

OVERVIEW

This Report includes two Chapters containing the observations of Audit on the Finance and Appropriation Accounts of the State for the year 2000-01 and six other Chapters with 7 audit reviews and 27 paragraphs dealing with the results of the audit of selected schemes, programmes and of the financial transactions of the Government and its commercial and trading activities. A synopsis of the major findings is set out in this overview.

1. An overview of the finances of the State Government

Assets and liabilities

Assets of the State Government increased by 15 *per cent* from Rs.1804.59 crore in 1999-2000 to Rs.2079.08 crore in 2000-01, while liabilities increased by 19 *per cent* from Rs.1634.17 crore in 1999-2000 to Rs.1944.79 crore in 2000-01 indicating deterioration in the financial condition of the Government.

Revenue receipts

Revenue receipts of the State Government increased from Rs.1131.46 crore in 1999-2000 to Rs.1254.10 crore in 2000-01 registering an increase of 11 *per cent*. The increase was mainly on account of increase in grants-in-aid from the Central Government (Rs.545.08 crore), in addition to the increase of Rs.6.75 crore under State Tax Revenue, in relation to the year 1999-2000. The total receipts from the Central Government (Rs.1168.62 crore) during the year represented 93 *per cent* of the total revenue receipts (Rs.1254.10 crore), and 91 *per cent* of the revenue expenditure (Rs.1290.23 crore), Non-Tax revenue raised by the State, increased only by 0.95 *per cent* from Rs.38.86 crore in 1999-2000 to Rs.39.23 crore in 2000-01.

Revenue expenditure

Revenue expenditure of the State grew by 13 *per cent* from Rs.1140.80 crore in 1999-2000 to Rs.1290.23 crore in 2000-01 and constituted 85 *per cent* of total expenditure in 2000-01. This consisted of Non-Plan expenditure (57 *per cent*) and Plan component (34 *per cent*).

Capital expenditure

Capital expenditure increased by 67 *per cent* from Rs.134.61 crore in 1996-97 to Rs.224.40 crore during 2000-01, and constituted 15 *per cent* of the total expenditure during the year. The capital expenditure was mainly under "Plan", and on Economic and Social Services.

During 2000-01, the State Government paid interest of Rs.177.09 crore on debt and other obligations and constituted 14 *per cent* of the Revenue

expenditure. The interest burden also increased by 16 *per cent* over the previous year.

Investments and returns

The State Government invested Rs.2.99 crore during 2000-01. Of this, Rs.0.30 crore was invested in Government Companies, and Rs.2.69 crore in Co-operative institutions. With these fresh investments, the total investment of the Government as of March 2001 stood at Rs.51.04 crore. No dividend/interest was received by the Government on such investments.

Fiscal deficit

Fiscal deficit is the excess of revenue and capital expenditure (including net loans given), over revenue receipts (including grants-in-aid received). During 2000-01, fiscal deficit was Rs.271.43 crore, and recorded an increase of 98 *per cent* from Rs.137.07 crore in 1996-97 to Rs.271.43 crore in 2000-01.

Public debt and other liabilities

During the five years ending 2000-01, there was 151 *per cent* growth in internal debt, 73 *per cent* growth in loans and advances from Central Government and 64 *per cent* growth in other liabilities.

Ways and means Advances/Overdrafts

The Ways and Means Advances/Overdrafts obtained from Reserve Bank of India had increased (1788 *per cent*) from Rs.13.00 crore in 1996-97 to Rs.245.47 crore in 2000-01. Similarly, overdraft availed by Government had increased by 209 *per cent* over a period of 5 years ending March 2001. As of March 2001, Rs.69.29 crore on account of Ways and Means Advances and Rs.99.30 crore towards overdrafts were to be repaid by the Government.

Analysis of financial performance with indicators

Some of the major findings that emerged from analysis of financial performance of the State Government with various indicators were: - (i) the interest burden on the Government was substantial and showed a rise up trend; (ii) there was negative BCR in all the five years ending 2000-01, suggesting that Government had been depending heavily on borrowings for meeting its Plan and Non-plan expenditure, and (iii) the Government had not been earning any dividend/interest on investments.

(Paragraph 1)

2. Appropriation Audit and Control over expenditure

Excess expenditure over grants/appropriations not regularised for the past several years: Though it was mandatory for the Government to get the excess expenditure over grants/appropriations regularised, such excess expenditure of Rs.1009.80 crore pertaining to the years from 1991-92 to 1999-2000 except 1992-93 was yet to be regularised.

Overall savings/excess

Against gross provision of Rs.2222.13 crore, gross expenditure during the year, was Rs.1923.64 crore. The overall saving of Rs.298.48 crore was the net effect of excess of Rs.51.81 crore 17 cases of grants and 1 appropriations, and saving of Rs.350.30 crore in 64 cases of grants and 5 cases of appropriations.

Supplementary grants

Supplementary grants of Rs.29.53 crore obtained in 24 cases proved unnecessary in view of aggregate saving of Rs.45.81 crore. In other 9 cases, supplementary provision of Rs.30.06 crore proved insufficient, leaving an aggregate uncovered excess expenditure of Rs.13.86 crore.

In 55 cases, against additional requirement of Rs.31.72 crore, supplementary provision of Rs.297.36 crore was obtained resulting in saving exceeding Rs.10 lakh in each case, aggregating Rs.265.64 crore

Surrender of savings

Against the total excess of Rs.51.81 crore available under 17 grants and appropriation during the year, savings aggregating Rs.144.18 crore available under 13 cases of grants (savings exceeded Rs.1 crore in each case) were not surrendered, though as per financial rules; spending dependants were required to surrender grants/appropriations to the Finance Department, as and when any saving was initiated. In 13 grants; against the available savings of Rs.31.55 crore, the amount surrendered was Rs.41.24 indicating injudicious surrender of Rs.9.69 crore in excess of available savings.

Reconciliation of Departmental expenditure

Controlling officers were required to reconcile the departmental figure of expenditure, with those booked by the Sr. Deputy Accountant General (A&E) before closure of accounts for the year. But, such reconciliation in respect of Rs.88.56 crore had not been carried out by two controlling officers.

Abstract Contingent bills

33 Drawing and Disbursing officers of 6 Departments did not submit, as of December 2001, detailed countersigned contingent bills (DCC) for Rs.0.37 crore; drawn in 37 abstract contingent (AC) bills during the period May 1999 to August 2000. As per the Treasury Rules, DCC bills are required to be

submitted to the Accountant General duly countersigned by the Controlling officer within 2 months of the drawals of AC bills.

(Paragraph 2)

3. AUDIT REVIEWS

3. Prevention and Control of Diseases

In order to contain the magnitude of the diseases causing major health problems, GOI started various Centrally sponsored Schemes grouped under a common heading "Prevention and Control of Diseases". A review of the implementation of the programme for the period from 1996-97 to 2000-01 by audit revealed that the main objective of the programme for prevention and control of diseases remained unfulfilled for lack of effective planning. Inadequate infrastructural facilities and poor performance of some of crucial functionaries plagued the programme. Non imparting of required training to key personnel adversely affected the programme.

A. National Blindness Control Programme

Against the requirement of 3025 cataract surgery per year as per norm at the rate of 250 per lakh population, the target fixed for cataract surgery ranged between 300 and 450 per year and the actual achievement thereagainst ranged between 224 and 430 during 1996-2001. This indicated a very poor performance in implementation of the programme.

The DM/Us are required to operate 1500 cataract surgery per year. At this rate, against the requirement of 4500 cataract surgery during 1998-2001, 12 cataract operations only were performed during the period indicating a shortfall of 99.97 *per cent* of prescribed standard.

(Paragraph 3.1)

B. National Tuberculosis Control Programme

Against the target of 7109 cases to be detected during 1996-2001, 6143 cases were detected of which 3151 cases were brought under treatment.

The State TB Control Society and 3 District TB Control Societies failed to utilise Central assistance of Rs.35.98 lakh out of the total grants of Rs.44.14 lakh received from GOI.

(Paragraph 3.2)

C. National AIDS Control programme

The Department reported expenditure of Rs.1169.60 lakh against the actual expenditure of Rs.840.06 lakh. Thus the expenditure was inflated by

Rs.329.54 lakh on account of advance payments to Departmental officers and NGOs.

The programme funds of Rs.17.86 lakh was unauthorisedly diverted on procurement of vehicles.

The incidence of HIV/AIDS infection rate among STD patients and antenatal mothers was on much higher side and registered as of 2000 at 6.96 *per cent* and 1.63 *per cent* against the goal to be achieved below 1 *per cent*.

(Paragraph 3.3)

D. National Leprosy Eradication Programme

Of the Central assistance of Rs.39 lakh received from GOI during 1996-2001, the DHs and State Leprosy officer are suspected to have misappropriated Rs.37.02 lakh.

There was no impact on detection and treatment of leprosy cases during Modified Leprosy Eradication Campaign despite incurring of expenditure of Rs.68.55 lakh on campaign.

(Paragraph 3.4)

3.2 Modernisation of State Police Forces

The scheme “Modernisation of Police Forces” a centrally sponsored scheme was introduced by the Government of India during 1969-70 with a view to improving the efficiency and effectiveness of the State Police organisation. A review of the implementation of the scheme in the State during 1996-97 to 2000-2001 revealed the following points: -

In deviation to the norms and directives of the government of India, Rs.51.03 lakh was unauthorisedly/irregularly drawn by the Director General of Police for purchase of Bomb disposal.(Rs 20.23 lakh), Training materials (Rs.28.23 lakh) and forensic science Laboratory equipments (Rs.2.57 lakh) which were not permissible under the scheme.

The Department irregularly issued Arms and Ammunitions worth Rs.75.71 lakh and vehicles worth Rs.82.42 lakh to special Nagaland Armed Police located at Delhi and to 9th NAP (Indian Reserve Battalion-IRB) located at Chumukedima though both the Battalions did not fall under the purview of the scheme.

The department made an irregular expenditure of Rs.47.98 lakh on procurement of inadmissible items, which were not envisaged in the scheme.

The Department furnished utilisation certificate of Rs.2.70 crore against actual expenditure of Rs.1.34 crore. Inflated expenditure was reported to Government of India for the sole purpose of obtaining more funds.

(Paragraph 3.5)

3.3 Functioning of Youth Resources and Sports Department

The Youth Resources and Sports Department was created in August 1993 to promote sports activities and overall development of youth in the State. The activities of the Department for the period 1996-2001 indicated that the department failed to achieve its objectives because of its faulty programme. All the activities of the Department were centered in Kohima district only, as a result the youth resources and sports activities of other 7 districts in the State remained grossly neglected.

Payment of Rs.1.82 crore to 494 beneficiaries towards 50 percent project cost under the scheme "Self Employment" proved infructuous due to failure of the Department to associate Banks in providing assistance.

The Department constructed youth Hostel in March 1987 at Dimapur at a total cost of Rs.64.78 lakh. The hostel could not be utilised after its construction and remained vacant for 11 years resulting in unproductive locking up of funds.

The Department started (1975-76) construction of Sports Complex at Dimapur and suspended the construction in 1994 due to shortage of funds after incurring an expenditure of Rs.207.06 lakh. This indicated that work was taken up by the Department in ill-planned manner.

The department constructed five indoors stadia at a cost of Rs.3.88 crore. But the stadia so constructed remained grossly underutilised as no tournament was held in 4 stadia reportedly due to non availability of funds during the last five years ended March 2001.

(Paragraph 3.6)

3.4 Drinking water

(A) Accelerated Rural Water Supply programme

The scheme of Accelerated Rural Water Supply Programme aims to provide safe and adequate drinking facilities to the rural population. The poor achievement was mainly for unrealistic planning, non-utilisation of central fund resulted in reduction of central assistance financial irregularities, emphasis on non-priority scheme, procurement of materials without assessing requirement, non-receipt of materials on the advance payment.

These are highlighted below: -

-Central assistance of Rs.6.04 crore had been reduced during 2000-01 due to under utilisation of funds and shortfall in state's matching share.

-State sector BMS funds of Rs.28.58 crore were diverted for payment of salary to work charged staff and subsequently charged the expenditure to ongoing scheme to show the utilisation matching share under State sector schemes.

-BMS fund of Rs.1.56 crore for rural water supply programme were unauthorisedly diverted for repair/renovation of administrative building residential quarters and ground water exploration at Kohima town.

-The Department incurred expenditure of Rs.2.42 crore against habitation which were either under the covered habitation or existence of the habitation was not identified. Rs.6.18 crore was spent on fully covered habitation leaving a side 397 habitation uncovered.

-Rupees 0.26 crore provided for HRD activities were utilised for meeting the normal office expenditure of the Department.

-96 schemes approved under state sector (MNP) have been discontinued after incurring expenditure of Rs.2.16 crore upto March 1997

-Due to non completion of the scheme “providing water supply to Longkeim-Chare 21 villages” as of September 2001, the expenditure of Rs.1.63 crore incurred between 1991 and 1995 became wasteful.

(Paragraph 4.1)

3.5 Drinking Water

(B) Accelerated urban water supply programme

The programme was launched in March 1994 to provide financial support to the medium town having population below 20,000 as per 1991 census. The objective of the scheme was largely frustrated due to inadequate planning, inaccurate preparation of estimate, delay in completion, unauthorised extra expenditure extension of undue benefit to the contractor.

Audit review revealed that: -

-Rupees 0.50 crore of HUDCO loan remitted to Executive Engineer (PHE) Zunheboto was not accounted for, Rs.0.20 crore meant for Phek town project was diverted to Mokokchung town project.

-Department incurred expenditure of Rs.0.64 crore on non-priority work like construction of office building and procurement of five light vehicles outside the provision.

-Committed contribution of local bodies (5 percent) Rs.0.45 crore was not realised.

-There were cost over-run (Rs.1.96 crore) due to delay in execution, undue financial benefit to the contractor (Rs.0.18 crore), doubtful expenditure of (Rs.1.37 crore) on raw water raising mainline, unauthorised extra expenditure of Rs.0.32 crore and expenditure of Rs.0.98 crore on fictitious works was incurred on Phek and Zunheboto town project by the Executive Engineers (PHE) Phek and Zunheboto Division.

(Paragraph 4.2)

3.6 Integrated audit of Works and Housing Department including man power management

The primary objective of Works and Housing Department was to construct maintain and repair of roads, bridges and government buildings. Working of the Department including Manpower Management was reviewed in audit.

Due to delayed release of loan received from LIC and NABARD and keeping money idle in Government Account, the Government paid interest of Rs.1.68 crore.

Despite receipt of fund of Rs.318.93 lakh, the implementing agencies lagged behind in programme implementation and kept money in the form of deposit-at-all. Out of which, Rs.213.60 lakh was encashed after retaining from 7 to 550 days which led to a loss of interest of Rs.4.86 lakh at Government borrowing rate.

The Department made excess entertainment of staff (1427 posts) over sanctioned posts which resulted in extra expenditure of Rs.2185.44 lakh.

The Department spent Rs.94.24 crore including Rs.34.51 crore from plan towards wages to work charged staff without work.

The department made unnecessary procurement of store materials without assessing requirement which resulted in idle outlay of Rs.284.20 lakh.

Due to delay in finalisation of tenders and handing over site, there was time overrun of 6 to 10 years and cost overrun of Rs.697.95 lakh in construction of officer's hostel at Kohima and Railway over bridge at Dimapur.

The Department made poor utilisation of machinery between 45 to 82 *percent* which resulted in wasteful expenditure of Rs.42.76 lakh on pay and allowance of 12 Drivers and handymen rendered idle.

(Paragraph 4.3)

3.7 Stores and Stock Management

The Stores and Stock Management in Police Department was flawed as requirements were not based on actual data or past consumption. Purchases were made centrally without assessment of requirement leading to locking up of large inventories and public funds.

The department procured anti-riot equipment in an unbridle manner and in excess of requirements of Rs.52.90 lakh though such equipment worth Rs.45.13 lakh was lying unutilised for more than 4 years.

The department procured (between April 1997 and July 1999) 4187 Bullet Proof Jackets of different categories at a total cost of Rs.3.86 crore. The jackets remained unutilised after its procurement due to their heavy weight.

While, placing the supply orders, the department did not specify the weight and size of the jackets and this indicated that procurement was made without any proper planning.

Against the authorised reserve stock limit of Rs.25 lakh, the Police Engineering Project Division at Chumukedima accumulated stores exceeding the ceiling limit by Rs.25.59 crore. No reserve stock limit was prescribed for Police Central Store, Chumukedima and Police Engineering Project Division, Alichen. As a result stock held by these store and division for Rs.176.92 lakh and 956 lakh was unauthorised.

(Paragraph 5.1)

3.8 Internal Control Mechanism of Sales Tax Department

Healthy administrative and sound financial management coupled with sound application of rules and regulations allows for efficient functioning of a Department. The levy, assessment and collection of Sales Tax is governed by Nagaland Sales Tax (NST) Act, 1967 and Rules 1970. The Department has, in pursuance of Sales Tax Act and Rules, prescribed Control register, Assessment and Demand collection register, movement register for proper control over registration of assesses, submission of returns and assessment and collection of taxes.

Out of 18,000 cases of assessment in 6 selected units, required to be finalised only 6697 cases were finalised during 1996-2001 registering a shortfall of 55 *per cent* to 69 *per cent* due to lack of a monitoring system for watching disposal of assessment cases.

Taxable turnover of Rs.84.12 crore in case of 21 dealers of Dimapur circle, was irregularly exempted which resulted in loss of revenue of Rs.6.68 crore for lack of internal control mechanism.

10 registered dealers of Dimapur circle concealed turnover of Rs.40.82 crore during the period from 1995-96 to 1999-2000 and this resulted in evasion of tax and penalty of Rs.9.33 crore. This indicated that internal control mechanism was either very poor or non-existent.

32 dealers of Dimapur and Kohima circle imported raw materials worth Rs.186.85 crore between 1995-96 to 1998-99. But not a single consignment was recorded in the movement register of the check gate at Dimapur. This resulted in evasion of tax of Rs.20.05 crore.

There was abnormal delay in disposal of appeal cases by the appellate authority which resulted in locking up of revenue amounting to Rs.4.14 crore.

(Paragraph 6.1)

4 Paragraphs

(a) Fraudulent drawal/misappropriation

(i) Failure on the part of the Treasury Officer to exercise statutory checks resulted fraudulent drawal of pension for Rs.152.11 lakh by using identical computerised forms as are used by the A.G's Office.

(Paragraph 3.8)

(ii) Rupees 10 lakh being GPF non-refundable advance fraudulently drawn by the Deputy Inspector of School, Peren and payment made to the employees without documentary evidence and suspected misappropriation of Rs.1.54 lakh by reducing cash balance.

(Paragraph 3.15)

(iii) Due to omission to exercise the prescribed check by the Executive Engineer, PHE, Mokokchung, there was a fraudulent drawal of Rs.5.86 lakh through duplicate and triplicate copy of the supplier's bills.

(Paragraph 4.8)

(b) Avoidable/infructuous/extra expenditure/unauthorised/ unnecessary purchase/excess payment/undue financial benefit/fictitious payment

(i) The Deputy Commissioner, Mokokchung incurred infructuous expenditure of Rs.63.28 lakh on salaries to idle staff.

(Paragraph 3.13)

(ii) The Inspector General of Prisons, Kohima made payment of Rs.15 lakh to the contractor without execution of the work.

(Paragraph 3.14)

(iii) Due to non-procurement of the materials from the authorised dealer at manufacturers rate the General Manager, NST, Dimapur made an extra expenditure of Rs.117.61 lakh

(Paragraph 3.16)

(iv) Due to non-acceptance of lowest rates offered by the firms resulted in an extra expenditure on fabrication of bus bodies for Rs.32.16 lakh by the General Manager, NST, Dimapur.

(Paragraph 3.17)

(v) Due to arbitrary allowance of price escalation and enhancement the rate by the Chief Engineer, Power, the department incurred an extra avoidable expenditure of Rs.56.01 lakh on procurement of material.

(Paragraph 4.5)

(vi) Due to irregular allowance of interest beyond the period of final settlement of pending bills resulted in excess payment of Rs.24.04 lakh made by the Executive Engineer, PHE, Tuensang in addition to extra avoidable expenditure of Rs.66.66 lakh incurred thereon.

(Paragraph 4.6)

(vii) The contractor was allowed an undue financial benefit of Rs.33.28 lakh by the Executive Engineer, Referral Hospital, Dimapur by allowing advance payment in excess of stipulated limit involving loss of interest of Rs.32.95 lakh to the Government.

(Paragraph 4.9)

(c) Locking up of funds

(i) The Director, Food and Civil supplies, Dimapur had procured 17 mini trucks at a cost of Rs.70.42 lakh inspite of having a fleet of 66 Trucks led to locking up of Government funds and involving loss of interest of Rs.24.34 lakh to the government.

(Paragraph 3.10)

(ii) Lack of proper planning and co-ordination resulted in suspension of construction of Horangke Hydel Project and Rs.213.20 lakh spent on procurement of the machinery by the Executive Engineer, Hydro Electric Division, Kohima much in advance of requirement led to locking up of Government funds and also cost of fund by Rs.242.15 lakh.

(Paragraph 4.4)

(d) Other points of interest

(i) Rupees 120 lakh was drawn by the Director, Art and Culture, Nagaland, Kohima between March 1997 and March 2000 through AC bills for development works of second World War Museum at Kohima and kept in civil deposit by floating financial rules.

(Paragraph 2.21)

(ii) Rupees 269.03 lakh was drawn in advance of requirement by the Commissioner for procurement of 16,502 metre red blanket for Gaon Burahs/Dubashies and village guards resulted in loss of interest of Rs.14.70 lakh.

(Paragraph 2.22)

(iii) Medical reimbursement of Rs.115.40 lakh was made by the Chief Engineer (R&B) and Director of Health Services without supporting documents and due to laxity of the Director General of Police, Chief Engineer (R&B), Director of Health Services, Director of Food and civil supplies, Director of Rural Development Blocks resulted in non-adjustment of medical advance of Rs.91.41 lakh even after a lapse of 3 to 48 months.

(Paragraph 3.11)

(iv) Commandant 1st NAP Battalion, Chumukedima, Superintendent of Police, Phek and Tuensang failed to enforce recovery of Rs.108.08 lakh towards cost of Police guards against banks/agencies.

(Paragraph 3.12)

(v) Due to arbitrary action of the Minister and the Department of the Veterinary and Animal Husbandry Government unnecessarily incurred expenditure of Rs.42 lakh in payment of compensation to the suppliers.

(Paragraph 3.18)

5. Revenue

(e) Concealment of turnover/wrong assessment

Due to concealment of taxable turnover by a dealer resulted in evasion of tax amounting to Rs.9.63 lakh besides penalty of Rs.28.89 lakh was not levied.

(Paragraph 6.6)

Concealment of purchase value of raw materials by a dealer led to evasion of tax of Rs.3.88 lakh and penalty of Rs.10.92 lakh

(Paragraph 6.7)

Due to wrong assessment by the assessing authority the dealer escaped tax of Rs.6.19 lakh in addition to interest of Rs.3.09 lakh

(Paragraph 6.8)

(f) Loss of revenue/misappropriation

Government suffered loss of revenue of Rs.7.39 lakh due to irregular grant of exemption from payment of forest royalty.

(Paragraph 6.9)

Non-accounting of the revenue in Cash Book by the Executive Engineer, PHE Department, Kohima resulted in misappropriation of funds of Rs.2.21 lakh.

(Paragraph 6.10)

Non-accounting of revenue realised into the cash book resulted in misappropriation of funds of Rs.4.87 lakh

(Paragraph 6.11)

Government suffered loss of revenue of Rs.22.64 lakh due to non-deduction of works tax at source.

(Paragraph 6.12)

6. Commercial

(g) General

(i) There were six Government companies and nine departmentally managed Government commercial and quasi-commercial undertakings, in the State, as on 31 March 2001. The total investment in six Government companies (including one subsidiary) was Rs.57.88 crore (equity: Rs.18.74 crore; long term loans: Rs.29.53 crore and share application money: Rs.9.61 crore).

(Paragraph 8.1.1 & 8.1.2)

(ii) None of the Government companies had finalised their accounts for the year 2000-01. The extent of arrears ranged from nine to twenty three years. Proforma account of all the departmentally-managed Government commercial and quasi commercial undertakings were in arrears ranging from two years to thirty years.

(Paragraph 8.1.5.1 & 8.1.11)