹2,000 crore annually) based on the transactions carried out during the last five years (2018-23). From the high volume transactions Treasuries, two Treasuries (Dimapur and Mokokchung) were selected and from the low volume transactions Treasuries, one

[1] Dimapur, Mokokchung, Mon, Tuensang, and Zunheboto

[2] Chümoukedima, Kiphire, Peren, Phek and Wokha

Treasury (Phek) was selected on the basis of random sampling. All five Sub-Treasuries[3] under the selected District Treasuries were selected.

Audit findings

4.2.9 Project management and implementation

4.2.9.1 Delay in project rollout

Chapter 10 of the Detailed Project Report (DPR) for Treasury Computerisation under NeGP in Nagaland specifies the timeline[4] for various stages of the project. As per this timeline, the rollout of the application across the State was envisaged to be completed within 24 months of the project commencement date. Further, Clause 11.1 of the Master Business Agreement (MBA) between the Department and the Project Management Consultant (PMC) states that the agreement will be effective from the project commencement date (May 2012) for a period of 24 months (*i.e.* up to May 2014). The PMC was required to complete the rollout, including operations, management and handholding within this stipulated timeline. Payments to the PMC were to be made milestone-wise, based on the progress of the project.

Audit observed that the Department engaged (March 2012) M/s Wipro Consultancy Services as the PMC for the project at a cost of ₹1.19 crore. The project commenced in May 2012, with a planned rollout by May 2014. Audit, however, observed that the pilot rollout could only be achieved in May 2015, with a delay of 15 months from the original timeline of February 2014. Subsequent rollouts in other Treasuries/ Sub-Treasuries also missed the May 2014 timeline as shown in **Table 4.2.1**:

Table 4.2.1: Details of project go-live in the Treasuries/Sub-Treasuries

Sl. No.	Computerised *w.e.f.*	Treasuries/Sub-Treasuries
1.	February 2017	Mangkolemba
2.	October 2017	Kohima South, Dimapur and Mokokchung
3.	February 2018	Changtongya and Tseminyu
4.	February 2019	Wokha, Phek, Zunheboto, Aghunato, Pfutsero and Baghty
5.	July 2019	Tuensang, Kiphire and Longleng
6.	October 2019	Mon, Peren, Aboi and Chozuba
7.	July 2022	Chümoukedima (New Treasury)

Source: Departmental reply

Audit further observed that the delay in the rollout of the project was due to the delay in selection of the Application Developer (NIC) which could be achieved only in February 2015 as against the stipulated timeline of November 2012. The delay in selection of the Application Developer not only resulted in significant timeline

[3] Tseminyu under Kohima North; Chozuba and Pfutsero under Phek; Changtongya and Mangkolemba under Mokokchung.

[4]

Sl. No.	Activity/Module	Timeline
1.	Initiation and vendor selection phase	T+180 days (6 months)
2.	Application Development Phase	T+390 days (13 months)
3.	Pilot roll out of the application	T+630 days (21 months)
4.	Infrastructure installation and roll out phase	T+720 days (24 months)

deviations but also led to short release of GoI funds and partial implementation of project modules, thereby delaying the benefits of the Treasury Computerisation as discussed in **Paragraphs 4.2.9.2 and 4.2.10**.

The Department had not adopted project management tools to monitor the progress of completion of individual tasks for the project with respect to the critical path for the project and had not maintained a risk register to list and identify risks and mitigation measures.

While accepting (July 2024) the Audit observation, the State Government stated that the delay in the selection of the Application Developer was because the State was not ready with the budget codification. It was further stated that the codification was only up to the Minor Head of Account level and that computerisation could not proceed without review of the proper Heads of Account at all levels. The reply of the State Government indicated that preparatory work for commencement of computerisation had taken much longer than planned as per the contractual timelines.

Recommendation:

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

4.2.9.2 Short receipt of Central assistance and delay in release of State share

Paragraph 8 of the MMP (TC) Scheme Guidelines states that the project would be implemented as a State Plan Scheme under NeGP, with 90 *per cent* financial support to the North Eastern States. Funds would be released as Central Assistance to the designated State agency in three instalments of 40 *per cent,* 30 *per cent* and 30 *per cent* each, subject to satisfactory receipt of Utilisation Certificates. In turn, Paragraph 9 of the MMP (TC) Scheme Guidelines states that the States are required to complete their project within three years, with any residual components allowed to spill over into the fourth year. The release of instalments is based on achieving the stipulated milestones outlined in the project guidelines.

Audit observed that the Department received an amount of ₹2.16 crore out of the total approved cost of ₹5.26 crore for project implementation during 2011-12 to 2015-16. Details of receipt and expenditure of Central and State shares are shown in **Table 4.2.2.**

Table 4.2.2: Year-wise receipt and expenditure incurred

(₹ in lakh)

Year	Receipt			Expenditure		
	Central Share	State Share	Total	Central Share	State Share	Total
2011-12	189.00	0	189.00	0	0	0
2012-13	0	0	0	23.74	0	23.74
2013-14	0	0	0	11.86	0	11.86
2014-15	0	0	0	103.84	0	103.84
2015-16	0	27.00	27.00	46.15	27.07	73.22
Total	**189.00**	**27.00**	**216.00**	**185.59**	**27.07**	**212.66**

Source: Departmental records

As can be seen from **Table 4.2.2** above, the GoN received (March 2012) ₹1.89 crore out of the total Central share of ₹4.73 crore[5] resulting in short receipt of ₹2.84 crore. On its part, the GoN released its share of ₹0.27 crore in May 2015 and March 2016 only, with a delay exceeding three years. Audit observed that the Department incurred an expenditure of ₹2.13 crore[6] against the total receipt of ₹2.16 crore with an unspent balance of ₹0.03 crore as of March 2024. Audit further observed that the reason for short receipt of Central assistance was because of the Department's failure to complete activities as per the stipulated timelines as discussed in **Paragraph 4.2.9.1**. As a result, the State Government had to subsequently bear the cost of implementation for this application on its own, even though funding from GoI had been available for the stipulated period.

In reply, the State Government stated (July 2024) that the State received ₹1.89 crore as first instalment, however, subsequent instalments were not released despite the Government writing to the Ministry. It was further stated that there was a change in the funding policy under e-Governance during 2014. The response was not tenable, as the short release of GoI funds was because the project was not completed within the Ministry's stipulated timeline of three years.

Recommendation:

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

4.2.9.3 Transition to in-house developed TreasuryNet system

As per Annexure-I of the MMP (TC) Scheme Guidelines, project proposals should be prepared with defined project objectives, outcomes envisaged, details of proposed business model and business process re-engineering. Further, for the development of any IT project, it is essential to document the requirements and segment them into phases based on the project's needs. This documentation includes preparing a Detailed Project Report (DPR) and a User Requirement Specifications (URS) that outlines the project scope, objectives, functionalities, and technical specifications.

Audit observed that due to the obsolete system technology of NIC TreasuryNet system, developed at a cost of ₹2.03 crore and the absence of GoI funding in view of delays during 2012-15, the Department implemented an in-house TreasuryNet application software and migrated to it in April 2022. Audit further observed that the

[5] GoI approved ₹5.26 crore as project cost with Central share of ₹4.73 crore and State share of ₹0.53 crore

[6] Payments released to the PMC (₹128.23 lakh), NIC (₹74.67 lakh) and for hardware purchases (₹9.76 lakh).

application was developed considering the broad objectives outlined in the DPR prepared by the PMC, with implementation based on priorities identified by the DTA and the Finance Department.

However, Audit observed the following process deficiencies in the development of the in-house application-

- DPR and URS documents had not been updated to reflect a true and fair view of implementation of the in-house application.
- Timelines for phase-wise implementation of various modules were not specified.

Absence of DPR, URS and clear timelines for phase-wise module implementation resulted in significant risks to achievement of project objectives and deliverables on time.

While accepting the Audit observation, the State Government stated (July 2024) that the existing application had been developed in-house guided by Senior Officers of the Department, which had saved time and reduced costs. It was also stated that the development of the new TreasuryNet system was broadly guided by the objectives of the DPR prepared by Wipro in consultation with the DTA, Finance Department and Information Technology & Communication Department, Government of Nagaland. It was further stated that the implementation was based on the priority identified by the DTA and the Finance Department. The response was not tenable, as the in-house development of the application carried significant software engineering risks and dependency risks (on key Government personnel with no formal knowledge transfer mechanism or documentation) which could have been mitigated through professional industry standards for general controls for domains such as documentation, change management, user access management, incident response management, information security management, master data management, maintenance and Service Level management. In the absence of professional involvement and inadequate documentation on these domains, Audit was unable to derive assurance that these controls had been implemented and associated risks had been mitigated for the in-house TreasuryNet application.

Recommendation:

The Department may prepare documentation for DPR, URS and different domains such as changes made, incidents resolved, information security patches deployed, user access rights and service levels for the in-house application, so that the future maintenance and further enhancements may be taken up by a professional firm using industry-best practices.

4.2.9.4 Shortfalls in IT hardware

Paragraph 13.2.1 of the DPR for Treasury Computerisation under NeGP in Nagaland states that hardware cost, including networking hardware, pertains to the cost to be incurred towards procurement of new hardware equipment for meeting the IT requirement of the Department across the Directorate, Treasuries and Sub-Treasuries. For successful implementation of the Treasury Computerisation project, it was essential that sufficient hardware be provided to organisational units. The IT hardware requirement and actual availability (as of April 2024) in the sampled Treasuries and Sub-Treasuries are shown in **Table 4.2.3**.

Table 4.2.3: IT hardware requirement and availability in the sampled Treasuries and Sub-Treasuries, as of April 2024.

(in numbers)

Treasury/ Sub-Treasury	Desktop			UPS			Generator			Laptop		
	Req*	Av*	Sh*	Req	Av	Sh	Req	Av	Sh	Req	Av	Sh
Kohima North	-	-	-	-	-	-	-	-	-	3	0	3
Kohima South	24	16	8	-	-	-	-	-	-	3	0	3
Tseminyu	7	5	2	-	-	-	-	-	-	1	0	1
Dimapur	17	13	4	-	-	-	-	-	-	4	0	4
Changtongya	8	5	3	1	0	1	1	0	1	2	0	2
Phek	15	11	4	-	-	-	-	-	-	-	-	-
Pfutsero	8	7	1	-	-	-	-	-	-	-	-	-
Chozuba	5	3	2	-	-	-	-	-	-	1	0	1
Mokokchung	20	18	2	-	-	-	-	-	-	1	0	1
Total	**104**	**78**	**26**	**1**	**0**	**1**	**1**	**0**	**1**	**15**	**0**	**15**

Req=Requirement, Av=Availability, Sh=Shortage

Source: Reply of the Department

As can be seen from **Table 4.2.3** above, there were shortfalls of desktops, laptops, UPS and generators in the sampled Treasuries and Sub-Treasuries, which affected the smooth functioning of treasury operations**.** Audit observed that the reason for the shortage in IT hardware was because the Department did not assess the IT hardware requirement for submission to the State Government for fund allocation.

In reply, the State Government stated (July 2024) that the purchase of IT hardware was done with minimum requirements, due to funds constraints. The response was not acceptable, as the Department had neither assessed the IT hardware requirements nor submitted proposals for phased procurement to the State Government for fund allocation for the purchase of IT hardware.

Recommendation:

The Department may assess the IT hardware requirement and submit the requirement to the State Government for fund allocation in a phased manner with clear timelines.

4.2.10 Incomplete implementation of key functionalities and missing application controls

Paragraph 8 of the DPR for Treasury Computerisation under NeGP in Nagaland states that the application should be developed to include various modules covering the entire functionalities of the Treasury and that data digitisation of all the current and past records of the Treasury will be done so that any data can be fetched at any point of time. As per Paragraph 8.1.2 of the DPR, the proposed application was to consist of 13 modules covering all the functionalities of the Department.

The actual status of implementation of the 13 modules as of March 2024 is shown in **Table 4.2.4**:

Table 4.2.4: Statement showing status of module implementation as of March 2024

Sl. No.	Module	Description	Status
1.	**Treasury Receipts Module (TRM)**	The TRM will provide depositors with the provision to deposit money online or through agency banks. It will also allow banks to collect receipts in cash on behalf of the State Government and deposit the same online in the State Treasury.	The TRM currently does not have the provision for depositors or banks to login directly to TRM and deposit money online.
2.	**Financial Data Warehouse Module (FDWM)**	FDWM will maintain e-record of valuables in strong room such as Government stationery procurement, material storage, stamps selling and returns of valuables.	Not implemented.
3.	**Fund Management Module (FMM)**	FMM is an integrated fund management system that will handle all State's fund transaction where, the claimant such as an employee or Government department will submit their claims/invoices to the office concerned. The office will enter these into the Office Accounting System and the HOO/DDO will further validate them, after which the office will prepare the bills and clear payments electronically.	The FMM currently does not have the provision for online submission of claims and validation by DDOs. Physical bills are submitted by DDOs and bill details are entered by Treasury staff for approval by Treasury Officer through FMM and payments made electronically.
4.	**Accounts Maintenance and Compilation Module (AMCM)**	AMCM will compile and maintain Accounts. All expenditure details under different heads will be captured. As data is entered, AMCM will automatically generate reports. AMCM will embed various checks and balances, which will help in monitoring the bills to ensure that expenditures are entered under the appropriate heads.	Implemented.
5.	**Internal Audit (e-Audit)**	Internal Audit (e-Audit) module will incorporate the Electronic Audit Management System.	Not implemented.
6.	**E-status enquiry**	E-Status enquiry module will enable citizens to enquire with DDOs and banks to check the status of pensions, debt, debentures allotment, cheques and challans.	Not implemented.
7.	**Personnel Management and Payroll Module (PMPM)**	PMPM will capture all processes related to the employee lifecycle such as manpower planning and cadre management, leave management, payroll processing, employee entitlement and employee resignation, retirement or death.	Not implemented.
8.	**Pension Management Information System (PMIS)**	PMIS module is a pension management module that will capture processes after the employee exits from service.	PMIS is partially implemented from 2024-25 with the provision for data capturing of pensioner's information only.
9.	**Budgeting Module (BM) (Planning and Budgeting)**	The BM will integrate planning, budgeting and execution activities to ensure efficient and systematic planning and budgeting.	BM is currently limited to placement of budget in the module after being passed by the Legislature and the Finance Department make allocations. Currently, there

Sl. No.	Module	Description	Status
			is no provision for capturing sanction order and subsequent linking with the bills passed by the Treasury.
10.	**Virtual Treasury Module (VTM)**	VTM will provide an interface for the uploading of reconciliation data received from State Bank of India as part of Cyber Treasury initiative.	Not implemented.
11.	**Banking Interface Module (BIM)**	BIM will enable electronic capture of receipt as well as payment data from the commercial banks authorised to do Government business, as well as from the RBI.	The TreasuryNet system is currently linked with SBI-Cash Management Product (CMP) for electronic payment only. There is no provision for electronic capturing of receipts.
12.	**CAG Interface Module (CIM)**	CIM will establish linkages with the Accountant General's (AG) office and allow exchange of voucher level data electronically thus providing an efficient means for reconciling accounting transactions. Further, the module will enable compilation of accounts, so that monthly/annual accounts are available promptly.	CIM is currently limited to providing access to AG office for downloading of voucher level data.
13.	**MIS Reports**	MIS module will generate reports that will assist Departments for effective monitoring of transactions carried out in the TreasuryNet system.	MIS reports generated from the TreasuryNet are currently limited to the implemented modules only.

Source: Department records

As can be seen from **Table 4.2.4** above, the Department has not implemented 05 of the 13 modules and in the eight implemented modules, all the features envisaged in the DPR are not yet incorporated. Audit observed that the non-implementation of the five modules and partial incorporation of features into the implemented modules was due to inadequate project planning, resource constraints, technical challenges and changes in project requirements over time. This partial implementation created a gap between the features outlined in the DPR and the actual implementation of modules resulting in essential functionalities like e-challan and online remittances of the Treasury not being covered.

In reply, the Government stated (July 2024) that the Department had implemented receipt module, payment module, compilation module, pension payment module, budget sub-allocation module and SBI-CMP module based on the priorities identified.

The response was not tenable, as the following key functionalities and application controls across the financial management process - from budget to accounts - have not yet been implemented.

i. Budget Management-

1. Preparation of budget estimates and submission by all Departments through the system, with required data fields (such as Department Name, DDO Code, Head of Account, Scheme Code, Amount, Justification/ Remarks).

2. Review of budget estimates submitted by all Departments by Department of Treasuries and Accounts through the system, with inclusion/exclusion of line items and increase/decrease of amount in each line item recorded.
3. Maintenance of data trail in the system to track the budget estimates and the actual allotment of budget estimates approved by the Legislative Assembly for a new financial year.
4. Mapping in the system to prevent loading of allotment of budget estimates under different Heads of Account to unrelated Departments (for example, budget allotment under MH 2202-01-111 Sarva Shiksha Abhiyan should not be permitted to be loaded to Industries Department).
5. Processing of re-appropriations through the system, in compliance with business rules (as per delegation of powers and only across the permitted Heads of Account).
6. Processing of surrenders through the system, in compliance with business rules (for example, surrender amount cannot exceed available budget amount).

ii. Sanction Orders Management-

1. Provision for generation of all the types of Sanction Orders specified in the Treasury Rules with all the key data fields to be entered for each type of Sanction Order.
2. Application controls to ensure that Sanction Order can be generated in the system by a user only as per delegation of powers (based on sanctioned amount and type of expenditure).
3. Mapping in the system to ensure that Sanction Order types can only be generated under the permissible Heads of Account for those types of Sanction Orders (for example, Sanction Order of type Grants-in-Aid should not be permitted under Capital Section Heads of Account, as it would violate Indian Government Accounting Standard 2).
4. Application controls to prevent generation of Sanction Order under a Head of Account under which budget allotment for that user is not available.
5. Application controls to prevent generation of Sanction Order under a Head of Account where sanctioned amount exceeds available budget amount (*i.e.*, the system should keep track of available budget amount for a new Sanction Order, after deducting previous sanctioned amounts under that Head of Account).
6. Application control to prevent cancellation of Sanction Order after a Bill has been passed using that Sanction Order as the underlying basis for drawal of funds.
7. Provision for recording terms and conditions for each type of Sanction Order (such as date for submission of UCs, names and codes of DDO(s)

authorised to draw the sanctioned amount(s), specific conditions from Scheme guidelines/conditional Grants-in-Aid).

8. Application controls to prevent direct specification of payment beneficiary for the funds to be drawn in the Sanction Order, if details of the payment beneficiary have not been previously entered as master data.
9. Application controls to prevent modification of the bank account details of payment beneficiary in the Sanction Order, instead of modifying the same in the master data, through a defined process for master data management.

iii. Bills processing by DDOs and DTOs-

1. Provision for generation of all the types of Bills specified in the Treasury Rules with all the key data fields to be entered for each type of Bill.
2. Mapping and restricting the permissible combinations of Sanction Order types and Bill types (for example, Contingent Expenditure Bill cannot be passed by linking to a Grants-in-Aid Sanction Order).
3. Application controls to prevent Bills to be generated in the system and passed, without linking to a Sanction Order Number in the system.
4. Application controls to prevent Bills to be passed by linking to Sanction Orders from previous years.
5. Application controls to prevent Bills to be passed by linking to a Sanction Order against which Bills have been previously drawn for the entire sanctioned amount.
6. Application controls to prevent Bills to be generated and passed with Bill amount exceeding the available balance of the sanctioned amount in the linked Sanction Order (*i.e.* the system should keep track of available sanctioned amount for a new Bill, after deducting previous Bills passed which were linked to that Sanction Order).
7. Application controls to auto-populate key data fields from the linked Sanction Order at the time of generation of Bills (such as Head of Account and payment beneficiary).
8. Provision for review of master data for payment beneficiaries, to ensure that there is a clear trail of details of Departmental users who have verified the name of payment beneficiary, bank account number, IFSC with an uploaded copy of the bank pass book.
9. Application controls for validating data entered into key fields in case of Bill types for Scheme expenditure and Grants-in-Aid, corresponding to the checks to be exercised by the DDO and DTO as per the Treasury Code.

10. Application controls for validating data entered into key fields for Pay and Allowances for serving State Government employees and Pension for retired employees.

iv. Utilisation Certificates, adjustment of Abstract Contingent Bills and Personal Deposit Accounts-

1. Functionality for monitoring the submission of Utilisation Certificates.
2. Application controls for submission of UCs on time and Sanction Order-wise (UCs should not be submitted Scheme-wise or Head of Account-wise, they have to be submitted Sanction Order-wise by each entity responsible for end utilisation of funds).
3. Generation of MIS Reports on correct status of outstanding UCs and prevent further release of Grants-in-Aid in such a scenario, in compliance with the extant Rules.
4. Functionality for submission of Detailed Contingent (DC) Bills for adjustment of Abstract Contingent (AC) Bills previously drawn.
5. Application controls for submission of DC Bills against each AC Bill (DC Bills should not be submitted Scheme-wise or Head of Account-wise, they have to be submitted AC Bill-wise by each entity responsible for end utilisation of funds).
6. Generation of MIS Reports on correct status of unadjusted AC Bills and prevent further drawal of AC Bills in such a scenario, in compliance with the extant Rules.
7. Functionality for accounting receipts into and payments out of Personal Deposit (PD) Accounts.
8. Application controls in place to ensure compliance with Rule provisions regarding refund of inoperative PD Account balances.
9. Provision to track the status of PD Account balances and generation of timely alerts on inoperative PD Accounts whose balances are to be refunded at the end of the financial year.

v. There is no integration of TreasuryNet with Works Accounting System and Human Resources Management System of the State Government.

In the absence of these key functionalities and application controls, the full benefits of implementing the TreasuryNet application had not yet been realised, since the burden of compliance was still being borne by individual users and had not shifted to the system as intended.

Recommendation:

The Department may prioritise the completion of all modules of TreasuryNet along with key functionalities and application controls.

4.2.11 Data discrepancies due to deficient application controls

The TC project aims to make the budgeting processes more efficient, improve cash flow management, promote real time reconciliation of accounts, strengthen MIS, improve accuracy and timeliness of accounts preparation, promote transparency and efficiency in public delivery systems and better financial management along with improved governance quality. To achieve this, it is crucial to incorporate master data and transaction data with adequate application controls to ensure accurate record keeping as per rules. The results of analysis of the data in the TreasuryNet application are described below.

4.2.11.1 Discrepancies in data related to budget management

After the Budget is passed and the Appropriation Bill is enacted, the administrative departments, in consultation with the Finance Department, allocate the Appropriation against each head of account (HoA) to the Controlling Officers (COs). The COs are then to ensure that expenditure under each unit does not exceed the appropriation. Subsequently, the COs allocates the appropriation to DDOs, who are responsible for making expenditure within the released amount.

Data analysis of the table 'budget_centralbudgetmaster' revealed the following discrepancies:

- During 2022-23 and 2023-24, there were 2,180 budget entries with negative amount totalling ₹1,842.14 crore, which was due to lack of functionality for re-appropriations without effecting such negative entries.
- During 2023-24, there were 2,485 budget entries amounting to ₹2,450.47 crore entered without sanction orders in the system.
- During 2023-24, seven DDOs exceeded their allocated budgets totalling ₹47.28 lakh, as per the 'payment_budgetexpenditure' table.

Audit observed that these deficiencies were due to inadequate budget management and expenditure controls within the system resulting in erroneous financial accounting. In reply, the State Government stated (July 2024) that the negative amount was required for budget re-appropriation and adjustment with the placement amount approved by the Finance Department. It was also stated that 'sanction order' field was an optional field since 'drawal authority number' field is a unique mandatory field for each budget used to identify a particular budget order. It was further stated that the excess expenditure of ₹47.28 lakh by seven DDOs was because the revised sub-allocation was made after the expenditure was incurred by four DDOs, wrong booking of one DDO, shifting of one DDO from Kohima North Treasury to Kohima South Treasury and double negative entry of ₹5.00 lakh for one DDO.

The response indicated the need to prioritise the implementation of necessary application controls for the budget management processes, to ensure compliance with extant rules.

Recommendation:

The Department may implement application controls for budget management and expenditure control.

4.2.11.2 Discrepancies in data related to adjustment of Abstract Contingent bills

Rule 118 of the Receipt and Payment Rules, 1983 states that a certificate shall be attached to every abstract contingent bill (AC bill) to the effect that the detailed contingent bills (DC bill) is submitted to the controlling officer in respect of abstract contingent bills drawn during the month previous to that in which the bill in question is presented for payment. On no account may an abstract contingent bill be cashed without this certificate.

Audit observed that there was no provision in the TreasuryNet system to verify pending DC bills when accepting the AC bills. Audit also observed that the reason for the absence of provision to verify pending DC bill was because Rule 118 of Receipt and Payment Rules, 1983 was not mapped in the application system. Data analysis of the 'payment_cmpbillmaster' table revealed that 294 AC bills were drawn during 2022-24 amounting to ₹426.23 crore. However, these 294 AC bills were processed without verification of pending DC bills in the system. The absence of a provision and adequate mapping in the TreasuryNet system resulted in the failure to verify pending DC bills and monitor their submission.

In reply, the State Government stated (July 2024) that the functionality for verifying AC bills with DC bills was not incorporated in the TreasuryNet system since detailed countersigned contingent bills were submitted by the Departments directly to the AG Office without routing through Treasuries. The Department also opined that Treasuries can be advised to insist on the certificate from the AG before passing new AC bills. The reply was not acceptable as Rule 118 of the Receipt and Payment Rules clearly outline the monitoring of AC bills and of the necessity of this Rule being incorporated into the TreasuryNet system to ensure compliance and proper monitoring of AC bills.

Recommendation:

The Department may take immediate measures to map Rule 118 of Receipt and Payment Rules, 1983 on abstract contingent bills into the TreasuryNet system.

4.2.11.3 Discrepancies in data related to user access management

User access management is crucial for prevention or detection of unauthorised viewing and modification of data. User access management is implemented through individual login-identifiers and passwords for user authentication, to ensure accountability for user activities.

Analysis of database under the category of administrator and authentication revealed that:

- In the table 'administrator_centralusers', which captures details of all system users, one user had 'NA' username and 'NA' Designation, with user type listed as 'MONITORING'. Further, 81 HODs had been assigned the designation of 'Admin Operator' instead of actual designations.
- In the table 'administrator_operators', which captures the details of all system operators, 14 names of operators are recorded with the names dispatch (4), challan (1), bill receipt (2), compilation (4) and bill clerk (3).
- In the table 'auth_user', which captures status and login details of users, 577 active users did not have first name and last name recorded in the database.
- Functionality for biometric based authentication and digital signature certificates had not been implemented.

These discrepancies indicated absence of proper user authentication and access controls in the system, which posed material risks to information security.

While accepting the Audit observation, the State Government stated (July 2024) that the system would be updated to rectify the discrepancies observed by Audit.

Recommendation:

The Department may take immediate measures to strengthen user access management for the TreasuryNet system.

4.2.11.4 Discrepancies in transaction data

Analysis of the transactions data for expenditure and receipts in the system revealed the following discrepancies:

- In the table 'payment_billmaster', which captures all the payment bill details of each DDO including Department's bill numbers, 681 out of 802 records have a '0' value as the Department's bill number during 2023-24.
- In the table 'receipt_finalreceiptmaster', which captures details of remittances of the depositors, there were two records of remittance with negative amount and 58 records with zero remittance amount during 2023-24.
- In the table 'payment_cmpbillmaster', which captures details of online payment, three bills of Grants-in-Aid were booked under the Major Head '8011' (Insurance and pension fund) during 2023-24.
- In the table 'payment_finalgpfdetails', which captures details of GPF withdrawal by Government employees, multiple withdrawals from the same GPF account ranging from five to nine times were observed in 97 GPF account numbers.
- In the table 'receipt_finalreceiptmaster', which captures details of

remittances of the depositors, the authorised date of receipts was earlier than the data entry date in 98 cases ranging from 01 to 407 days and, in 357 cases, authorisation occurred after a delay ranging from 30 to 374 days.

- In the table 'payment_billcorrectionhistory', which captures bill detail correction requested by system users, 249 out of 461 bill correction requests still showed 'processing' status, with request ranging from May 2023 to April 2024.

- In the table 'payment_finalbilltrack', which captures the details of bill processing, 93 bills were authorised before the receipt of bill ranging from 01 to 365 days and 2,184 bills were authorised after a delay ranging from 30 to 349 days.
- In the table 'payment_objectedbills', which captures the details of objected bills including the reasons for objection, the reason for objection in 501 out of 2,943 rejected bills contained invalid descriptions[7], which reflected absence of validation controls.
- In the table 'receipt_receiptcorrectionhistory', which captures receipt challan details correction requested by system users, the status of 36 out of 38 receipt correction cases showed 'processing', while only two cases were marked as 'closed'.

The above discrepancies indicated the deficiencies in validation controls in the TreasuryNet application for processing transactions data.

While accepting the Audit observations, the Government stated (July 2024) that rectifications in the system would be carried out.

Recommendation:

The Department may take immediate measures to strengthen validation controls for transactions within the TreasuryNet system.

4.2.12 Absence of Disaster Recovery and Business Continuity Plans

Paragraph 7.1 of the MMP (TC) Scheme Guidelines stipulates implementation of adequate and secure network infrastructure, disaster recovery and business continuity plan to ensure that the system runs even in the case of power outages, natural disasters and cyber-attacks. Further, Guidelines on Information Security Practices for Government Entities by Indian Computer Emergency Response Team (CERT-in), Ministry of Electronics and IT, GoI stipulates formulation of security policies and procedures for building cyber resiliency, prepare, test and implement business continuity plan and disaster recovery plan.

Examination of this function for the TreasuryNet system revealed the following discrepancies:

[7] 'r', 'w', 'RE', 'mis', 'wr', 'lll', 'wron', 'retr', 'tempo'and 'thtt'.

- The Department had not formulated and adopted a policy for safeguarding IT assets, software and data.
- Disaster Recovery and Business Continuity plans had not been formulated. As a result, Recovery Point Objective and Recovery Time Objective had not been defined, data back-ups had not been taken and Disaster Recovery Drills had not been conducted at periodic intervals. In the absence of these controls, Audit was unable to derive assurance on the adequacy of measures for Disaster Recovery and Business Continuity for the TreasuryNet application, in the event of business disruptions.
- The process for migration from the NIC legacy system to the new TreasuryNet system had not been documented and there was no assurance on the completeness and correctness of data migrated from the legacy system.

While accepting the Audit observation, the Government stated (July 2024) that it will work on the issues observed by Audit.

Recommendation:

The Department may promptly formulate and adopt an IT security policy, including business continuity and disaster recovery plans.

4.2.13 Inadequate measures for capacity building

Paragraph 9.2 of the DPR for Treasury Computerisation under NeGP in Nagaland envisages capacity building through basic computer and application training. As per the DPR, basic computer training is meant to acquaint and make aware the Government officials of the basic function and nature of computers and its application. Further, as per the DPR, the application training is meant for providing an in-depth training on the usage and handling of the application for Government official at different levels.

Audit observed that the Department did not conduct training needs analysis to identify skills and knowledge gaps among employees for utilising the TreasuryNet system. Audit further observed that assessment of number of IT staff required and actually in position to provide technical support in Treasuries/Sub-Treasuries had not been carried out.

In reply, the Government stated (July 2024) that training was conducted whenever a new module of the application was implemented. It was also stated that the Department’s Training Institute at Dimapur imparts general and IT trainings for new recruits and for in-service employees. The response was not tenable, since training needs analysis had not been carried out and technical support staff was not available in the test-checked Treasuries and Sub-Treasuries.

Recommendation:

The Department may take steps to conduct training needs analysis to provide the required training for Treasury Computerisation and deploy IT support staff in the Treasuries and Sub-Treasuries.

4.2.14 Deficiencies in monitoring mechanism for the TreasuryNet application

Paragraph 10 of the MMP (TC) Scheme Guidelines states that quarterly progress reports must be submitted by each State Government to the Programme Steering Committee (PSC) to monitor the Scheme's progress periodically. Audit observed that neither the State Government nor the Department submitted any progress report to the PSC throughout the project's implementation. The failure to submit progress reports indicated significant deficiencies in monitoring which contributed to overall project delays and partial module implementation.

The State Government accepted (July 2024) the Audit observation and stated that steps would be taken to strengthen the monitoring mechanism in the Department.

Recommendation:

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

4.2.15 Conclusion

The Audit was conducted to assess the governance mechanism adopted and the general and application controls implemented for the in-house developed TreasuryNet application.

There were deficiencies in the governance mechanism, as evidenced by the absence of reviews conducted by the Programme Steering Committee and the significant delays in deployment of modules and functionalities of the application, which had resulted in the loss of Central assistance for this project.

There were deficiencies in the general controls adopted for the application, with inadequate provisions for documentation, change management, information security management, disaster recovery management, incident response management and maintenance management. The absence of a professional software development firm/partner following best practices as per industry norms and the current dependence on key Government employees are major risk areas, since they may impact future maintenance and enhancement requirements.

There were deficiencies in key functionalities and application controls in the TreasuryNet system as implemented currently, such as absence of validation controls in data fields; absence of mapping between permissible Heads of Accounts, Sanction

Order types and Bill types; tracking available budget balances for Sanction Orders and available sanctioned amounts for Bills; and monitoring pendency of Utilisation Certificates, Abstract Contingency Bills and inoperative Personal Deposit Accounts. There was no integration of the TreasuryNet application with other applications for the Works Accounts and Human Resources Management functions of the State Government.

The State Government may consider implementing the specific Recommendations made in this Report, to address the above deficiencies.

Compliance Audit Paragraphs

FINANCE (TREASURIES & ACCOUNTS) DEPARTMENT

4.3 Fraudulent/excess drawal of money

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

The issue of fraudulent/excess drawal by the Drawing and Disbursing Officers (DDOs), through the manipulation of pay and allowances bills was highlighted in the previous Audit Reports of the Comptroller and Auditor General (C&AG) of India. Details of these cases in the Audit Reports for the year ended 31 March 2017 to 31 March 2022 is provided in ***Appendix-4.3.1.***

The Public Accounts Committee (PAC) Reports/Recommendations are the principal medium through which the Legislature enforces financial accountability of the Executive to the Legislature and it is appropriate that they elicit a timely response from the concerned departments in the form of Action Taken Notes (ATNs). The State PAC discussed four paragraphs on fraudulent/excess drawals of money by DDOs/Treasury Officers (TOs) reflected in the Audit Reports of the C&AG of India for the years 2014-15 to 2016-17 and made[8] the following recommendations:

- The Department should furnish the latest report on the recovery.
- The Department should take disciplinary action against the defaulting DDOs for presenting false bills and the TOs for passing bills without following the prescribed checks.

As per the instructions contained in the PAC Reports, the Departments concerned should submit the ATNs on the recommendations of the PAC within two months from the date of laying such Reports in the Legislature. However, contrary to the above stipulation, however, Departments concerned of the State Government (total: 15[9]) failed to submit the ATNs on the recommendations made by the PAC.

Non-compliance with the instructions of PAC and non-submissions of ATNs on the recommendations of the PAC by the Government Departments concerned resulted in further irregularities as discussed below.

Rule 66, Sub-clause 3 of the Central Government Accounts (Receipts and Payments) Rules, 1983, as adopted by the Government of Nagaland (GoN), prescribes that

[8] The C&AG Audit Reports 2014-15 and 2015-16: PAC adopted the recommendation on 16 December 2020 and the report was presented to the House on 15 February 2021
The C&AG Audit Report 2016-17: PAC adopted the recommendation on 20 July 2021 and the report was presented to the House on 05 August 2021

[9] Departments: 1. Rural Development, 2. School Education, 3. Health & Family Welfare, 4. Agriculture, 5. Home, 6. Land Records & Survey, 7. Economics & Statistics, 8. Information & Public Relations, 9. Veterinary & Animal Husbandry, 10. Industries & Commerce, 11. Social Welfare, 12. Sericulture, Fisheries & Aquatic Resources, 13. Nagaland State Transport, 14. Employment, Skill Development & Entrepreneurship and 15. Public Works Department.

entries in all money columns of the pay bills are to be totalled separately under each section and parts, to arrive at the total entitlements as well as net payable after statutory deductions. Section-wise totalling of the pay bills must be checked by the DDO himself or by some responsible official other than the person preparing the bill.

Further, Rule 276 of the Central Treasury Rules (CTR), as adopted by the GoN, states that while drawing any arrear bill, the DDO shall record certificates on the arrear bill under his dated signature to the effect that (i) no part of the amount claimed has been drawn previously; and (ii) a note of the arrear claim has been made in the office copy of the bill or the pay bill register for the period to which the claim pertains. While Rule 23 of the CTR prescribes that the TO shall obtain sufficient information as to the nature of every payment he is making and shall not accept a claim which does not formally present that information unless there are valid reasons which he shall record in writing for omitting to enquire it. Rule 24 further states that the TO may correct an arithmetical inaccuracy or an obvious mistake in any bill presented to him for payment.

Test check (April 2017 to October 2023) of pay bill vouchers of various Departments submitted by the TOs to the Principal Accountant General (A&E), Nagaland pertaining to the period from 2016-17 to 2019-20 revealed that 13 DDOs from nine Departments (***Appendix-4.3.2***) had fraudulently drawn ₹87.73 lakh. This amount was misappropriated through inflated net totals in pay bills, double drawals, and fraudulent claims of pay and allowances, including arrears, in violation of the prescribed Financial Rules.

On this being pointed out by audit (October 2024), the Departments recovered and deposited ₹63.66 lakh into the Government Account (as of December 2024). However, no report on disciplinary action initiated against the defaulting officials was furnished. Details of the *modus operandi* of the misappropriation are outlined in **Table 4.3.1.**

Table 4.3.1: Cases of excess/fraudulent drawals

Nature of Objections	Audit observations	Action Taken by Departments concerned
Excess drawal by altering the net total figure of pay bills.	The District Soil and Water Conservation Officer, Zunheboto, drew funds of ₹11.35 lakh in four pay bills between December 2018 and February 2019 by irregularly altering the actual 'net total figure' of ₹9.65 lakh. This had resulted in an excess drawal of ₹1.70 lakh as detailed in ***Appendix-4.3.3.***	On this being pointed out, the DDO recovered an amount of ₹1.70 lakh (October 2022) and deposited it into the Government account.
Double drawal of pay and allowances including arrears.	Two DDOs from two Departments[10] fraudulently drew funds (June 2018 to February 2019) aggregating to ₹6.57 lakh in two bills for pay and allowances, which had already been drawn in regular bills. This resulted in a double drawal of ₹6.57 lakh, as detailed in ***Appendix-4.3.4.***	On this being pointed out, the two DDOs have recovered an amount of ₹6.57 lakh (February 2023 to October 2024) and deposited it into the Government account.

[10] Home (Police) and School Education Departments

Nature of Objections	Audit observations	Action Taken by Departments concerned
Fraudulent/ inadmissible drawal of pay and allowances including arrears.	11 DDOs from seven Departments[11] fraudulently drew (February 2017 to March 2020) funds aggregating to ₹79.46 lakh in 43 arrear bills by preparing fictitious 'Due and drawn' statements for employees who were not entitled to draw arrears, as detailed in ***Appendix-4.3.5.***	On this being pointed out, nine DDOs have recovered an amount of ₹55.39 lakh (July 2019 to October 2024) and deposited it into the Government account. The remaining balance of ₹24.07 lakh is yet to be recovered (December 2024).

The above instances of excess/double/fraudulent drawal of funds by the DDOs of nine Departments indicated a serious failure on the part of the DDOs as well as TOs of the respective Departments in exercising the required control and checks as prescribed under the applicable Rules and Procedures.

Audit further observed that out of a total number of 138 cases (amount involved: ₹19.28 crore) of fraudulent/excess drawal by the DDOs reported in the C&AG of India's Audit Reports for the years from 2016-17 to 2021-22, 59 cases (amount involved: ₹13.68 crore) pertained to four Departments[12] of the State Government as detailed in ***Appendix-4.3.6.***

In all the cases mentioned above, the DDOs prepared the pay bills/arrear bills and presented the same to the Government Treasuries without ensuring accuracy of the arithmetic calculations and availability of the required certificates (Non-Drawal Certificates). The TOs also failed to conduct the essential mandatory checks before authorising the payments against these bills. The failure of the DDOs and TOs to comply with the relevant provisions of the CTR and Receipt and Payment Rules, while preparing and authorising the bills for payment, was indicative of possible collusion of these officials in the fraudulent drawals.

Thus, due to the failure of the Departments concerned to comply with the instructions of the PAC, the objective of ensuring financial accountability of the Executive to the Legislature remained unfulfilled, besides allowing the financial malpractices to persist. The reply from the Government was awaited (June 2025).

[11] Rural Development, Finance, Public Health Engineering, Urban Development, Employment, Skill Development & Entrepreneurship, School Education and Fisheries & Aquatic Resources Departments.

[12] 39 cases in School Education (amount: ₹6.04 crore); 06 cases in Health and Family Welfare (amount: ₹3.56 crore); 08 cases in Home (Police) (amount: ₹3.25 crore) and 06 cases in Veterinary & Animal Husbandry (amount: ₹0.83 crore)

Recommendations:

The State Government may-

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

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

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

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

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

HOME (POLICE) DEPARTMENT

4.4 Excess expenditure

The Director General of Police, Nagaland procured Commercial Liquefied Petroleum Gas cylinders/refills from an unlicensed supplier without following the prescribed tendering process, in violation of applicable regulations, which resulted in excess expenditure of ₹3.46 crore.

Rule 136 (1)(vi) of the General Financial Rules (GFR), 2017 states that no works shall be commenced, or liability incurred in connection with it until tenders are invited and processed in accordance with rules. In terms of Central Vigilance Commission (CVC) Order dated 23 July 2007, tendering process or public auction is a basic requirement for the award of contract by any Government agency. The order reiterated that equal right should be provided to all interested parties and no contract work should be awarded on nomination basis as it tantamount to a breach of Article 14 of the Constitution guaranteeing right to equality.

The supply, distribution and pricing of Liquefied Petroleum Gas (LPG) is regulated by the LPG (Regulation of Supply and Distribution) Order, 2000 *(LPG Regulation Order, 2000)*. Regulation 6 of this Order states that no person, other than a Government Oil Company, a parallel marketer or a distributor shall be engaged in the business of selling LPG to the consumers. Further, Regulation 2(e) of this Order, defines *"distributor"* as a person, firm, association of persons, company, institution, organisation or a co-operative society appointed by a Government Oil Company or parallel marketer and engaged in the business of purchase, sale, or storage for sale of LPG in cylinders to consumers on the basis of an agreement with a Government Oil Company or a parallel marketer. While, Regulation 2 (b) of this Order, defines "c*onsumer*" as a registered person, firm, company, institution, association of persons, co-operative society or organisation, who has been granted LPG connection or supply, either in bulk or in cylinder, by a distributor or a Government Oil Company or a parallel marketer. Furthermore, Regulation 9 (d) of the Order states that the price of LPG is fixed by the Government Oil Companies[13].

Examination of records (February 2024) of the Director General of Police, Nagaland revealed that the Government of Nagaland (GoN) awarded (March 2018) the work order to M/s Bokavi Chishi, Dimapur[14] (Supplier) for the supply of wet ration items, including firewood, to the Nagaland Armed Police (NAP)/Indian Reserve (IR) units/ companies deployed in Delhi for a period of seven years up to March 2024. Based on the GoN's decision (March 2019) to replace the use of firewood in all the NAP/IR units with the LPG, the Supplier (M/s Bokavi Chishi) was instructed to supply LPG in lieu of the firewood and their contract period was also extended up to March 2024.

Over the three years from 2021-22 to 2023-24, the Supplier delivered a total 14,651 of commercial LPG cylinders/refills (19 Kgs) for the NAP/IR personnel[15] deployed in Delhi and submitted bills amounting to ₹6.15 crore for the cost of these supplies. The Home Department (Police) released[16] ₹4.06 crore for 9,731 Commercial LPG cylinders/refills delivered during the first two years (2021-2023). They carried forward the balance dues of ₹2.09 crore for 4,920 commercial LPG cylinders/refills supplied during 2023-24, to the next financial year due to the shortfall in the annual ration budget. The balance payment (₹2.09 crore) was also released to the Supplier in February 2025.

In this connection, the following observations are made:

- The Supplier (M/s Bokavi Chishi), who was part of the Government approved panel of suppliers for 2017-18, was awarded (March 2018) the work order for supply of the 'wet ration items' for 2018-19 on the grounds of 'urgency', without following the tendering process. This was in violation of the provisions of the GFR, 2017 as well as the orders of the CVC on the issue.
- The GoN further extended the supply contract of the Supplier up to March 2024 without inviting fresh global tenders. This action of the GoN deprived the Department of the benefits of competitive and transparent bidding besides potentially compromising both cost efficiency and quality of the supply items.
- The work order for the supply of LPG cylinders for the personnel deployed in Delhi was awarded to the Supplier (M/s Bokavi Chishi), completely ignoring the fact that the supplier did not hold a valid licence to supply LPG in Delhi.

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13 Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL)

14 The firm (M/s Bokavi Chishi, Dimapur) was part of the Government approved panel of suppliers for 2017-18.

15 1st NAP, 2nd NAP, 3rd NAP, 4th NAP, 5th NAP, 7th NAP and 8th NAP

16 August 2022, October 2022, November 2022, March 2023 and August 2023

- Further, in terms of Regulations 2 (b) and 2 (e) of the LPG Regulation Order, 2000, the Supplier (M/s Bokavi Chishi) falls under the definition of a "Consumer" and not a "Distributor" of LPG. As such, the firm was not authorised to supply LPG. Audit observed that to execute the supply order, the Supplier (M/s Bokavi Chishi) procured the LPG items from a Distributor of Indane Cooking Gas (M/s C. Lal & Sons (Gas), New Delhi).
- As per Regulation 9(d) of the LPG Regulation Order, 2000, the price of LPG is determined by Government Oil Companies. However, the work contract for supplying LPG items was awarded to the supplier at rates that were 62 to 189 *per cent* higher than the rates (including handling and transportation charges) fixed by Indian Oil Corporation Limited (IOCL), a Government Oil Company. Thus, the Department incurred avoidable financial loss of ₹3.46 crore (details in ***Appendix-4.4.1)*** on the supply of LPG items (14,651 commercial LPG cylinders/refills) effected through the Supplier (M/s Bokavi Chishi) during the period of three years from April 2021 to March 2024.
- Audit further observed that, while placing the supply order with the Supplier (M/s Bokavi Chishi), the Department did not consult IOCL or its Delhi-based distributors to explore the possibility of directly supplying commercial LPG cylinders to Nagaland Police units stationed in Delhi.

The Department procured commercial LPG cylinders/refills from an unlicensed supplier at rates significantly higher than those fixed by IOCL, thereby violating Regulations 2, 6, and 9(d) of the LPG (Regulation of Supply and Distribution) Order, 2000. This action led to an avoidable excess expenditure of ₹3.46 crore. Further, the procedural deficiencies in the selection/continued engagement of the Supplier (M/s Bokavi Chishi) without following the prescribed tendering procedure highlights ineffective internal controls and monitoring mechanism in the Department.

On this being pointed out (August 2024), the Government stated (September 2024) that LPG was made available to those Armed Units/Coys[17] deployed outside the State, such as in Delhi, for practical reasons and non-availability of firewood. M/s Bokavi Chishi, Dimapur, engaged the services of M/s C. Lal & Sons (Gas), an authorised LPG distributor of Indian Oil, to fulfil the requirements of Group "D" Wet Ration item of the NAP Coys posted in Delhi. It was also stated that the extension of supply for Dry, Wet and CPR Ration items to NAP/IR Battalions for the year 2024-25 was cancelled in March 2024 and the State Government approved (March 2024) a monthly allocation of ₹2,500 per eligible police personnel for purchase of rations with effect from April 2024.

The reply was not acceptable, as the procurement of commercial LPG cylinders/ refills was awarded to a Supplier not holding a valid licence to supply LPG, which

[17] 'Coys' is an abbreviation for Company. It refers to a unit within a larger military organization, often composed of multiple platoons.

was in violation of the LPG (Regulation of Supply and Distribution) Order, 2000. Moreover, engaging the Supplier without following the open tendering process violated standard procurement procedures and caused substantial financial loss to the State Exchequer due to payment of higher rates than admissible for the procured items.

Recommendations:

The State Government may-

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

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

HOME (DISTRICT ADMINISTRATION) DEPARTMENT

4.5 Misappropriation of fund

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

In Nagaland, the process of land acquisition for Government's developmental activities and compensation to the landowners is regulated by provisions of "The Nagaland Land Requisition and Acquisition Act, 1964". Section 11 (1) of the Act states that whenever any land is acquired, there shall be paid compensation the amount of which shall be determined by the Collector of the District. The Land Revenue Department, Government of Nagaland (GoN), also instructed (February 1994) all Departments, Government Institutions, District Administrations, and other entities involved in land acquisition to obtain copies of acquisition documents, deeds of transfer and agreements entered into with original landowners related to acquired land for which compensation had been paid. Further, the GoN constituted (June 2006) the State Land Acquisition Authority (SLAA) under the Planning and Transformation Department[18] (P&TD), GoN, to examine all the proposals for land acquisition to decide the area of land to be acquired and approve land compensation rates.

Examination of records (September 2023) of the Deputy Commissioner (DC), Phek revealed that the Additional Deputy Commissioner (ADC), Pfutsero, Phek signed (June 2021) an agreement with the representatives[19] of Kupa Clan of Kami village for acquisition of land measuring five acres (2,17,800 sq.ft.) situated at Reku area under Pfutsero Sub-Division for the development of a Sub-Jail at Pfutsero. As per the agreement, the landowners agreed to sell five acres of land at the rate of ₹20 per sq. ft.

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[18] Planning and Co-ordination Department was renamed as Planning and Transformation Department vide Cabinet approval No.CAB-1/14/2023 dated 09 March 2023

[19] Represented by Shri Neilhi Kupa, Clan Chairman and Shri Wetezu Kupa, Clan Secretary

The agreement also stipulated that a Sale Deed would be executed at the time of payment of the compensation amount by the State Government. The SLAA thereafter approved (February 2022) the acquisition of five acres of the land at ₹20 per sq. ft. for a total amount of ₹43.56 lakh. The GoN sanctioned an amount of ₹43.56 lakh in September 2022 and the P&TD, GoN released (September 2022) ₹43.56 lakh[20] to the DC, Phek for payment of land compensation to the landowners. The land compensation amount was to be transferred to the landowners.

Audit observed that in October 2022, Shri Wetezu Kupa, an individual landowner from Kami village, offered to sell five acres of land situated at a nearby location (Tsukozhe[21]) for the development of a Sub-Jail at cheaper rate of ₹12 per sq. ft. as an alternative of the site (Pfutsero) approved (February 2022) by the SLAA for development of the Sub-Jail. The land owner (Shri Wetezu Kupa) had also signed (28 October 2022) an 'Undertaking' (Affidavit registration No. 1890 dated 28 October 2022) in this regard before the Judicial Magistrate First Class, Pfutsero, which was also countersigned (November 2022) by the DC, Phek. In November 2022 itself, the DC, Phek released the full payment of ₹ 26.00 lakh[22] to the land owner (Shri Wetezu Kupa) for the purchase of five acres of land at new location at the agreed rate of ₹12 per sq.ft.

In this connection, the following observations are made:

- As per the original proposal approved (February 2022) by the SLAA, the Sub-Jail was to be developed on a plot of land (five acre) owned by Kupa Clan of Kami village situated at Reku area under Pfutsero Sub-Division, which was to be acquired at the rate of ₹20 per sq. ft. While changing the location for the proposed Sub-jail, however, the DC, Phek, did not submit any revised proposal for land acquisition/cost for approval of the SLAA/ GoN; in violation of the laid down procedure for acquisition of land.

- The DC, Phek had released (November 2022) full payment (₹26.00 lakh) to the land owner (Shri Wetezu Kupa) towards acquisition of five acre land without execution of the 'Sale Deed' for purchase/acquisition of land in violation of the instructions issued (February 1994) by the Land Revenue Department, GoN.

- Further, while releasing (November 2022) the payment (₹26.00 lakh) to the individual land owner (Shri Wetezu Kupa), the DC, Phek had irregularly utilised the funding (₹43.56 lakh) released (September 2022) by the GoN towards acquisition of land originally approved (February 2022) by SLAA for development of Sub-Jail without obtaining the approval of the GoN/ SLAA.

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20 Vide cheque No 318259 dated 17/09/2022
21 The area is also called as Reku, which was situated near Horticulture Farm in Pfutsero town.
22 Vide Cheque No. 172004 dated 03/11/2022

- Further, the DC, Phek had withdrawn[23] (November 2022) the balance unutilised amount (₹17.56 lakh) in cash instead of refunding/depositing the same into State Government Account. No supporting vouchers for the utilisation of balance amount (₹17.56 lakh) by the DC, Phek were found on records.

Thus, the facts stated above indicated that the DC, Phek had misappropriated the unutilised Government funds of ₹17.56 lakh intended for acquisition of land for development of a Sub-Jail at Pfutsero, resulting in a direct financial loss to the State Exchequer. Moreover, as the Sale Deed for the land had not been executed, the completion of the project may be delayed, affecting the development of prison infrastructure in the area. The actions of the DC in deviating from the SLAA approval were unauthorised and could undermine public trust and participation in future land acquisition efforts.

In reply, the Government stated (August 2024) that the additional amount of ₹17.56 lakh was released (November 2022) to the landowner through cash payment and also furnished receipt voucher of ₹17.56 lakh signed by Shri Huvesiyi, UDA, DC Phek in support of the payment made. In a separate reply, the DC, Phek stated (October 2024) that, the Undertaking/Affidavit signed by the individual land owner (Shri Wetezu Kupa) was declared 'null and void'. It was further added that the agreement entered into (June 2021) between Kupa Clan and ADC, Pfutsero, was accepted whereby it was decided to acquire the plot of land at ₹20 per sq.ft.

The reply of the Government was not acceptable as based on the Undertaking/ Affidavit signed (28 October 2022) by the individual land owner, full payment (₹26.00 lakh) was released towards acquisition of the alternative land offered by the land owner. The receipt voucher towards payment of ₹17.56 lakh to the land owner (Shri Wetezu Kupa) also appears to be fictitious in view of the fact that the landowner had denied receipt of the said amount and also that the 'Sale Deed' for acquisition of land for development of the Sub-Jail was still pending to be executed.

Recommendations:

The State Government may-

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

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

[23] Withdrawn by Shri Huvesiyi, Upper Divisional Assistant (UDA) of the establishment of DC, Phek.